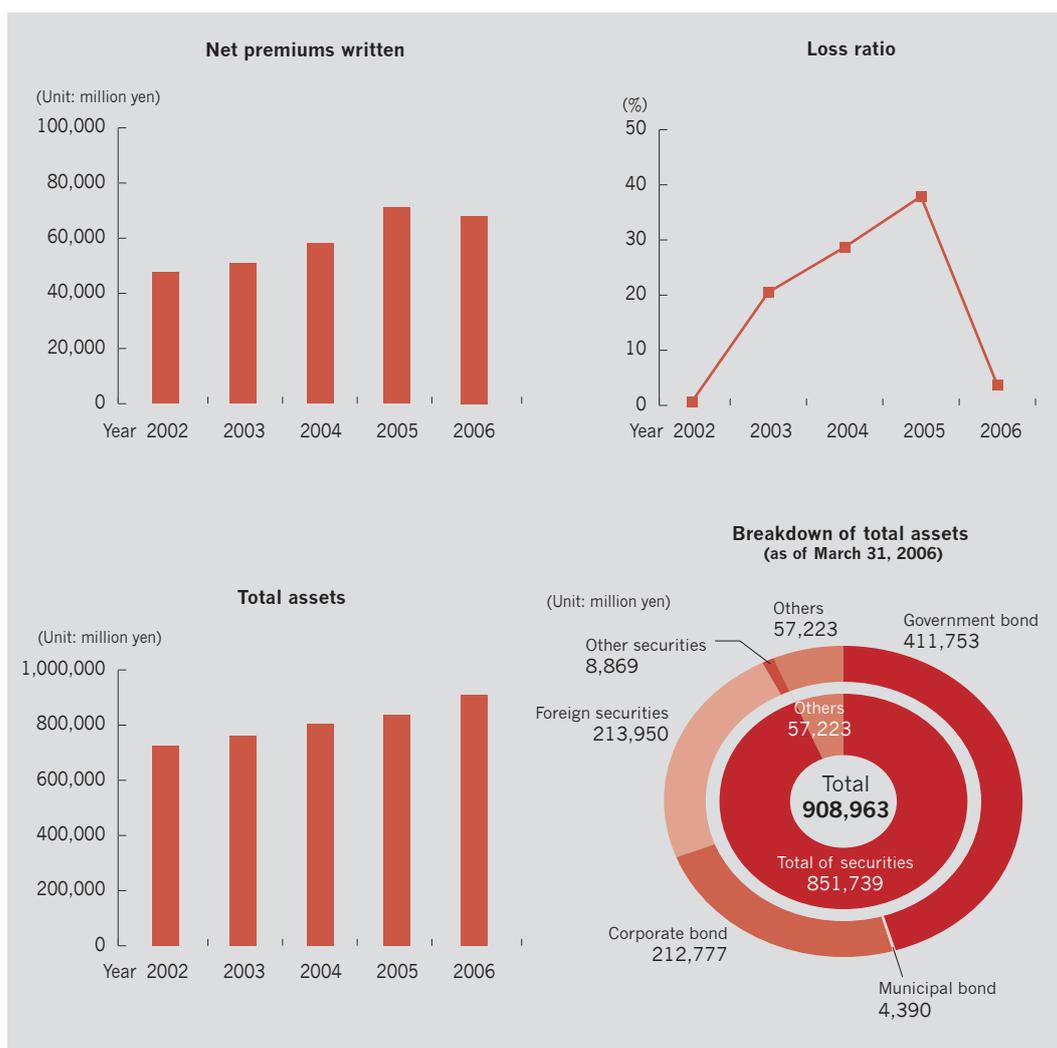


JAPAN EARTHQUAKE REINSURANCE CO., LTD.

FINANCIAL HIGHLIGHTS

Although net premiums written declined in fiscal 2006, they have been trending higher in recent years, accompanying the increase in the number of earthquake insurance policyholders. We invest assets under management in bonds with high credit ratings and liquidity to prepare for the payment of reinsurance claims.





(Unit: Million yen)

Fiscal Year	2002	2003	2004	2005	2006
Net premiums written	47,566	50,896	58,198	71,132	67,981
Loss ratio	0.7%	20.5%	28.7%	37.9%	3.7%
Underwriting income	51,897	54,678	61,995	91,001	72,451
Ordinary profit	303	184	98	23	143
Net income	10	17	10	36	△16
Solvency-margin ratio	176.3%	184.3%	182.2%	160.2%	175.3%
Total shareholders' equity	1,577	1,579	1,587	1,605	1,600
Total assets	726,458	761,594	804,333	838,555	908,963
Net unrealized gains on other securities	25	14	11	△5	5
Net unrealized gains on other securities of earthquake insurance	11,825	7,000	5,458	△9,054	△4,540

PROFILE

In accordance with the introduction of the Law concerning Earthquake Insurance (Law No.73, May 18, 1966) and following the launch of sales of earthquake insurance on dwelling risks to be written in conjunction with dwelling and shop-owners comprehensive insurance policies, JER was established with share capital of 1 billion yen by 20 domestic Japanese non-life insurance companies on May 30, 1966. The Company was licensed for the earthquake insurance business and started its operation on June 1, 1966.

Earthquake insurance on dwelling risks depends on this reinsurance system (which is a safety net, as it were), in which the government, non-life insurance companies and JER participate to ensure that insurance claims can be paid to policyholders without fail.

The insurance premiums paid by policyholders are separated from non-life insurance companies, and are managed and operated by the government and JER.

JER is thus at the center of a reinsurance system, and undertakes reinsurance procedures with the government and non-life insurance companies, while managing and operating the insurance premiums paid by policyholders as the sole earthquake reinsurance company in Japan.

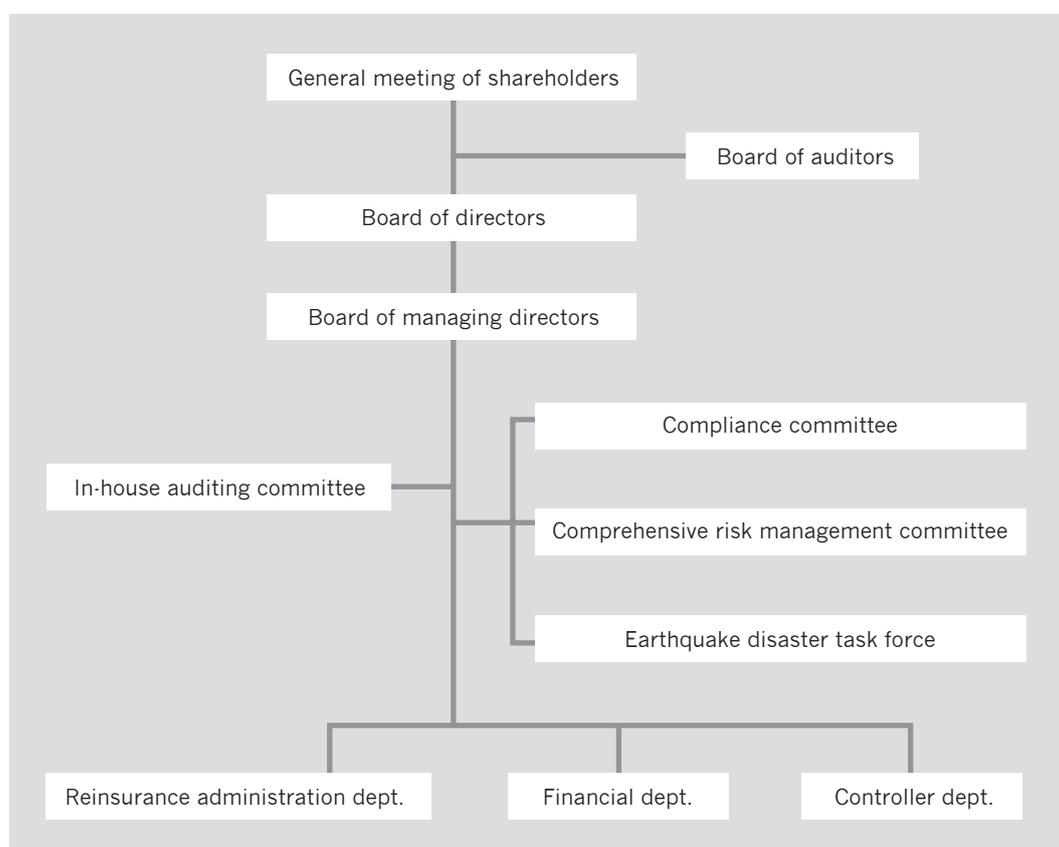
TOP 10 SHAREHOLDERS

(As of March 31, 2007)

Shareholder	No. of shares owned (1,000 shares)	Percentage of shares owned (%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	537	26.9
Mitsui Sumitomo Insurance Co., Ltd.	338	16.9
Sompo Japan Insurance Inc.	321	16.1
Nippon Koa Insurance Co., Ltd.	208	10.4
Aioi Insurance Co., Ltd.	153	7.7
Fuji Fire and Marine Insurance Co., Ltd.	123	6.2
Nissay Dowa General Insurance Co., Ltd.	102	5.1
The Toa Reinsurance Co., Ltd.	93	4.7
Nisshin Fire & Marine Insurance Co., Ltd.	61	3.1
The Kyoei Fire & Marine Insurance Co., Ltd.	34	1.7

ORGANIZATION

(As of April 1, 2007)





DIRECTORS (FULL-TIME)

(As of June 29, 2007)

Post	Name
Chairman (representative director)	Shozo Wakabayashi
President (representative director)	Akihiko Mori
Managing director (representative director)	Tatsuro Yoshida
Managing director (representative director)	Masayuki Hashimoto
Corporate auditor	Terumasa Hasegawa

RESPONDING TO MAJOR EARTHQUAKES

Our most important role is to pay reinsurance claims promptly and properly in the event of a major earthquake. We are provided therefore with a standing task force against earthquake disasters, consisting of full-time directors and managerial staff, and conduct annual drills to bolster our system for major earthquakes. We also carefully manage and operate our assets, with a focus on liquidity and safety in mind. See below for details.

TASK FORCE AGAINST EARTHQUAKE DISASTERS AND ITS ACTIVITIES

The committee is a standing in-house organization drawn from across JER. It prepares an annual plan, is the first responder according to the plan, sets up a task force headquarters and pays reinsurance claims, keeping an emergency manual for use in the event of an assumed major earthquake. In fiscal 2006, all directors and employees carried out a drill that involved walking to and from work.

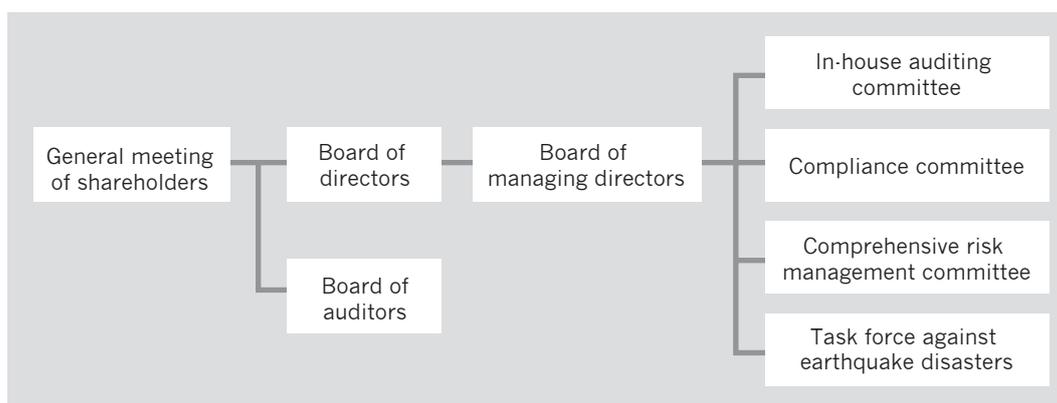
We have been making improvements to our payment system based on the simulation of damages suffered by Tokyo in the event of a destructive inland earthquake, prepared by the Central Disaster Prevention Council of Japan and an external research institution. In fiscal 2007, we will review the payment system centered on the funding plan, by referring to the results of a questionnaire “Developments in the Bond Market after the Occurrence of Major Earthquake Disaster” sent in March 2007 to bond market participants at banks and securities firms.

OPERATION BASED ON HIGHLY LIQUID ASSETS

Should a destructive inland earthquake strike Tokyo, we would have to pay a tremendous amount of reinsurance claims in a short period of time. For this reason, we always hold mainly highly liquid, high-rating securities, and basically we are prepared to cash almost all of our assets within four days. To reduce cost-related risks at the time of realization, we hold mainly medium-term securities.

CORPORATE GOVERNANCE

IN-HOUSE GOVERNANCE SYSTEM



COMMITTEES SYSTEM BASED OPERATION

Our corporate governance depends on the committees system under the control of the Board of Managing Directors. Consisting of three committees—an in-house auditing committee, a compliance committee and a comprehensive risk management committee—the system is designed to facilitate audits, compliance, risk management and the maintenance of sound business operations. Preparing for a natural calamity, the Company is provided with a task force against natural disasters to facilitate the payment of insurance claims and maintain the funding plan for payment, enabling it to take prompt action in response to large-scale earthquake disasters.

The annual operation policy and operating conditions of each committee is periodically reported to the Board of Managing Directors and Board of Directors.

AUDITING SYSTEM, OUTSIDE AND IN-HOUSE INSPECTION

Outside auditing and inspection

The Financial Services Agency examines our management and general business operation in accordance with Articles 129 and 313, Insurance Business Law. The Ministry of Finance conducts the same examination under Article 9, Law concerning Earthquake Insurance.

We also receive an accounting audit by an auditing corporation in accordance with the Commercial Code.

IN-HOUSE AUDITING

In addition to auditing conducted by auditors based on the Companies Law, we are equipped with an in-house auditing committee. In-house auditing puts emphasis on how major issues are handled by each division as well as on the compliance and risk control systems. Internal control conditions including office work are subject to auditing this year, with an emphasis on the inspection of the development of a new operating system.



RISK MANAGEMENT SYSTEM

It is becoming increasingly important to understand and control the complicated and diversifying risks that surround us, such as ongoing financial liberalization and the increasing sophistication of financial technology, to ensure the safety and soundness of management.

As specific measures to respond to this situation, we have been endeavoring to maintain and develop our risk control system by establishing a comprehensive risk control committee to supervise risk management and reinforce the functions of comprehensive risk control. This helps us understand risks exactly and control them properly. Developments on this matter are regularly reported to the Board of Directors and the Board of Managing Directors.

DEALING WITH ASSETS MANAGEMENT RISKS

The investment assets have amounted to approximately 900 billion yen. Because it is primarily necessary to pay reinsurance money promptly and properly in the event of a major earthquake disaster, the assets are generally being operated using public bonds. The management of risks involved in the management of assets is carried out according to the annual control policy. See below for detail.

Market risks

We measure the responsiveness to interest rates and currency exchanges and value at risk (VaR), and calculate the amount of loss due to a heavy change in interest or exchange rate to limit the volume of risks.

Credit risks

When purchasing securities, we limit the issuers to those with high credibility with reference to the credit rating made by rating agencies. We always check securities held to determine credibility, and conduct individual controls to avoid a concentration on a specific group of companies or type of business.

Liquidity risks

We check individual securities in advance for cashing, and to the assets for cashing.

DEALING WITH PAPERWORK ISSUES

We constantly examine the rules and regulations of authority and paperwork procedures and manuals for exact and perfect paperwork. We also regularly check the rules and regulations through in-house auditing for conformity with related laws and regulations.

DEALING WITH SYSTEM RISKS

We constantly review the risk control plan with an emphasis on system security in the event of a calamity. This will improve the control system.