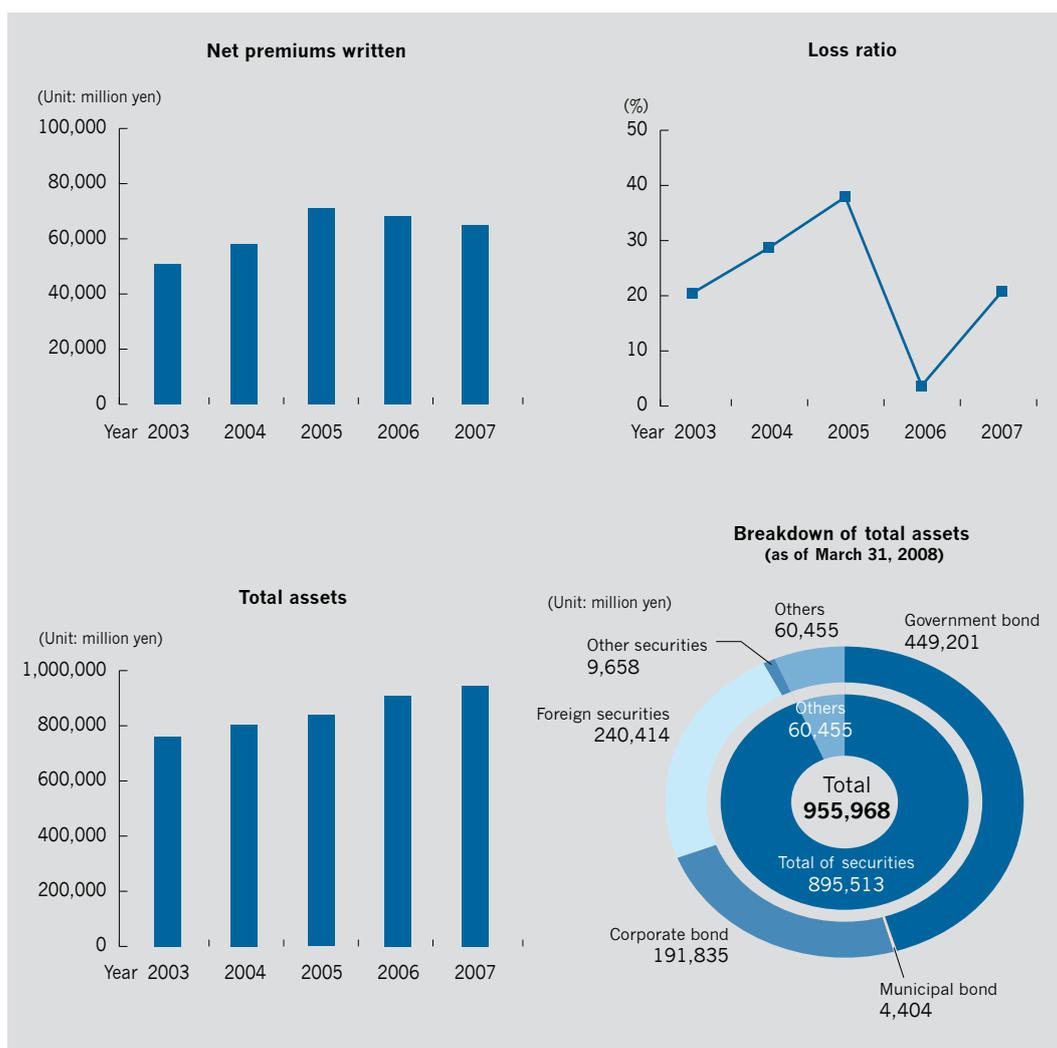
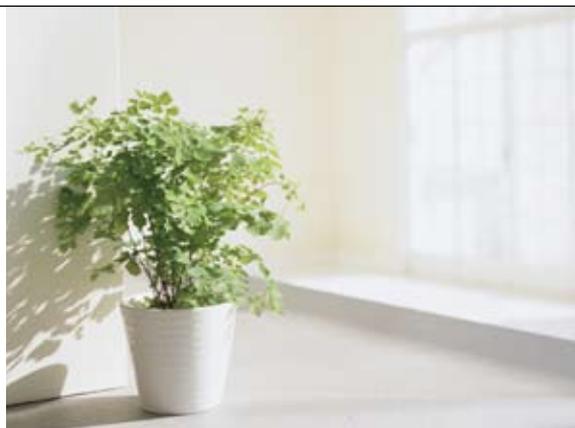


# JAPAN EARTHQUAKE REINSURANCE CO., LTD.

## FINANCIAL HIGHLIGHTS

Although assumed net premiums written and net premiums written in fiscal 2007 declined from the previous year, total assets increased steadily to 955.9 billion yen at the end of March 2008. Most of the assets under management are invested in bonds with high credit ratings and liquidity to prepare for the payment of reinsurance claims.





(Unit: Million yen)

Fiscal Year	2003	2004	2005	2006	2007
Net premiums written	50,896	58,198	71,132	67,981	64,040
Loss ratio	20.5%	28.7%	37.9%	3.7%	21.0%
Underwriting income	54,678	61,995	91,001	72,451	67,320
Ordinary profit	184	98	23	143	16
Net income	17	10	36	△16	4
Solvency-margin ratio	184.3%	182.2%	160.2%	175.3%	185.4%
Total shareholders' equity	1,579	1,587	1,605	1,600	1,614
Total assets	761,594	804,333	838,555	908,963	955,968
Net unrealized gains on other securities	14	11	△5	5	15
Net unrealized gains on other securities of earthquake insurance	7,000	5,458	△9,054	△4,540	1,722

## 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.

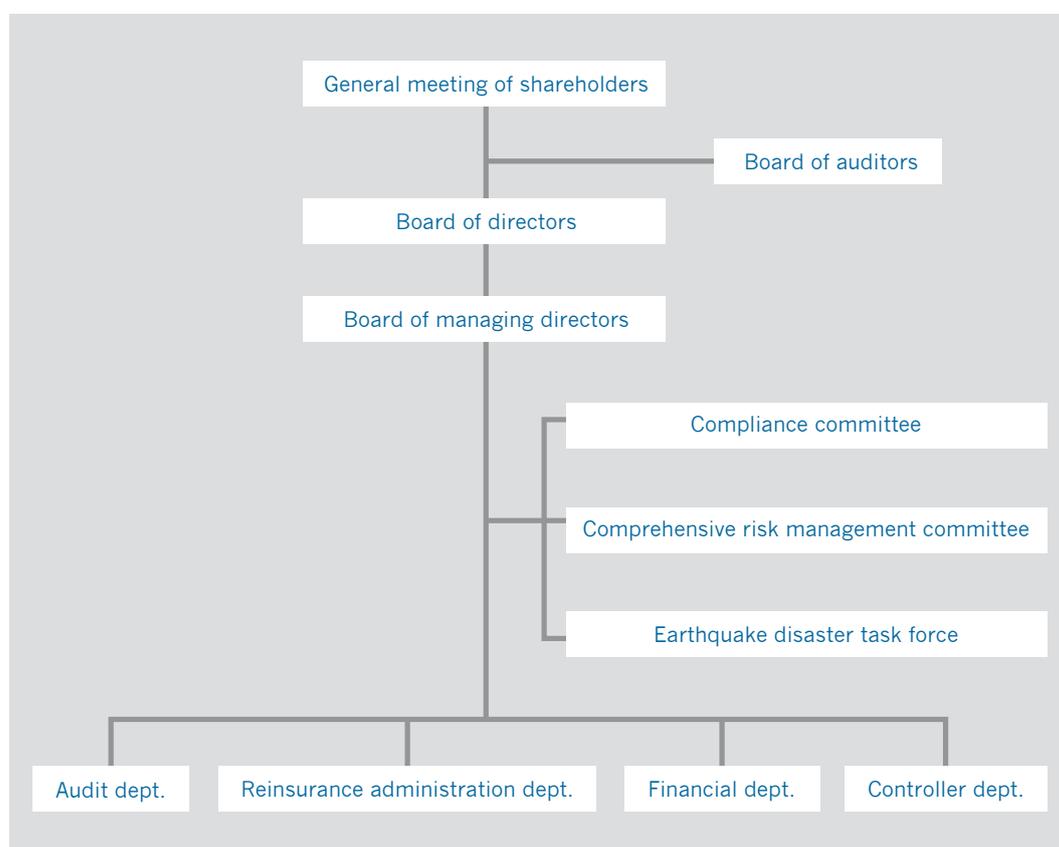
## TOP 10 SHAREHOLDERS

(As of March 31, 2008)

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, 2008)





## DIRECTORS (FULL-TIME)

(As of June 30, 2008)

Post	Name
Chairman (representative director)	Shozo Wakabayashi
President (representative director)	Hideo Suzuki
Managing director (representative director)	Masayuki Hashimoto
Managing director (representative director)	Hiroaki Shiraki
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, according to which it is the first responder, and implements training such as reinsurance claim payment drills, along with the inspection and maintenance of an emergency manual for use in the event of an assumed major earthquake.

In fiscal 2007, we updated the funding plan and payment schedule in the event of a destructive inland earthquake in Tokyo by referring to the results of a questionnaire entitled “Developments in the Bond Market after the Occurrence of a Major Earthquake” sent in March 2007 to bond market participants at banks and securities firms, and reviewed the emergency communication system.

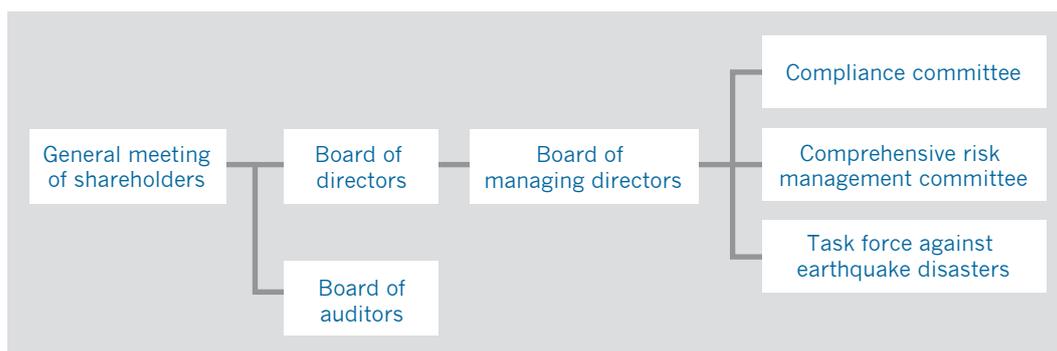
We have also set up a receiving terminal in our office in association with the launch of the Japan Meteorological Agency’s emergency earthquake report, which we use to ensure the safety of visitors as well as our officials and employees.

### 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 and high-rating securities. 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 committees—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 on the basis of the Companies Act, the Audit Department conducts in-house auditing. Although in-house auditing had previously been conducted by an in-house auditing committee consisting of employees appointed in each division, we established the Audit Department in April 2008 to bolster our governance function.

In-house auditing places emphasis on how major issues are handled by each division as well as on compliance and risk control systems, to contribute to the sound development of the Company and enhance public confidence in JER. In fiscal 2008, in particular, we have decided to conduct our audit with a focus on the development and operation of a new operating system and the internal control conditions of each division with regard to office processing details.



## **RISK MANAGEMENT SYSTEM**

The construction of an appropriate risk management system is an important issue to ensure the safety and soundness of management, as surrounding risks are becoming increasingly complicated and diversified.

We have been endeavoring to accurately understand and appropriately manage risks by establishing a comprehensive risk control committee to supervise risk management. We have also consolidated the risk management system to reinforce the risk control function.

## **DEALING WITH ASSETS MANAGEMENT RISKS**

The investment assets have amounted to approximately 940 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 mainly 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.