

## Facts

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### Glossary

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## 1. Business results in the last fiscal year

The number of earthquake insurance contracts and premiums written continued to be on the increase in fiscal 2005 mainly because earthquakes that happened, including the Fukuoka-ken Seiho-oki earthquake, aroused more attention than ever among people to natural disasters. As a result, the number of payments of earthquake insurance claims and insurance premiums marked increase over the previous year. In the meantime, safety and liquidity came first in operating the assets, followed by earnings, under interest rate fluctuations to enable us to be well prepared for the payment of reinsurance claims.

### (1) Earthquake insurance results in outline

#### a. Premiums written and insurance claims paid 3① 1, 3

Media coverage and occurrence of earthquakes made people more interested in or aware of, earthquake insurance, which served as a tail wind to let the net premiums written reach 71.1 billion yen in the current fiscal year.

Insurance claims paid came to 24.6 billion yen to compensate damages caused by earthquakes such as Fukuoka-ken Seiho-oki earthquake.

#### b. Underwriting reserves 3 ⑤

This resulted in that the risk reserves added amounted to 31 billion yen, a total of the net premiums written held 27.9 billion yen given by deducting the assumed insurance and held of commissions from the net premiums written and a profit of 3 billion yen from operation.

The risk reserves at the end of the current term came to 378.7 billion yen after the ongoing insurance claims were paid, the outstanding claims calculated in the previous year were returned and the risk reserves were drawn in the past year by 8 billion yen. The underwriting reserves at the end of the current term amounted to 450.8 billion yen after adding unearned premium reserves and refunded reserves to the risk reserves.

### c. Entrusted reserves

Designated as entrusted reserve from the earthquake insurance account, the entrusted reserves for the year reached 377.3 billion yen by adding net premiums written and profit from investment of 23.4 billion yen and drawing advertisement / publicity expenses of 500 million yen.

### (2) Investments in outline 3 ⑥

It was expected that the business situation remained at a phase of adjustment in the first half of the year and BOJ's quantitative easing of monetary policy would be protracted, with the result that the interest rate of 10-year government bond went down from the 1.3% level at the beginning of the fiscal year to the 1.1% level in June. The Japanese government and Bank of Japan declared in August, however, that the Japanese economy had escaped from the landing, letting people begin to feel optimistic about the domestic economy. While the short- and mid-term interest rates were on the increase, the quantitative easing policy was abandoned in March, leading to a sharp rise in interest rate to the 1.7% level at the end of fiscal year. The dollar rose about 10 yen and the Euro dollar about 4 yen against the yen over the previous year on the foreign exchange market partly because there was observed a wider difference in interest rate among the United States of America, European countries and Japan. Under such circumstances, we operated the assets with utmost emphasis on safety and liquidity and then profitability. As a result, the profits from investment before tax reached 3 billion yen in business account and in entrusted reserve account respectively.

### (3) Current profit and loss

The net income amounted to 36 million yen after calculating interests, dividend income and corporate taxes. The profit was added to the retained earnings brought forward from last year in the amount of 520 million yen, with the result that the unappropriated retained earnings for the year came to 550 million yen.

Since a direct writing insurance company reported, in addition, to JER that they had failed to add up reinsurance, we added up the reinsurance of the past year to that of the current year. This brought a total of net premiums written of 203 million yen.

## 2. Indicators showing the main business results over the last five fiscal years

(Unit: Yen in million)

Division	Fiscal Year	2001	2002	2003	2004	2005
Net premiums written (percentage change over the previous term (△))		50,859 (△3.4%)	47,566 (△6.5%)	50,896 (7.0%)	58,198 (14.3%)	71,132 (22.2%)
Ordinary incomes (percentage change over the previous term (△))		73,430 (7.5%)	58,460 (△20.4%)	66,352 (13.5%)	71,856 (8.3%)	107,868 (50.1%)
Ordinary expenses (percentage change over the previous term (△))		72,722 (7.3%)	58,156 (△20.0%)	66,167 (13.8%)	71,758 (8.4%)	107,845 (50.3%)
Ordinary profit (percentage change over the previous term (△))		707 (32.5%)	303 (△57.1%)	184 (△39.3%)	98 (△46.7%)	23 (△76.4%)
Net income (percentage change over the previous term (△))		22 (△34.5%)	10 (△55.6%)	17 (74.2%)	10 (△40.5%)	36 (243.6%)
Common stock (sum of shares issued)		1,000 (2 mil. shares)				
Net assets		1,569	1,577	1,579	1,587	1,605
Total assets		681,736	726,458	761,594	804,333	838,555
Underwriting reserves (percentage change over the previous term (△))		360,778 (6.6%)	391,482 (8.5%)	412,968 (5.5%)	415,802 (0.7%)	450,892 (8.4%)
(of the balance, risk reserve balance) (percentage change over the previous term (△))		312,523 (6.2%)	341,675 (9.3%)	359,772 (5.3%)	355,813 (△1.1%)	378,731 (6.4%)
Loans (percentage change over the previous term (△))		– (–)	– (–)	– (–)	– (–)	– (–)
Securities (percentage change over the previous term (△))		618,296 (14.0%)	652,210 (5.5%)	682,285 (4.6%)	734,046 (7.6%)	771,383 (5.1%)
Solvency-margin ratio		203.3%	176.3%	184.3%	182.2%	160.2%
Dividend propensity		–%	–%	–%	–%	–%
No. of employees		20	20	17	18	21

### Note:

As seen in Section 4, Article 3, Order to specify divisions, provided for in Section 2, Article 132, Insurance Business Law, our solvency-margin ratio is not supposed to be used as criterion to enable the administrative authorities to trigger an order for improvement. For detail, see p.17

**We conduct no trust business.**

## 3. Indicators showing the business results in the last 3 fiscal years

### ① Indicators showing the main business results

#### 1. Net premium written

Item: earthquake

(Unit: Yen in million)

Division	Fiscal Year	2003	2004	2005
Ceded insurance premiums (A)		108,028	120,972	143,493
Surrender value (B)		1,045	1,082	1,440
Assumed net premiums written (A-B)		104,993	117,942	139,621
Reinsurance premiums ceded (C)		54,096	59,744	68,488
Net premiums written (A-B-C)		50,896	58,198	71,132

### Note:

- 1: Surrender value: Surrender value of receiving reinsurance.
- 2: Net receiving premiums: Produced by deducting surrender value from receiving premiums.
- 3: Net premium written: Produced by deducting paid reinsurance premium ceded from net reinsurance premiums.

#### 2. Underwriting profit

(Unit: Yen in million)

Division	Fiscal Year	2003	2004	2005
Underwriting incomes		54,678	61,995	91,001
Underwriting expenses		54,097	61,515	90,580
Sales and general administrative expenses		427	401	421
Other incomes and expenses		△154	△78	–
Underwriting profit		–	–	–

### Note:

- 1: The above sales and general administrative expenses are those relating to the underwriting of insurances mentioned in the sales and general administrative expenses in a statement of profits and losses.
- 2: Other incomes and expenses are those equivalent to corporate taxes mentioned in a statement of earthquake insurance profits and losses.

### 3. Net claims paid

Item: earthquake

(Unit: Yen in million)

Division \ Fiscal Year	2003	2004	2005
Assumed net claim paid (A)	9,682	15,987	24,662
Reinsurance claims recovered (B)	-	-	-
Net claims paid (A-B)	9,682	15,987	24,662

**Note:**

- 1: Assumed Net claim paid: Produced by deducting surrender value from ceded insurance money paid.
- 2: Net claims paid: Produced by deducting reinsurance claims recovered by ceded contract from assumed claim paid.

### 2 Indicators relating to insurance contracts

#### 1. Net loss ratio, net expense ratio and their added ratio

(Unit: Yen in million)

Division \ Fiscal Year	2003	2004	2005
Net loss ratio	20.5%	28.7%	37.9%
Underwriting expenses	22,345	24,804	29,982
Insurance related underwriting and general administrative expenses	(427)	(401)	(421)
(Agency commissions and brokerage fees)	(21,918)	(24,403)	(28,560)
Net expense ratio	43.9%	42.6%	40.7%
Added ratio	64.4%	71.3%	78.6%

**Note:**

- 1: Net loss ratio: (Net claims paid + loss adjustment expenses) ÷ net premiums written
- 2: Net expense ratio: (Agency commissions and brokerage fees + Insurance related underwriting and general administrative expenses) ÷ net premiums written
- 3: Added ratio: Net loss ratio + net expense ratio

#### 2. Rate of premiums written by domestic and overseas contracts

Division \ Fiscal Year	2003	2004	2005
Domestic contract	100%	100%	100%

#### 3. No. of reinsurers that ceded insurance contracts and top 5 reinsurers for ceded reinsurance premiums

No. of reinsurers that ceded insurance contracts	Rate of top 5 reinsurers' ceded insurance premiums
19	77.9%

**Note:**

The number of reinsurers that ceded insurance contracts is that of those who ceded treaty reinsurance contracts amounting to 10 million or more yen.

Nothing is mentioned about unearned claims paid.

Nothing is mentioned about the rate of damage occurrence, the expenses ratio and rate of sum total before ceded insurance deduction.

Ratio of ceded insurance premiums by rating does not apply to earthquake insurance.

We pay no contractor dividend.

### 3 Indicators relating to accounting

#### 1. Amounts of outstanding claims and underwriting reserves

(Unit: Yen in million)

Division \ Year	As of the end of fiscal 2003	As of the end of fiscal 2004	As of the end of fiscal 2005
Outstanding claims	327	17,878	1,104
Underwriting reserves	412,968	415,802	450,892
Total	413,296	433,681	451,997

#### 2. Detail Listing of Liability Reserves

(Unit: Yen in million)

Division	Balance as of the end of fiscal 2004	Amount of increase in fiscal 2005	Amount of decrease in fiscal 2005		Balance as of the end of fiscal 2005	Re-remarks
			Use per object	Others		
Reserve for ordinary bad debts	-	-	-	-	-	
Reserve for individual bad debts	-	-	-	-	-	
Reserve for specific foreign loans	-	-	-	-	-	
Accrued severance benefits	72	22	5	5	83	
Reserve for officer retirement allowances	-	7	-	-	7	
Reserve for bonus payment	13	14	13	-	14	
Reserve for price fluctuation	0	7	-	-	7	
Total	86	52	19	5	113	

#### 3. Common Stock

(Unit: Yen in million)

Division	Balance as of the end of fiscal 2004	Amount of increase in fiscal 2005	Amount of decrease in fiscal 2005	Balance as of the end of fiscal 2005	
Common stock	1,000	-	-	1,000	
Issued stock	Ordinary stock (2 mil. stock)	-	-	(2 mil. stock)	
	1,000	-	-	1,000	
	Total (2 mil. stock)	-	-	(2 mil. stock)	
	1,000			1,000	
Legal reserve and appropriated retained earnings	(Legal reserve)	1	-	-	1
	Appropriated retained earnings		-	-	
	Special reserve	17	-	-	17
	Special reserve for price fluctuation	39	-	-	39
	Total	57	-	-	57

**Note:**

The number of owned shares was 11,400 as of the end of fiscal 2005.

#### 4. Business expenses (inclusive of loss adjustment)

(Unit: Yen in million)

Division \ Fiscal Year	2003	2004	2005
Personnel expenses	352	420	453
Physical expenses	1,090	1,014	2,512
Taxes / contributions	139	159	195
Agency commissions and brokerage fees	21,918	24,403	28,560
Total	23,501	25,998	31,722

**Note:**

The business expenses are a total of loss adjustment expense, sales and general administrative expenses, agency commissions and brokerage fees as shown in a statement of profit and loss.

## 5. Profit on sale of securities by category

(Unit: Yen in million)

Division	Fiscal Year	2003	2004	2005
Government bonds		26	35	92
Foreign securities		146	6	-
Total		172	41	92

## 6. Loss on sale of securities by category

(Unit: Yen in million)

Division	Fiscal Year	2003	2004	2005
Government bonds		92	10	288
Foreign securities		51	221	401
Total		143	231	689

## 7. Securities appraisal loss by category

(Unit: Yen in million)

Division	Fiscal Year	2003	2004	2005
Government bonds		-	-	-
Foreign securities		-	-	-
Total		-	-	-

## 8. Depreciation expenses by category

(Unit: Yen in million)

Asset kind	Acquisition cost	Amount of depreciation in fiscal 2005	Aggregated depreciations	Balance as the end of fiscal 2005	Rate of aggregated depreciations %
Buildings	92	3	50	42	54.6
(for business)	(92)	(3)	(50)	(42)	(54.6)
(for investment)	(-)	(-)	(-)	(-)	(-)
Equipment	21	0	18	2	86.5
Others	9	0	2	6	28.4
Total	124	5	72	51	58.2

## 9. Loss from disposal of property and equipment

(Unit: Yen in million)

Division	Fiscal Year	2003	2004	2005
Property		-	-	-
(Land)		(-)	(-)	(-)
(Building)		(-)	(2)	(-)
Equipment		0	-	-
Total		0	2	-

No mention is made about the level of underwriting reserves because there is no target contract.

Mention about fluctuations of ordinary profit or written loss over increase in loss ratio is omitted because insurance claims are offset by disposition of underwriting reserves.

Nothing is to be mentioned about loan write-off and profit from property and equipment.

## 4. Special deposit premium account

Nothing is to be mentioned.

## 5. Earthquake insurance underwriting reserves by category

(Unit: Yen in million)

Division	Year	As of the end of fiscal 2003	As of the end of fiscal 2004	As of the end of fiscal 2005
Risk reserve		359,772	355,813	378,731
Repayment reserve		3,297	3,303	2,639
Unearned premium reserve		49,898	56,685	69,521
Total		412,968	415,802	450,892

## 6. Investments

### 1. Investments policy

Because we have to pay a huge amount of claims in a prompt manner in case of a natural disaster such as a heavy earthquake, we put in principle the highest priority on safety and liquidity in operating the assets, followed by profitability to increase risk reserves. The risk management division is engaged in grasping and controlling risks of all kinds, independently of the transactions execution division.

### 2. Investments in outline

#### Deposits

(Unit: Yen in million)

Division	Year	As of the end of fiscal 2003	As of the end of fiscal 2004	As of the end of fiscal 2005
Deposits		44,066	28,470	38,026
(Ordinary deposit)		(15,736)	(1,140)	(10,696)
(Time deposit)		(28,330)	(27,330)	(27,330)

#### Total assets and investments assets

(Unit: Yen in million)

Division	Fiscal Year	2003		2004		2005	
			Percentage composition (%)		Percentage composition (%)		Percentage composition (%)
Deposits		44,066	5.8	28,470	3.5	38,026	4.5
Call loans		-	-	15,000	1.9	-	-
Monetary receivable bought		10,994	1.4	6,297	0.8	1,799	0.2
Money trust		11,794	1.5	9,173	1.1	15,528	1.9
Securities		682,285	89.6	734,046	91.3	771,383	92.0
Buildings		43	0.0	45	0.0	42	0.0
Total of investments assets		749,185	98.4	793,033	98.6	826,779	98.6
Total assets		761,594	100.0	804,333	100.0	838,555	100.0

### 3. Amount of interest dividend received and yield on investment assets (income yield)

(Unit: Yen in million)

Fiscal Year Division	2003		2004		2005	
	Amount	Percentage composition (%)	Amount	Percentage composition (%)	Amount	Percentage composition (%)
Deposits	56	0.15	85	0.18	91	0.20
Call loan	0	0.05	0	0.05	0	0.05
Monetary receivables bought	15	0.18	14	0.17	4	0.12
Money trust	117	0.95	75	0.78	86	0.57
Securities	9,199	1.39	9,140	1.30	10,307	1.40
Building	-	-	-	-	-	-
<b>Total</b>	<b>9,389</b>	<b>1.30</b>	<b>9,315</b>	<b>1.21</b>	<b>10,490</b>	<b>1.31</b>

**Note:**

**Yield on investments (income yield):** indicator showing the result of investment assets from a point of income (interest and dividend income) (which has been disclosed)

The numerator is composed of interest and dividend income from operating the assets while the denominator is an acquisition cost based yield.

**Numerator** = Interest and dividend income (including the amount equivalent to interest and dividend income of profit (or loss) from monetary trust operation)

**Denominator** = Acquisition cost or depreciation based average balance

### 4. Asset management yield (realized yield)

(Unit: Yen in million)

Fiscal Year Division	2004			2005		
	Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits	85	48,809	0.18	91	46,885	0.20
Call loan	0	80	0.05	0	208	0.05
Bond trading with repurchase agreement	-	-	-	-	-	-
Monetary receivables bought	14	8,425	0.17	4	3,918	0.12
Commodity securities	-	-	-	-	-	-
Money trust	83	9,633	0.87	270	15,260	1.77
<b>Securities</b>	<b>8,932</b>	<b>704,877</b>	<b>1.27</b>	<b>9,595</b>	<b>737,410</b>	<b>1.30</b>
Public and corporate bonds	4,837	548,463	0.89	4,051	548,823	0.74
Stocks	-	-	-	-	-	-
Foreign securities	4,060	150,782	2.69	5,594	178,579	3.13
Other securities	△1	5,631	△0.03	△51	10,007	△0.52
Loan	-	-	-	-	-	-
Buildings	-	48	-	-	45	-
Financial derivative	△1,294	-	-	△3,457	-	-
Others	86	-	-	105	-	-
<b>Total</b>	<b>7,907</b>	<b>771,874</b>	<b>1.02</b>	<b>6,609</b>	<b>803,728</b>	<b>0.82</b>

**Note:**

**Asset management yield (realized yield):** Indicator to show the result of managing of assets from a point of contribution to the current profit and loss. The numerator is realized profit and loss while the denominator is an acquisition cost based yield.

**Numerator** = profit from asset management + investment income on savings premiums – expenses of assets management

**Denominator** = acquisition cost or writing-off cost based average balance

## 5. Market-price based overall yield (for reference)

(Unit: Yen in million)

Fiscal Year	2004			2005		
	Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits	85	48,809	0.18	91	46,885	0.20
Call loan	0	80	0.05	0	208	0.05
Bond trading with repurchase agreement	-	-	-	-	-	-
Monetary receivables bought	14	8,425	0.17	4	3,918	0.12
Commodity securities	-	-	-	-	-	-
Money trust	62	9,827	0.63	495	15,434	3.21
Securities	7,407	711,706	1.04	△5,171	742,714	△0.70
Public and corporate bonds	5,315	553,069	0.96	△7,147	553,869	△1.29
Stocks	-	-	-	-	-	-
Foreign securities	2,164	153,045	1.41	2,021	178,946	1.13
Other securities	△71	5,591	△1.29	△45	9,897	△0.46
Loans	-	-	-	-	-	-
Buildings	-	48	-	-	45	-
Financial derivative	△1,294	-	-	△3,457	-	-
Others	86	-	-	105	-	-
Total	6,361	778,897	0.82	△7,931	809,205	△0.98

### Note:

Market-price based overall yield: Indicator showing the efficiency of operation on a market price basis. The numerator reflects realized profit and loss, and fluctuation in difference in market price appraisal while the denominator is market-price based yield.

**Numerator** = (income from operated assets management + investment income on savings premium – expenses for assets management) + (after-tax unrealized gain for the year – after-tax unrealized gain for previous year)\* + fluctuation in deferred hedge profit and loss

**Denominator** = acquisition cost or write-off based average balance + after-tax unrealized gain for previous year of other securities + profit and loss for the previous year related to securities for transaction

\*Based on the amount before tax effect deduction

## 6. Balance, percentage composition and yield of Foreign Loans & Investments

(Unit: Yen in million)

Division	Year	As of the end of fiscal 2003		As of the end of fiscal 2004		As of the end of fiscal 2005	
		Amount	Percentage composition (%)	Amount	Percentage composition (%)	Amount	Percentage composition (%)
Foreign currency denominated							
Foreign public and corporate bonds		99,802	77.8	137,611	82.7	167,736	83.2
Yen denominated							
Foreign public and corporate bonds		28,490	22.2	28,709	17.3	33,905	16.8
Total		128,293	100.0	166,320	100.0	201,642	100.0
Yield on foreign loans & investment							
Investments assets yield (income yield)			2.94%		2.84%		3.36%
Assets management (realized yield)			3.03%		2.69%		3.13%
Comprehensive market price yield (for reference)			2.60%		1.41%		1.13%

### Note:

- Of the yield on foreign loans & investments, investment assets yield was calculated in the same manner as 3 investment income and yield on investment assets (income yield) in connection with the assets involving foreign investment.
- Of the yield on foreign investments, assets management yield was calculated in the same manner as 4 assets management yield (realized yield) in connection with the assets involving foreign investment.

## 7. Balance of securities by category and percentage distribution

(Unit: Yen in million)

Division	Year	As of the end of fiscal 2003		As of the end of fiscal 2004		As of the end of fiscal 2005	
		Amount	Percentage composition (%)	Amount	Percentage composition (%)	Amount	Percentage composition (%)
Government bonds		204,373	30.0	256,145	34.9	310,554	40.3
Municipal bonds		21,453	3.1	17,940	2.4	4,476	0.6
Corporate bonds		323,201	47.4	287,238	39.1	239,851	31.1
Stocks		-	-	-	-	-	-
Foreign securities		128,293	18.8	166,320	22.7	201,642	26.1
Other securities		4,963	0.7	6,401	0.9	14,858	1.9
Load receivable in securities		-	-	-	-	-	-
Total		682,285	100.0	734,046	100.0	771,383	100.0

## 8. Yield on securities held

(Unit: %)

Division	Fiscal Year	2003	2004	2005
Investment assets yield (income yield)				
Public & corporate bonds		1.07	0.88	0.78
Stocks		-	-	-
Foreign securities		2.94	2.84	3.36
Other securities		0.25	0.28	0.56
Total		1.39	1.30	1.31
Assets operation yield (realized yield)				
Corporate bonds		1.06	0.89	0.74
Shares		-	-	-
Foreign securities		3.03	2.69	3.13
Other securities		△0.22	△0.03	△0.52
Total		1.39	1.27	0.82
Comprehensive market price yield (for reference)				
Public & Corporate bonds		0.21	0.96	△1.29
Stocks		-	-	-
Foreign securities		2.60	1.41	1.13
Other securities		△0.50	△1.29	△0.46
Total		0.62	1.04	△0.98

## 9. Balance Current Maturity of securities by category

As of the end of fiscal 2004

(Unit: Yen in million)

Division	Up to 1 year	1 over up to 3 years	3 over up to 5 years	5 over up to 7 years	7 over up to 10 years	Over 10 years	Total
Government bonds	58,281	56,205	116,838	194	-	24,625	256,145
Municipal bonds	13,553	-	4,387	-	-	-	17,940
Corporate bonds	86,144	106,893	90,992	3,004	203	-	287,238
Stocks	-	-	-	-	-	-	-
Foreign securities	22,301	45,528	95,223	3,267	-	-	166,320
Other securities	913	-	-	-	1,497	3,990	6,401
Loan receivable in securities	-	-	-	-	-	-	-
Total	181,194	208,626	307,442	6,466	1,700	28,616	734,046

As of the end of fiscal 2005

(Unit: Yen in million)

Division	Less than 1 year	1 to less than 3 years	3 to less than 5 years	5 to less than 7 years	7 to less than 10 years	10 years or longer	Total
Government bonds	43,635	87,471	153,791	-	-	25,655	310,554
Municipal bonds	-	1,828	2,553	-	95	-	4,476
Corporate bonds	56,979	99,109	83,469	97	195	-	239,851
Stocks	-	-	-	-	-	-	-
Foreign securities	17,053	53,602	121,662	6,403	2,919	-	201,642
Other securities	-	-	5,066	-	2,986	6,805	14,858
Loan receivable in securities	-	-	-	-	-	-	-
Total	117,668	242,012	366,543	6,501	6,196	32,460	771,383

## 10. Property & Equipment by breakdown

(Unit: Yen in million)

Division	Year	As of the end of fiscal 2003	As of the end of fiscal 2004	As of the end of fiscal 2005
Land		-	-	-
(for business)		(-)	(-)	(-)
(for investment)		(-)	(-)	(-)
Buildings		43	45	42
(for business)		(43)	(45)	(42)
(for investment)		(-)	(-)	(-)
Construction in progress		-	-	-
(for business)		(-)	(-)	(-)
(for investment)		(-)	(-)	(-)
Total of property		43	45	42
(for business)		(43)	(45)	(42)
(for investment)		(-)	(-)	(-)
Equipment		4	3	2
Total		48	48	45

There is nothing to be mentioned about the following 11 items:

1. Commodity securities
2. Average balance and sales amount of commodity securities
3. Amount of stocks held by type of business
4. Balance current maturity of loan by remaining life
5. Balance of loans by type of collateral secured
6. Balance and percentage distribution of loan by designated use
7. Balance of loan by industry and its ratio to the total
8. Balance of loan by debtor size and its ratio to the total
9. Amount of loan & investment to public works (on a basis of newly undertaken loan)
10. Housing-related loan
11. Loan interests

## 1. Accounts in the last 2 years

The president has confirmed for the reasons given below that the financial statements prepared on the following fiscal years contain no untrue mention and the process of preparing was considered proper by internal audit.

1. The administrative system has done the financial statements properly according to the division of duties, business handling rules and authorized power.
2. The internal audit department has reported to the board of directors that it found out that the process of preparing the financial statements was proper and left nothing to be indicated.

Of the documents to be put to the public inspection according to Item 1, Article 111, Insurance Business Law, in addition, the balance sheet, and profit and loss statement were audited by the auditors.

### ① Balance sheet (ASSET)

(Unit: Yen in million)

Fiscal Year Item	2004 (As of March 31, 2005)		2005 (As of March 31, 2006)	
	Amount	Percentage distribution	Amount	Percentage distribution
Cash & deposits	28,470	3.5	38,026	4.5
Deposits	28,470		38,026	
Call loan	15,000	1.9	-	
Monetary receivable bought	6,297	0.8	1,799	0.2
Money trust	9,173	1.1	15,528	1.9
Securities	734,046	91.3	771,383	92.0
Government bonds	256,145		310,554	
Municipal bonds	17,940		4,476	
Corporate bonds	287,238		239,851	
Foreign securities	166,320		201,642	
Other securities	6,401		14,858	
Property & Equipment	48	0.0	45	0.0
Buildings	45		42	
Equipment	3		2	
Other assets	11,241	1.4	11,686	1.4
Reinsurance loan	8,032		8,172	
Accounts receivable	109		427	
Uncollected income	2,419		2,910	
Deposits	52		51	
Suspense payment	176		96	
Financial derivative	448		20	
Other assets	3		6	
Deferred tax assets	54	0.0	85	0.0
<b>Total assets</b>	<b>804,333</b>	<b>100.0</b>	<b>838,555</b>	<b>100.0</b>

### (LIABILITIES)

(Unit: Yen in million)

Fiscal Year Item	2004 (As of March 31, 2005)		2005 (As of March 31, 2006)	
	Amount	Percentage distribution	Amount	Percentage distribution
Underwriting funds	433,681	53.9	451,997	53.9
Outstanding claims	17,878		1,104	
Underwriting reserves	415,802		450,892	
Entrusted reserves	354,483	44.1	377,390	45.0
Other liabilities	9,036	1.1	16,503	2.0
Reinsurance debts	4,920		5,390	
Corporate taxes payable	99		114	
Deposits payable	2		2	
Accrued amounts payable	746		702	
Suspense receipts	7		-	
Financial derivative	3,259		10,292	
Accrued severance benefits	72	0.0	83	0.0
Reserves for directors' retirement benefit			7	0.0
Reserves for bonus payment	13	0.0	14	0.0
Price fluctuation reserves	0	0.0	7	0.0
After-tax unrealized gain in securities of earthquake insurance	5,458	0.7	△9,054	△1.1

### (SHAREHOLDERS' EQUITY)

(Unit: Yen in million)

Fiscal Year Item	2004 (As of March 31, 2005)		2005 (As of March 31, 2006)	
	Amount	Percentage distribution	Amount	Percentage distribution
Common stock	1,000	0.1	1,000	0.1
Retained earnings	580	0.1	617	0.1
Legal reserve of retained earnings	1		1	
Voluntary reserves	56		56	
(Special reserves)	(17)		(17)	
(Special price fluctuation reserves)	(39)		(39)	
Unappropriated retained earnings for the year	522		559	
(Net income)	(10)		(36)	
After-tax unrealized gain in securities	11	0.0	△5	△0.0
Treasury Stock	△5	△0.0	△5	△0.0
<b>Total shareholders' equity</b>	<b>1,587</b>	<b>0.2</b>	<b>1,605</b>	<b>0.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>804,333</b>	<b>100.0</b>	<b>838,555</b>	<b>100.0</b>

### 1. Appraisal standards and method of securities, and method of indication

- (1) Of the other securities, those to which market price was applicable were appraised according to the market price on the term-end day.
- (2) Of the other securities, those to which market price was not applicable were appraised according to basis of cost or write-off cost price using the moving-average method.
- (3) As to the unrealized gain of assets corresponding to the underwriting reserves and entrusted reserves of earthquake insurance, the amount before tax effect deduction was indicated as after-tax unrealized gain in securities of earthquake insurance in LIABILITIES according to the pertinent Enforcement Rules of Insurance Business Act. As to other unrealized gain, the amount after tax effect deduction was all processed according to the direct capital injection method and indicated in SHAREHOLDERS' EQUITY. The calculation of sales price was based on the moving average method.

### 2. Appraisal standards and method of money trust

- (1) In money trust exclusively operated centering on securities, the appraisal of securities operated as trust assets was done on the basis of market price.
- (2) In money trust exclusively operated with a view to holding securities which were not intended to be operated or held to maturity, the appraisal of securities operated as trust assets was done in the same manner as other securities.

### 3. The appraisal of derivatives was done on the basis of market price.

### 4. The depreciation of property & equipment was done using the composite-line method.

### 5. Writing standards of reserves

#### (1) Reserve for bad debts

The reserves for bad debts are written as follows against loss from bad debts in accordance with the self-appraisal standard of assets and depreciation and reserve standards.

In connection with claims against debtors who have gone bankrupt legally and formally, including bankruptcy, special liquidation or disposition by suspension of business at a clearing house, or debtors who are substantially bankrupt, the rest of any of the claims deducting an estimated amount of disposable mortgage and a deductible amount by guarantee was appropriated for such reserves.

In connection with the other claims, the rate of bad debts calculated according to the past bad debts and other factors is multiplied by the amount of claims to appropriate for reserves.

In addition, all the claims are written after the finance department appraises the assets, and the result is audited by the management department independent of the finance department to appropriate the appraisal for reserves.

There are no assets, nevertheless, in the current term to be appropriate for reserves, and no writing is required.

#### (2) Reserves for employees' retirement

For employees' retirement and severance benefits, reserves were appropriated according to the retirement allowance liabilities at the end of the term and the esti-

mated amount of pension assets. The retirement allowance liabilities were calculated using a simple method on a basis of the allowance to be supplied at the end of the term for any employee who retires for his / her own reasons.

On top of the above, 7 million yen is reserved as directors' retirement benefits to be paid at the end of the term according to the pertinent in-house rules. The directors' retirement benefits were conventionally written when they were paid, but we changed the related in-house rules at this term to write the benefits to be paid at the end of the term into the directors' retirement benefit reserves. With this, the benefits payable at the end of the terms has been written into the sales and general administrative expenses. As a result, the ordinary incomes and income before income tax were respectively reduced by 7 million yen over the previous terms. The directors' retirement benefit reserves are as specified in Article 43, Enforcement Rules of the Commercial Act.

#### (3) Accrued bonuses for employees

Accrued bonuses for employees' bonus were calculated according to the standards of estimated bonus payable.

#### (4) Reserves for price fluctuation

To prepare against loss from price changes of shares and others, reserves are appropriated according to Article 115, Insurance Business Law.

6. The conversion of assets and liabilities in foreign currency into Japanese currency is processed according to the accounting standards of transactions in foreign currency.
7. Taxes are excluded when doing accounts of consumption taxes and others.
8. The risk reserves contained in the underwriting reserves have been deposited according to the instructions of calculation of liability reserves by accumulating the amounts resulting from subtracting from the net premiums written and profit from operating the assets such an amount as equivalent to corporate taxes.
9. The transaction of finance lease other than the ownership of a lease item is transferred to the leaseholder is processed according to the method equivalent to that of ordinary lease transactions.
10. The accumulated depreciation of property & equipment was 69 million yen.
11. In addition to the equipment mentioned in B / S, some computers are used on a lease contract.
12. The total sum of deferred tax assets reached 89 million yen while the total sum of tax liabilities came to 3 million yen. The deferred tax assets are by breakdown an unpaid taxes amount of 41 million yen, a retirement benefit reserve of 30 million yen and a bonus reserve of 5 million yen. The deferred tax liabilities come mainly from an unrealized gain of 3 million yen of securities.
13. We started at this term to apply the accounting standards as to loss of fixed assets (Written opinions about setting the accounting standards as to loss of fixed assets issued on August 9, 2002 by the Corporate Accounting Council) and Guidelines to applying the accounting standards as to loss of fixed assets issued on October 31, 2003 as No. 6, corporate accounting standards application guideline). There are no fixed assets, however, to which the standards are applicable.
14. The amounts are indicated by rounding down any amount not reaching the unit as mentioned.

## 2 PROFIT AND LOSS STATEMENT

(Unit: Yen in million)

Item	Fiscal Year	
	2004 (from April 1, 2004 to March 31, 2005)	2005 (from April 1, 2005 to March 31, 2006)
	Amount	Amount
<b>Ordinary income &amp; expenses</b>		
Ordinary incomes	71,856	107,868
Underwriting incomes	61,995	91,001
Net premiums written	58,198	71,132
Payment reserve return	–	16,773
Investment income on savings premium, etc	3,796	3,095
Investment incomes	9,860	16,846
Interest and dividend incomes	9,240	10,403
Profit from operating monetary trust	79	376
Realized gain on sale of securities	41	92
Foreign exchange gain	4,208	8,964
Profit from other operations	86	105
Transfer of profit from Investment income on savings premiums	△3,796	△3,095
Other ordinary incomes	1	20
Ordinary expenses	71,758	107,845
Underwriting expenses	61,515	90,580
Net claims paid	15,987	24,662
Loss adjustment expenses	739	2,266
Agency commissions and brokerage fees	24,403	28,560
Provision for outstanding claims	17,550	–
Provision for underwriting reserves	2,834	35,089
Investment expenses	5,753	13,331
Loss from operating monetary trust	–	105
Realized loss on sale of securities	231	689
Loss on securities refundment	17	114
Financial derivative cost	5,503	12,422
Other operation cost	0	0
Sales and general administrative expenses	855	894
Other ordinary expenses	3,634	3,038
Interest paid	3,634	3,038
Ordinary income	98	23
<b>Extraordinary gain &amp; losses</b>		
Extraordinary gain	0	–
Reversal of price fluctuation reserve return	0	–
Extraordinary losses	2	7
Loss from real estate and movables disposition	2	–
Provision for price fluctuation reserve	–	7
Income before taxes	96	15
Corporate income taxes and local taxes	96	0
Deferred income taxes	△10	△21
Net income	10	36
Retained earnings brought forward from last year	512	522
Unappropriated retained earnings for the year	522	559

## Notes for fiscal 2005

1. See below for the net premiums written by breakdown.

Premiums written	139,621 (1 million yen)
Reinsurance money paid	68,488 (1 million yen)
<b>Balance</b>	<b>71,132 (1 million yen)</b>

(The income premiums include 203 million yen not registered.)

2. Net claims paid are as follows.

Claims paid	24,662 (1 million yen)
<b>Balance</b>	<b>24,662 (1 million yen)</b>

3. See below for the agency commissions and brokerage fees.

Commissions on reinsurance accepted	28,560 (1 million yen)
<b>Balance</b>	<b>28,560 (1 million yen)</b>

4. The interests and dividends income are given below by category.

Interests on deposits	91 (1 million yen)
Interests on call loan	0 (1 million yen)
Interests on monetary receivable bought	4 (1 million yen)
Interests on securities	10,307 (1 million yen)
<b>Total</b>	<b>10,403 (1 million yen)</b>

5. Paper profit / loss involved in the financial derivative expenses is a loss of 10,272 million yen.

6. The net income per share is 18.23 yen.

The basis for this calculation is such that the net income was 36 million yen, the net income accrued from ordinary shares was 36 million yen and the term average No. of ordinary shares amounted to 1 million 988 thousand.

7. The legal effective tax rate of the term was 36.21%, and the rate of burden of corporate taxes after applying tax effect was △134.11%. The difference is explained by breakdown as follows. The amount of write-off carried from publicity expenses related to risk reserve was △487.71%, the surplus of profit from operating unearned premium deposits was △406.71%, and carried tax loss was 718.81%.

8. Each amount is shown by omitting the figures not reaching the unit.

### 3 Statement of cash flow

(Unit: Yen in million)

Item	Fiscal Year	
	2004 (from April 1, 2004 to March 31, 2005)	2005 (from April 1, 2005 to March 31, 2006)
	Amount	Amount
<b>I. Cash flow from operating activities</b>		
Net profit before net profit tax	96	15
Depreciation	5	5
Increase in outstanding claims	17,550	△16,773
Increase in underwriting reserves	2,834	35,089
Increase in entrusted reserves	20,268	22,907
Increase in reserves for employees' retirement and severance benefits	8	10
Increase in directors' retirement benefit reserves	-	7
Increase in accrued bonuses for employees	1	1
Increase in reserve for price fluctuation	△0	7
Interests and dividend income	△9,240	△10,403
Gain or loss on investment in securities	207	711
Foreign exchange gain or loss	△6,280	△8,705
Gain or loss on disposal of property and equipment	2	-
Increase in other assets (other than invest and financial activities related)	△1,048	△377
Increase in other liabilities (other than invest and financial activities related)	459	418
Others	5,585	7,486
Subtotal	30,449	30,402
Interests and dividends received	9,410	10,019
Income tax paid	△103	△10
Net cash provided by operating activities	39,756	40,410
<b>II. Cash flow in investing activities</b>		
Net increase in deposit at bank	1,000	-
Acquisition cost of monetary receivables bought	△14,589	△3,497
Proceeds from the sales or maturity of monetary receivables	20,287	7,796
Expenses for increase in monetary trust	-	△10,130
Proceeds from sales of money trust	2,600	4,000
Purchase of securities	△333,388	△332,403
Proceeds from sales and redemption of securities	285,744	288,186
II ① Subtotal	△38,345	△46,049
(I + II ①)	(1,410)	(5,638)
Acquisition of property and equipment	△7	△5
Net cash used in investing activities	△38,352	△46,054
<b>III. Cash flow in financing activities</b>	-	-
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	-	-
<b>V. Net change in cash and equivalent</b>	1,403	△5,643
<b>VI. Cash and cash equivalents at beginning of the year</b>	15,736	17,140
<b>VII. Cash and cash equivalents at end of the year</b>	17,140	11,496

### Notes

1. Relation of cash and cash equivalents at the end of the year with the amounts mentioned in the related subject of the balance sheet.

(Unit: Yen in million)

	(As of March 31, 2005)	(As of March 31, 2006)
Cash & deposits	28,470	38,026
Call loan	15,000	-
Monetary receivables bought	6,297	1,799
Securities	734,046	771,383
Deposits of a depository period of 3 months or longer	△27,330	△27,330
Monetary receivables bought other than cash equivalent	△5,297	△999
Securities other than cash equivalent	△734,046	△771,383
<b>Cash and cash equivalents</b>	<b>17,140</b>	<b>11,496</b>

2. Funds (cash and cash equivalents) in the statement of cash flow statement are composed of cash on hand, savings that allow optional drawing and short-term investments such as time deposits readily realizable and of a good risk, a depository period of 3 months or shorter from acquisition to maturity or refundment.

### 4 Distribution of net profits

(Unit: Yen in million)

Item	Fiscal Year	2003	2004	2005
Unappropriated retained earnings for the year		512	522	559
Retained earnings carried forward		512	522	559

### 5 Dividend per stock and total assets per employee

(Unit: Yen in million)

Division	Fiscal Year	2003	2004	2005
Dividend per stock		-	-	-
Net income per stock		8.90	5.30	18.23
Dividend propensity		-	-	-
Net assets per stock		794.04	798.07	807.42
Total assets per employee		44,799	44,685	39,931

#### Note:

1. Net income per share comes from net income / term average No. of stocks
2. The number of own shares is deducted from producing information per stock
3. The total assets per employee come from the total assets at the end of the term / No. of employees at the end of the term.

## 2. Risk management credits

There is no mention about the following five items:

- |   |  |
|---|--|
| (1) Currently in bankruptcy                   | (4) Favorable loan revisions completed |
| (2) Delinquent in payments                    | (5) Total of risk management credit    |
| (3) Delinquent in payments more than 3 months |  |

## 3. Present conditions of loans involving trust with contact for replacement of losses

No mention is necessary.

## 4. Credits obligations based on debtor classification

There is no mention about the following four items:

- |   |   |
|---|---|
| (1) Bankrupt or bankrupt for all Intents and purposes | (3) Financial status needs careful monitoring |
| (2) On verge of bankruptcy                            | (4) Financial status normal                   |

## 5. Conditions of solvency-margin ratio

(Unit: Yen in million)

Division	Year	As of the end of fiscal 2003	As of the end of fiscal 2004	As of the end of fiscal 2005
(A)	Total of solvency-margin	364,308	359,908	375,606
	Total of stockholders' equity (other than estimated outflow to the outside, deferred assets and after-tax unrealized gain in securities)	1,564	1,575	1,611
	Reversal for price fluctuation	0	0	7
	Catastrophe reserves	359,772	355,813	378,731
	Reversal for ordinary bad debts	-	-	-
	Variance of estimate for other securities (excluded deductions for Tax Consequences) unrealized gain / loss on securities available for sale	2,971	2,520	△4,743
	Unrealized gain loss included land holdings	-	-	-
	Funding instruments with a debt-like nature	-	-	-
	Items deductible	-	-	-
	Others	-	-	-
(B)	Total risk $\sqrt{R1^2+(R2+R3)^2+R4+R5}$	395,324	394,964	468,880
	General insurance risk (R1)	-	-	-
	Anticipated Rate of Return Risk (R2)	-	-	-
	Investment risk (R3)	7,543	7,190	7,676
	Default risk (R4)	7,751	7,744	9,193
	Catastrophe risk (R5)	380,030	380,030	452,010
(C)	Solvency-Margin ratio $[(A)/(B) \times 1/2] \times 100$	184.3%	182.2%	160.2%

### Note:

The above amounts and figures were produced in accordance with Articles 86 and 87, Enforcement Rules of Insurance Business Act, and Bulletin No. 50 issued by the Ministry of Finance in 1996.

### Solvency-margin ratio

Non-life insurance company deposit reserves in case that they pay insurance money for any insurance accident that happened or refund depository insurance at maturity. It is also necessary for them to maintain a satisfactory capability of payment or solvency even in case of unusual, unforeseeable risk, including a huge disaster or sharp drop in price of such assets as owned by them.

The rate of "Non-life insurance company's capability of payment by owned assets and reserves (A in the above table) over any risk unforeseeable (B in the above table)" is indicated as solvency-margin ratio (C in the above table) which is calculated according to the pertinent rules including Insurance Business Law.

#### [Unforeseeable risk] (Total of risks): Sum of 1-5

- Risk on underwriting insurance:** risk which might be caused by an insurance accident rate higher than normally predictable (other than risk involved in a huge disaster).
- Anticipated ratio of Return Risk:** risk which might be caused when actual yields from operation are lower than original at the time of calculating premiums of a depository insurance
- Risk on assets :** management risk which might be caused when the value of assets owned including securities changes in an unforeseeable manner.
- Risk on management:** risk which might be caused on business management in an unforeseeable manner, other than 1~3 and 5.
- Risk involved in a huge disaster:** risk which might be caused due to a huge disaster (such as the Great Kanto Earthquake) which is normally unforeseeable.

#### [Capability of payment by non-life insurance company owned capital and reserves] (Total of solvency-margin)

The total of capital owned by a non-life insurance company, reserves (price fluctuation, catastrophe reserve, securities and part of latent profit from land, and so on)

The solvency-margin ratio is one of the indicators used when the administrative authorities give a check to insurance companies for the soundness of management for supervising purposes. When the rate is 200% or higher, the insurance company is deemed as satisfactory in terms of payment capability of insurance money and so on.

©JER has entered into a reinsurance contract with the government of Japan for earthquake insurance in accordance with Law concerning Earthquake Insurance. The law stipulates in addition that the government takes responsibility to make efforts to conduct good office and lend funds for the payment of insurance money. Because this is a form of special business, JER's solvency-margin ratio is not usable as a

figure to enable the administrative authorities to trigger an order for improvement in spite of the above solvency-margin ratio, as provided for in Section 4, Article 3, Order to specify the division stated in Section 2, Article 132, Insurance Business Law.

**Note: The article is as follows.**

[In the event that an insurance company has entered into a reinsurance contract with the government as stated in Section 1, Article 3, Law concerning Earthquake Insurance (law No. 73, 1966), any order to be issued according to the listed division in Section 1 of the Article applicable to the insurance company shall be issued in accordance with the list of inapplicable division.]

## 6. Information on the market prices (acquisition cost or contract cost, market price and appraisal profit and loss) and others

### ① Securities

#### 1. Other securities with market price

At the end of fiscal 2004

(Unit: Yen in million)

Division	Type	Acquisition cost	Registered amount in B/S	Difference
Securities with acquisition cost higher than registered in B/S	Public & corporate bonds	534,272	539,340	5,068
	Stocks	-	-	-
	Foreign securities	115,555	120,974	5,419
	Others	-	-	-
	Subtotal	649,827	660,315	10,487
Securities with acquisition cost not higher than registered in B/S	Public & corporate bonds	22,005	21,984	△21
	Stocks	-	-	-
	Foreign securities	49,057	45,345	△3,711
	Others	6,510	6,401	△109
	Subtotal	77,573	73,731	△3,842
<b>Total</b>		<b>727,401</b>	<b>734,046</b>	<b>6,644</b>

At the end of fiscal 2005

(Unit: Yen in million)

Division	Type	Acquisition cost	Registered amount in B/S	Difference
Securities with acquisition cost higher than registered in B/S	Public & corporate bonds	99,781	100,108	327
	Stocks	-	-	-
	Foreign securities	134,319	142,393	8,073
	Others	1,797	1,826	28
	Subtotal	235,898	244,328	8,430
Securities with acquisition cost not higher than registered in B/S	Public & corporate bonds	461,253	454,773	△6,480
	Stocks	-	-	-
	Foreign securities	60,483	59,248	△1,234
	Others	13,164	13,032	△131
	Subtotal	534,901	527,054	△7,846
<b>Total</b>		<b>770,799</b>	<b>771,383</b>	<b>583</b>

#### 2. Other securities sold at the term

(Unit: Yen in million)

Type	Fiscal 2004			Fiscal 2005		
	Sales price	Total of profit on sale	Total of loss on sale	Sales price	Total of profit on sale	Total of loss on sale
<b>Total</b>	50,182	41	231	51,149	92	689

**There is nothing to be mentioned about the following items:**

1. Securities held for trading purposes
2. Securities to be held till maturity and with market price
3. Securities sold at the term which were to be held till maturity
4. Main contents of securities without market price and the amounts registered in B / S.

### ② Money trust

#### 1. Money trust for investment

(Unit: Yen in million)

Type	As of end of fiscal 2004		As of end of fiscal 2005	
	Amount registered in B/S	Appraisal difference contained in profit/loss	Amount registered in B/S	Appraisal difference contained in profit/loss
Money trust	-	-	10,000	-

#### 2. Money trust for maturity

Nothing to be mentioned.

#### 3. Other money trusts with any other purpose than operation and maturity

(Unit: Yen in million)

Type	As of end of fiscal 2004			As of end of fiscal 2005		
	Acquisition cost	Amount registered in B/S	Difference	Acquisition cost	Amount registered in B/S	Difference
Money trust	9,000	9,173	173	5,130	5,528	398

### 3 Information on transactions of derivatives

#### 1. On the conditions of transactions

With a view to hedging risks due to possible changes in foreign exchange of assets in foreign currency, JER is engaged in dealing foreign exchange forward contracts and currency option transactions. In addition, we conduct over-the-counter securities option transactions so as to reduce interest fluctuation risks in connection with securities.

The derivative transactions we are engaged in have market risks due to market fluctuation. Most of them are done, however, to hedge the assets in kind, and it never happens that loss from the transaction in question is caused alone. In some cases, we use option transactions as to such securities as scheduled to be purchased. But risks are limited because we put a quantitative limit on such transactions.

Now that we transact with highly reliable financial institutions, we understand there is little credit risk such as non-fulfillment of a contract.

Our derivative transactions are checked by the risk management division independent of the transactions execution division, and the results of checks are regularly reported to the board of executive directors.

#### 2. On market prices of transactions

A contract amount in a derivative transaction is nothing but a nominal contract amount or an assumed principal by calculation in such a transaction. The contract amount as such represents no market risk or credit risk.

#### 3. Derivative transaction contract amounts, market price and appraisal profit and loss

##### (a) Currency related

(Unit: Yen in million)

Type	As of end of fiscal 2004				As of end of fiscal 2005			
	Contract amount		Market price	Appraisal profit and loss	Contract amount		Market price	Appraisal profit and loss
		1 year or longer ones				1 year or longer ones		
Transactions other than market ones								
Forward foreign exchange contract								
Currency used								
US dollar	58,274	20,078	58,768	△494	61,231	28,403	66,631	△5,400
Euro	69,390	31,730	71,698	△2,308	83,141	34,779	87,637	△4,496
Canadian dollar	—	—	—	—	2,872	1,211	3,246	△374
Total			130,467	△2,802			157,516	△10,272

##### Note: Calculating a market price

Foreign exchange forward contract: Foreign exchange rates depend on futures quotation.

##### (b) Securities related

(Unit: Yen in million)

Type	As of end of fiscal 2004				As of end of fiscal 2005			
	Contract amount		Market price	Appraisal profit and loss	Contract amount		Market price	Appraisal profit and loss
		1 year or longer ones				1 year or longer ones		
Transactions other than market ones								
Over-the-counter securities option transaction								
Currency used								
Call (Option premium)	5,000	(7)	16	△8	—	(—)	—	—
Total			—	△8			—	—

##### Note:

Calculating a market price is based on an option price calculation model.

Nothing to be mentioned more about information on market price and others.

# Glossary

## For an understanding of earthquake insurance

### A

#### Amount Insured

The amount of insurance contract entered into by the insurance company and policyholder, which is the limit of the amount insured payable by the insurance company when an insurance accident occurs.

### C

#### Ceding Insurer

The insurance company which cedes part or whole of its original insurance contract to spread risks.

#### Current price amount

A current price of a newly constructed building or house after deducting a depreciation according to the years of service.

### D

#### Direct Insurer

An insurance company which directly enters into an insurance contract with a general contractor.

#### Direct insurance contract

An insurance contract entered into by an insurance company and a general contractor.

### E

#### Excess of loss reinsurance

A type of reinsurance according to which an excess damage is compensated to a certain extent in the event that the amount of damage by an accident exceeds a certain limit.

### H

#### Half loss

Half loss in earthquake insurance is such that when the purpose of insurance is a building and it is damaged by earthquake, tsunami or eruption, the amount of damage to the main structures (foundation, pillars, walls and roof) reaches 20% or higher to 50% of the insurable value or the floor area of part of the building which was burnt or flooded away reaches 20% or higher to 70% of the total area of the building.

As to movables for living, half loss is such that the rate of damage reaches 30% or higher to 80% of the insurable value.

#### Household insurance

Insurance bought by an individual to respond to any possible risk at home, which is told from enterprise insurance. Household insurance includes fire and earthquake insurance on personal housing and movables for living and automobile insurance on home-use automobiles.

### I

#### Insurable value

The value of any insurance purpose, land or in earthquake insurance when damage is caused.

#### Insurance interest

An interest or object to be insured. Buildings and movables for living are such objects in earthquake insurance.

### L

#### Law of large numbers

When we observe many instances, we will know that there is law of large numbers. That is, as you throw a dice, you will find that there is a higher probability of 1 / 6 that the spot 1 is thrown. Even if the individual probabilities are not always constant, the probability comes near to a certain value. The probability of insurance accidents which gives basis to the calculation of premiums will be thus calculated according to law of large numbers.

#### Loss Ratio

Ratio of claims paid against income premiums during a certain term. Normally, the ratio is produced by adding loss adjustment expenses to the net claims paid and dividing the sum by the net premiums written.

### N

#### Net premiums written

Insurance money produced by adjusting original insurance premium with reinsurance premium (by adding the premium of accepted reinsurance and deducting reinsurance premium), and by deducting depository premium and returns.

### O

#### Operating expenses

Expenses required to conduct insurance business, which according to non-life insurance accounting, are composed of loss adjustment expenses, sales & general administrative expenses, agency commissions and brokerage fees.

#### Outstanding claim

Reserve deposited for future payment of insurance money for an insurance accident which happened and the insurance company is held responsible for payment by insurance contract.

## P

### Partial loss

Partial loss in earthquake insurance is such that when the purpose of insurance is a building, and it is damaged by an earthquake, tsunami or eruption and the amount of damage to the main structures (foundation, pillars, walls, and roof) reaches 3% or higher to less than 20% of the insurable value.

As to movables for living, the amount of damage is 10% or higher to less than 30% of the insurable value of any of such properties.

### Payment limit due to a single Earthquake

Law concerning Earthquake Insurance stipulates the total insurance money to be paid by the government and the insurance companies per earthquake, tsunami or eruption disaster. The limit is determined according to the maximum estimated damage of earthquake insurance in force at this point, bearing in mind that insurance money can be paid against disasters caused by an earthquake equivalent to the Great Kanto Earthquake.

In the event that the total of insurance money payable exceeds the limit, the insurance money per insurance contract may be reduced according to the rate of limit to the total amount of insurance money payable to the total sum of insurance money payable.

### Price fluctuation reserve

Reserve against loss from price fluctuation of securities owned by an insurance company.

## R

### Receiving Reinsurer

The insurance company (the reinsurer) which undertakes reinsurance from a ceding insurance company (the insured)

### Reinsurance

The insurance company cedes part or whole of the responsibility to pay insurance money for its direct insurance contract to another insurance company. This is because the company needs to collect equivalent as many risks as possible and to average risks according to the Large-number Law, essential to the insurance management.

### Reinsurance commission

Commissions to be paid at a fixed rate of reinsurance premiums by the reinsurer to the reinsured when the former takes reinsurance.

### Reinsurance money

Insurance money to be paid to the reinsured by the reinsurer. The act of receiving reinsurance money by the insured from the reinsurer is called recovery of reinsurance money.

### Reinsurance premium

Premiums to be paid when the direct Insurer cedes its direct contract to any other insurance company

### Retrocession

Retroceded insurance, partially or wholly, from the reinsurer to another insurance company to spread risks.

### Risk reserve

Reserve deposited by JER for the payment of insurance money due to possible earthquake, tsunami or eruption caused damages.

## T

### Term insured

The term during which the insurance company is responsible for liability from insurance contract. When an insurance accident happens during the term, the insurance company takes responsibility.

### Total maximum liability

In earthquake insurance, it is decided in advance that how much insurance money each of JER, non-life insurance companies and the government per time or per year. The limit amount for which each is responsible is called the total maximum liability. The total of maximum limits is equal to the total payment limit due to a single earthquake.

### Total loss

Total loss in earthquake loss is such that when the purpose of insurance is a building and it is damaged by earthquake, tsunami or eruption, the amount of damage to the main structures (foundation, pillars, walls and roof) reaches 50% of or higher than the insurable value or the floor area of part of the building which was burnt or flooded away reaches 70% of or higher than the total area of the building.

As to movables for living, total loss is such that the rate of damage reaches 80% of or higher than the insurable value.

### Treaty reinsurance

A reinsurance contract in which there is concluded in advance a blanket agreement on reinsurance transaction by and between the reinsured and the reinsurer, and the target direct insurance contract is automatically and comprehensively reinsured.

## U

### Underwriting reserve

Reserve deposited by insurance company against possible insurance liabilities.

## W

### Warning System

This is a declaration to be announced according to Large Scale Earthquake Countermeasures Act (Law No. 73, 1978). When he is given information on a prevision of earthquake by the Director of the Metrological Agency and think it necessary to take a quick step for earthquake disaster prevention, the prime minister is to hold a cabinet meeting and issue an warning system, announcing that the parties concerned should follow an warning system against earthquake disasters: In the event that such a declaration is issued, Law concerning Earthquake Insurance prevents any insurance company from entering into a new earthquake insurance on buildings and movables for living located in an area which needs reinforced measures against earthquake disasters and any policyholder to increase in contract amount . For any earthquake insurance contract which becomes mature while the declaration is in force, the policyholder is able to renew the contract at the same or lower amount.



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