



ANNUAL REPORT 2008

Introduction to Earthquake Reinsurance in Japan

JAPAN EARTHQUAKE REINSURANCE CO., LTD.

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MESSAGE FROM THE PRESIDENT



President:
Hideo Suzuki

We are delighted to introduce to the readers of this annual report a detailed disclosure of the current situation and activities of the Company.

Japan Earthquake Reinsurance Co., Ltd. was founded in 1966 as the only company in Japan permitted to exclusively handle reinsurance for earthquake insurance on dwelling risks. For more than 40 years since then, we have been underwriting the dwelling risk of earthquakes in Japan in alliance with the Japanese government and non-life insurance companies. As the core entity in this sector, we have not only been committed to bolstering and upgrading the system of our reinsurance payment, but also to providing our best care to managing and operating the assets that support the system.

Earthquakes have inflicted damage in many parts of the country in recent years. The Niigata Chuetsu offshore earthquake and the Noto Peninsula earthquake occurred in 2007, while the Iwate-Miyagi inland earthquake hit in June 2008. Not only Japan was affected, but also the Szechuan Earthquake occurring in China in the same year and causing a large amount of damage.

Meanwhile, the Japanese government has published the results of research and various studies on earthquakes, and people's earthquake awareness is more heightened than ever, reflecting their concerns over the imminence of large earthquakes such as the Tonankai-Nankai earthquake and earthquakes with their epicenter below metropolitan Tokyo, the Chubu and the Kinki regions.

In this environment, the number of earthquake insurance contracts reached a record high of 11.26 million at the end of March 2008. This came as a result of rising expectations of and interest in earthquake insurance on the back of the enhanced earthquake insurance premium discount system and the establishment of the earthquake insurance premium deduction system. The total asset balance of the Company amounted to 955.9 billion yen, just under one trillion yen. I believe that the Company's role and responsibilities will become far greater with its central position in the earthquake insurance system, and that we will be called upon to perform more stringent management than ever.

We have prepared this annual report with an understanding that disclosure is an integral part of information provision for earthquake insurance policyholders and those who are interested in earthquake insurance, as well as being an extremely effective means for corporate governance. We hope that it will provide you with insight into the current situation and activities of the Company. We welcome any comments or opinions.

July 2008

A handwritten signature in black ink that reads "Hideo Suzuki". The signature is written in a cursive, flowing style.

Hideo Suzuki
President
Japan Earthquake Reinsurance Co., Ltd.

EARTHQUAKE INSURANCE IN JAPAN

ESTABLISHING THE EARTHQUAKE INSURANCE SYSTEM

Japan is well known for its frequent earthquakes. Traditionally, the thinking has been that it is difficult to provide insurance coverage for damage caused by earthquakes. One reason for this is that nobody can be sure when an earthquake will strike. Another reason is that there is a risk that a major earthquake could cause tremendous damage. Earthquake insurance was for many years the subject of a great deal of research and discussion, to little avail. Despite this, there was considerable public demand for a system of earthquake insurance on dwelling risks* to enable victims of an earthquake who have lost their homes or property rebuild their life. Responding to this demand, the non-life insurance business continued to study ways to build such a system.

The Niigata Earthquake of June 1964 prompted efforts to establish the system. The government and the non-life insurance sector conducted a detailed examination of the earthquake insurance system, ultimately leading to the Law concerning Earthquake Insurance. The system for earthquake insurance on dwelling risks was built based on this law and Japan Earthquake Reinsurance Co., Ltd. (JER) was established. We play a key role in taking on full responsibility with the reinsurance of earthquake insurance contracts entered into by non-life insurance companies.

MECHANISM OF THE EARTHQUAKE INSURANCE SYSTEM

Earthquake insurance is arranged as an optional rider to fire insurance which covers buildings for residential use and/or personal property. Earthquake insurance cannot be purchased on its own. If you conclude a fire insurance contract without earthquake insurance, you are required to seal the earthquake insurance check column of the fire insurance contract application form. If you have entered into a fire insurance contract without earthquake insurance, you will be able to buy earthquake insurance while your fire insurance contract is valid. In some areas, however, if an announcement warning of an earthquake has been made, you may not be able to buy earthquake insurance.

* Non-life insurance is divided into two groups: insurance in the household risks field taken out by individuals to cover various risks in the home, and insurance in the corporate risks field taken out by companies to cover various company's risks. The same distinction applies to earthquake insurance. Insurance taken out by individuals is called earthquake insurance on dwelling risks, and the other insurance is called as earthquake insurance for companies. The Law concerning Earthquake Insurance targets at earthquake insurance on dwelling risks.



INSURANCE COVERAGE

Loss of or damage to buildings for residential use and/or personal property through fire, destruction, burial or flooding caused directly or indirectly by any earthquake or volcanic eruption, or resulting tsunami (hereinafter referred to as an earthquake, etc.).

Fire insurance* does not cover

1. any losses caused by fire (including the spread thereof, and expanded loss) resulting from an earthquake, etc., and
2. any fire that has spread because of an earthquake, etc. Earthquake insurance is needed to compensate for these kinds of losses.

INSURABLE INTERESTS

Buildings for residential use and/or personal property

None of the following is insurable:

A building used as a plant or office, and not used for dwelling purposes, precious metals, gems or antiques valued at ¥300,000 or more per piece, currency, securities (checks, share certificates, gift certificates), certificates of deposit, revenue stamps, postal stamps, automobiles and certain other items.

TERM INSURED

Short-term, one year and long-term (two to five years)

AMOUNT INSURED

The policyholder is required to set the amount insured under earthquake insurance within a range of 30-50% of the amount of insurance provided by his/her fire insurance. However, the amount insured is limited to a maximum of ¥50 million for a building** and ¥10 million for personal property.

* Fire insurance

Ordinary fire insurance, long-term comprehensive insurance, deposit life comprehensive insurance, dwelling fire insurance, householders' comprehensive insurance, storekeepers' comprehensive insurance and certain other types of insurance.

** The amount insured of a condominium building such as apartment building is limited to ¥50 million, totaling exclusive areas and common areas.

PAYMENT OF INSURANCE CLAIMS

Insurance claims are paid according to the policyholder's earthquake insurance to cover total, half or partial loss of the policyholder's residential building and/or personal property.

Insurable objects	Degree of loss	Amount of insurance claim paid
Residential buildings, personal property	Total loss	100% of amount insured (up to the current price* of the insurable objects)
	Half loss	50% of amount insured (up to 50% of the current price of the insurable objects)
	Partial loss	5% of amount insured (up to 5% of the current price of the insurable objects)

AUTHORIZATION CRITERIA OF LOSSES

Total loss, half loss or partial loss applies to any of the following cases:

Degree of loss	Residential building		Personal property
	Amount of loss of major structural parts	Area of floor burnt down or washed away (partial loss applies when the residential building is flooded above floor level)	Degree of loss of or damage to the personal property
Total loss	50% or more of the current price of the residential building	70% or more of the total floor area of the residential building	80% or more of the current price of the personal property
Half loss	From 20% to less than 50% of the current price of the residential building	From 20% to less than 70% of the total floor area of the residential building	From 30% to less than 80% of the current price of the personal property
Partial loss	From 3% to less than 20% of the current price of the residential building	The residential building was damaged but not totally or half lost although it was flooded above the floor level or above 45 cm or higher from the ground level.	From 10% to less than 30% of the current price of the personal property

CASES WHEN NO INSURANCE CLAIM IS PAYABLE:

- Loss or damage due to willful acts or gross negligence or violation of law
- Loss or damage due to war or insurrection
- Loss or damage occurring ten days or more after the earthquake
- Loss or theft of the objects of the insurance

WHEN A NON-LIFE INSURANCE COMPANY BECOMES INSOLVENT:

With respect to the earthquake insurance, the Non-life Insurance Policy-holders Protection Corporation of Japan will pay the insurance benefit on behalf of a bankrupt company with a 100% indemnity rate.

* Current price

The current price is such that the amount of depreciation according to the service year is deducted from the price of a new building.



LIMIT OF TOTAL AMOUNT OF INSURANCE CLAIMS TO BE PAID

Limit of total amount of insurance claims to be paid* is limited to 5,500 billion yen as revised in April 2008 per earthquake, etc.. In the event the total amount of insurance claims payable exceeds the limit, law allows insurance claims per contract to be reduced.

PREMIUM RATE

The premium rate for earthquake insurance is calculated by the Non-Life Insurance Rating Organization of Japan** on the basis of the Law concerning Non-Life Insurance Rating Organizations. The basic rate of insurance premiums consists of a risk premium rate applicable to or appropriate for the future payment of insurance claims and a loading premium rate applicable to or appropriate for non-life insurance company expenses and agency commissions.

$$\text{Premium rate} = \text{Risk premium rate} + \text{Loading rate}$$

The premium rate actually applied is calculated by multiplying the basic rate of the insurance premium that is set according to the structure of the residential building and the residential building to accommodate personal property that are subject to insurance and the building location, by a discount rate set according to the earthquake-resistance capability (for which certain confirmation documents are required).

* *Limit of total amount of insurance claims to be paid*

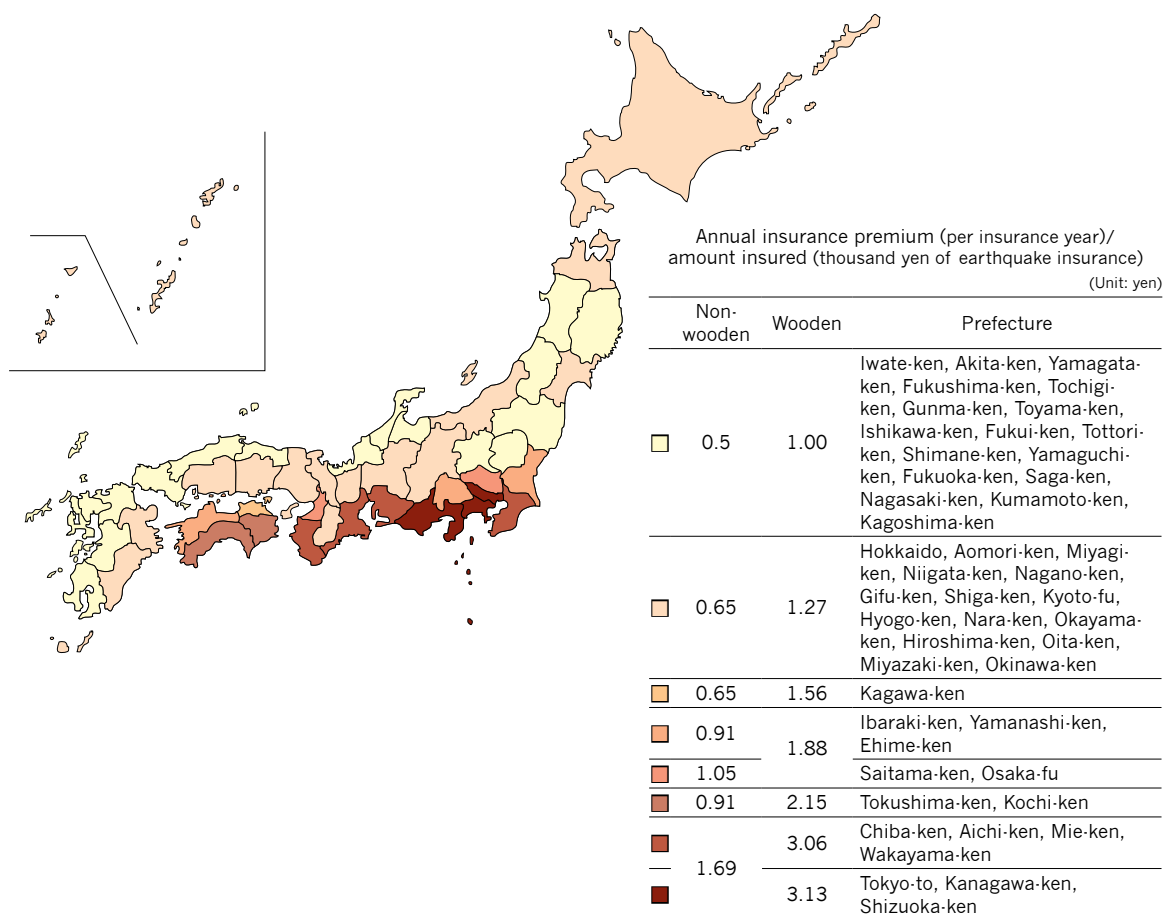
The Law concerning Earthquake Insurance stipulates that the limit to the total insurance claims payable by the government and private insurance company per earthquake, etc.. For details, see p.12 Insurance liabilities held by JER, non-life insurance companies and the government.

** *Non-Life Insurance Rating Organization of Japan*

An organization established in accordance with the Law concerning Non-Life Insurance Rating Organizations, which aims to provide a fair basis premium rate applicable to non-life insurance.

BASIC RATE (APPLICABLE TO BUILDINGS AND PERSONAL PROPERTY)

The basic rate is set according to the structure of the residential building and the residential building to accommodate personal property that are subject to insurance and the building location.



The Headquarters for Earthquake Research Promotion*, a government organization, published the Probabilistic Seismic Hazard Maps. The risk premium rate is calculated based on the latest revised damage projection method to cover all earthquakes (number of epicenters: about 730,000 epicenter model) used in the preparation of the maps that are assumed to have the potential to cause damage in the future.

* The Headquarters for Earthquake Research Promotion

Following on the lessons learned from the Great Hanshin-Awaji Earthquake Disaster, the Special Measure Law on Earthquake Disaster Prevention was enacted to develop a system to facilitate research and study on earthquakes, and based on this Law, the Headquarters for Earthquake Research Promotion was founded in July 1995. In March 2005, the Headquarters for Earthquake Research Promotion published two kinds of maps as the National Seismic Hazard Maps for Japan: the Probabilistic Seismic Hazard Map and the Scenario Earthquake Shaking Map. The Probabilistic Seismic Hazard Map was revised in April 2008.



DISCOUNT RATE

Either discount rate will apply to the foregoing basic premiums rate when the building and personal property come under any of the following:

- Discounts cannot be claimed more than once.

(a) Seismic isolated building* discount

When the building is a seismic isolated building constructed in accordance with related laws and accommodated personal property

Discount rate	30%
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(b) Earthquake-resistance class* discount rate

When the building corresponds to the earthquake-resistance class as provided for by law and accommodated personal property

Earthquake-resistance class	1	2	3
Discount rate	10%	20%	30%

* Earthquake-resistance class

The earthquake-resistance class of a residential building is an indicator of earthquake resistance as stipulated in the Japanese Housing Performance Designation Standards based on the Housing Quality Guarantee Law. It is also used to evaluate a building for earthquake resistance as provided for in the assessment guidelines for earthquake-resistance diagnosis based on the earthquake-resistance class (as to the body of the building) established by the Ministry of Land, Infrastructure and Transport. A description of the classes is as follows.

Earthquake-Resistance Class 3

A class suggesting that the building will not topple or collapse against a force that is 1.5 times stronger than the force of an earthquake (as provided for in Section 3, Article 88, Enforcement Order of the Construction Standard Act) that occurs very rarely (once every some hundred years)

Earthquake-Resistance Class 2

Class suggesting that the building will not topple or collapse against a force 1.25 times stronger than the force of an earthquake that occurs very rarely

Earthquake-Resistance Class 1

Class suggesting that the building will not topple or collapse against that force of earthquake that occurs very rarely

(c) Earthquake-resistance diagnosis discount

When the building was assessed as having an earthquake-resistance capacity** equivalent to that stipulated by related laws as a result of an earthquake-resistance diagnosis or an earthquake-resistance refurbishment, and accommodated personal property

Discount rate	10%
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(d) Building age discount rate

When the building was constructed during or after June 1981 and accommodated personal property

Discount rate	10%
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PREMIUM RATE OF A LONG-TERM CONTRACT

Premium rate of a long-term contract (a two-to-five year contract with special conditions for premiums) is calculated as follows:

(Basic rate – discount rate) x applicable coefficient = premium rate of a long-term contract.

Contract period	2 years	3 years	4 years	5 years
Coefficient	1.90	2.75	3.60	4.45

* *Seismic isolated building*

A seismic isolated building is a building that is assessed to be a seismic isolated building in accordance with the related indicators in the Japanese Housing Performance Designation Standards under the Housing Quality Guarantee Law.

** *Earthquake-resistance capacity*

Earthquake-resistance capacity is an aseismic capacity that conforms to the current earthquake-resistance standards set out in the Building Standards Law.



An example of insurance premiums calculated

A wooden residential building constructed in January 2000 in Hyogo-ken:

Fire insurance (principal contract) amount insured: Building 20 million yen; personal property 6 million yen

1. Setting the amount insured of earthquake insurance: In this case, the proportion insured (*) will be 50%.
 Residential building: 20 million yen x 50% = 10 million yen
 Personal property: 6 million yen x 50% = 3 million yen
2. Confirming the premium rate applicable: Hyogo-ken, wooden → 1.27
3. Confirming the discount rate applicable: Building constructed in and after June 1981 → 10%

	Earthquake amount insured		Earthquake insurance premium rate		Discount rate	
Earthquake insurance premium on residential building	= 10,000 (1,000 yen)	x	1.27	x	(100% - 10%)	= 11,400 (yen)
			1.14			

	Earthquake amount insured		Earthquake insurance premium rate		Discount rate	
Earthquake insurance premium on personal property	= 3,000 (1,000 yen)	x	1.27	x	(100% - 10%)	= 3,420 (yen)
			1.14			

* Proportion Insured

The insured earthquake amount as a percentage of the insured fire amount. The insured earthquake amount should be 30-50% of the insured fire amount.

INCOME TAX CREDIT SYSTEM FOR EARTHQUAKE INSURANCE

In the tax system revision in fiscal 2006, the old income tax credit for non-life insurance was revised, and an income tax credit for earthquake insurance was established to support self-help efforts of the public in preparation for earthquake damages. As the revision enables deductions of up to 50,000 yen and 25,000 yen from the gross income, etc. for the purposes of income tax and the local inhabitant tax, respectively, the purchase of an earthquake insurance policy became easier.

REINSURANCE OF EARTHQUAKE INSURANCE

MECHANISM OF REINSURANCE

In the event that a major earthquake happens, it can result in large payouts of insurance claim by insurance companies. Because there is a certain limit, however, to the ability of these companies to make payments, the government shares insurance responsibility with them through reinsurance.

We reinsure the earthquake insurance contracts underwritten by non-life insurance companies to take on full liability, which we homogenize before we pass on the risk proportionally to the non-life insurance companies and the government by retrocession according to the limit indemnity. We take up the remaining indemnity.

Treaty A

Reinsurance by JER for non-life insurance companies

JER has entered into a reinsurance contract with non-life insurance companies operated in Japan. According to the contract, the non-life insurance companies conclude a reinsurance contract with JER on the earthquake insurance contracts in full underwritten by them in accordance with the Law concerning Earthquake Insurance. JER takes up the full liability for this earthquake insurance without fail.

Treaty B

Retrocession by JER on non-life insurance companies

JER enters into a reinsurance contract individually with the non-life insurance companies, and retrocedes to each company part of the insurance liability taken up by JER to the limit as determined according to the balance of earthquake insurance risk reserves and other factors.

Treaty C

Retrocession by JER on the government (Excess of loss reinsurance)

JER has entered into an excess of loss reinsurance with the government on earthquake insurance for a loss exceeding the amount payable by JER, according to which JER retrocedes to the government part of insurance liability taken up according to Treaty A to the indemnity limit as approved by the Diet.



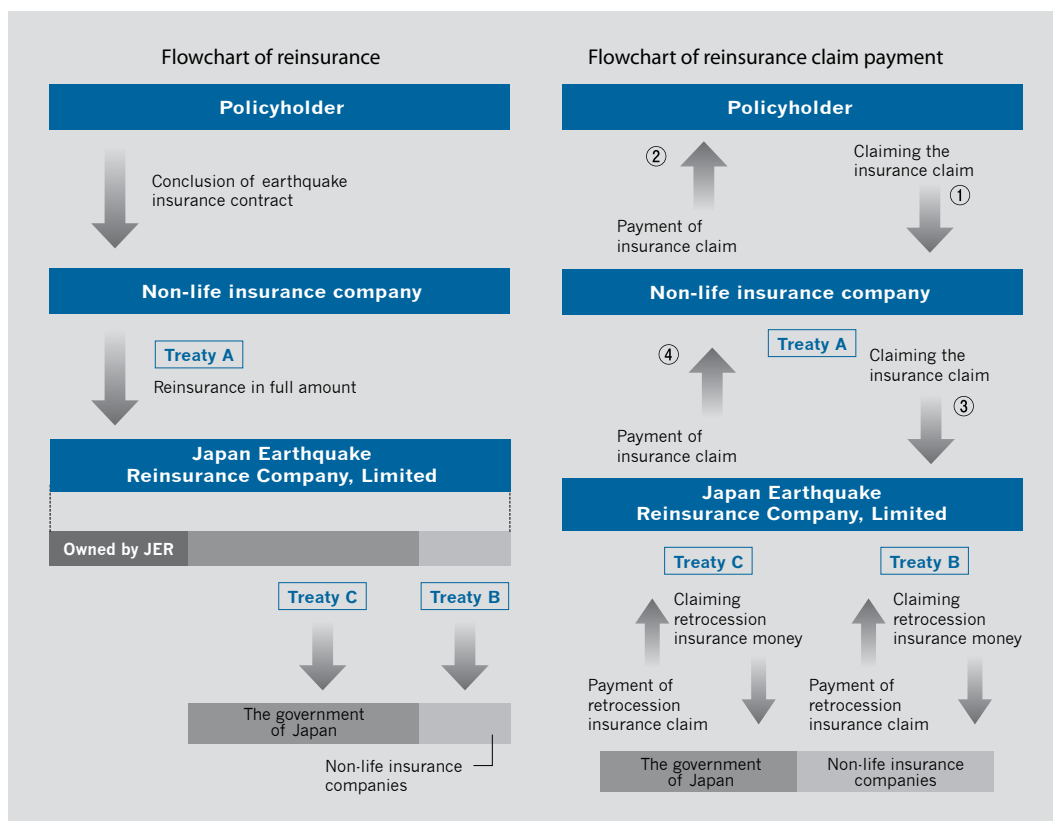
MECHANISM OF PAYMENT OF INSURANCE CLAIMS

The policyholder claims insurance money to the non-life insurance company when the policyholder suffers a certain loss or damage as a result of an earthquake, etc., and the company will pay insurance claim to the policyholder.

The non-life insurance company which paid an insurance claim to the policyholder will claim the full amount from JER through reinsurance. JER will pay the reinsurance claim in full to the non-life insurance company.

This means that the amount of reinsurance claim paid by JER is the same as the amount of the insurance claim paid to the policyholder by the non-life insurance company.

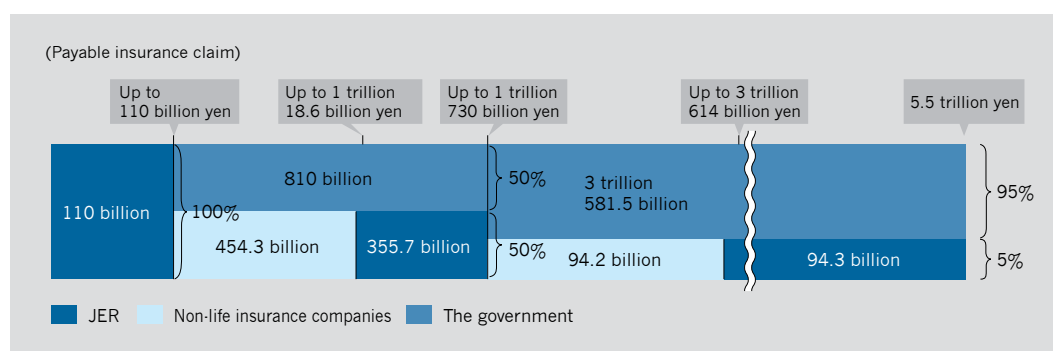
FLOWCHART OF REINSURANCE OF EARTHQUAKE INSURANCE



INSURANCE LIABILITIES HELD BY JER, NON-LIFE INSURANCE COMPANIES AND THE GOVERNMENT

The following is the reinsurance scheme, showing how JER, non-life insurance companies and the government share insurance liabilities, and the way each handles the shared liabilities. As for April 1, 2008, the total amount of insurance claims to be paid for a single earthquake is limited to 5.5 trillion yen. See below for the reinsurance scheme and the total maximum liability limit.

REINSURANCE SCHEME



LIABILITY LIMIT

JER	560.0 billion yen
Non-life insurance companies	548.5 billion yen
The government	4,391.5 billion yen
Total (limit amount of payable insurance claims)	5.5 trillion yen



THE BALANCE OF RISK RESERVES AT JER AND NON-LIFE INSURANCE COMPANIES AND THE GOVERNMENT LIABILITY RESERVES AT THE END OF FISCAL 2007

JER and non-life insurance companies save the risk premium of insurance premiums paid by policyholders as earthquake insurance risk reserves for the possible payment of earthquake insurance claims while the government saves government reserves in the earthquake insurance special account under law. In the event that an earthquake occurs and causes losses or damages, each of JER, non-life insurance companies and the government pays an insurance claim according to each liability as stipulated in the reinsurance scheme by withdrawing from reserves.

JER	433.8 billion yen
Non-life insurance companies	474.2 billion yen
The government	1,138.6 billion yen
Total	2,046.7 billion yen

Note: The risk reserves by the non-life insurance companies include the amount equivalent to deferred tax assets due to tax effect accounting.

EXAMPLES OF INSURANCE CLAIMS TO BE PAID BY JER, NON-LIFE INSURANCE COMPANIES AND THE GOVERNMENT

Suppose that insurance claims amounting to 2 trillion yen for losses or damages associated with a single earthquake are to be paid. JER, non-life insurance companies and the government will pay each in the following amount:

(Unit: billion yen)

Claims paid	A person of burden			Total
	Portion up to 110 billion yen	Portion over 110 billion yen, and up to 1,730 billion yen	Portion over 1,730 billion yen, and up to 2,000 billion yen	
JER	110.0	355.7	—	465.7
Non-life insurance companies	—	454.3	13.5	467.8
The government	—	810.0	256.5	1,066.5
Total	110.0	1,620.0	270.0	2,000.0

STATISTICS

THE PERCENTAGE OF HOUSEHOLDS PURCHASING EARTHQUAKE INSURANCE IN AREAS AT RISK OF MAJOR EARTHQUAKES

Earthquake	No. of households (A) (1,000 households)	No. of contracts (B) (1,000 contracts)	Amount insured (million yen)	Percentage of households with insurance (B/A) (%)	Probability that an earthquake could occur within the next 30 years
Great Kanto earthquake	22,925	5,925	47,763,504	25.85	Nearly 0% - 1%
Earthquake with an epicenter directly below metropolitan Tokyo	16,149	4,290	34,273,727	26.57	About 70%
Tokai earthquake	21,796	5,876	47,248,247	26.96	87% (reference value)
Tonankai earthquake	20,722	5,076	40,893,859	24.50	About 60% - 70%
Nankai earthquake	28,316	6,575	53,285,743	23.22	About 50%

Note: The probability that an earthquake could occur within the next 30 years is based on the 2008 version of the National Seismic Hazard Maps for Japan of the Headquarters for Earthquake Research Promotion of the Japanese government. The probability of an earthquake with an epicenter directly below metropolitan Tokyo refers to an earthquake with magnitude of about 7 that could occur in southern Kanto.

REINSURANCE CLAIMS PAID IN FISCAL 2007

Reinsurance claims paid in fiscal 2007 amounted to 12,370 million yen, including earthquake reinsurance claims paid to cover the Niigataken Chuetsu-oki Earthquake and the Noto Hanto Earthquake that occurred in 2007. In terms of numbers, 13,405 claims were paid (on the basis of insurance policies). See below for major claims paid per earthquake.

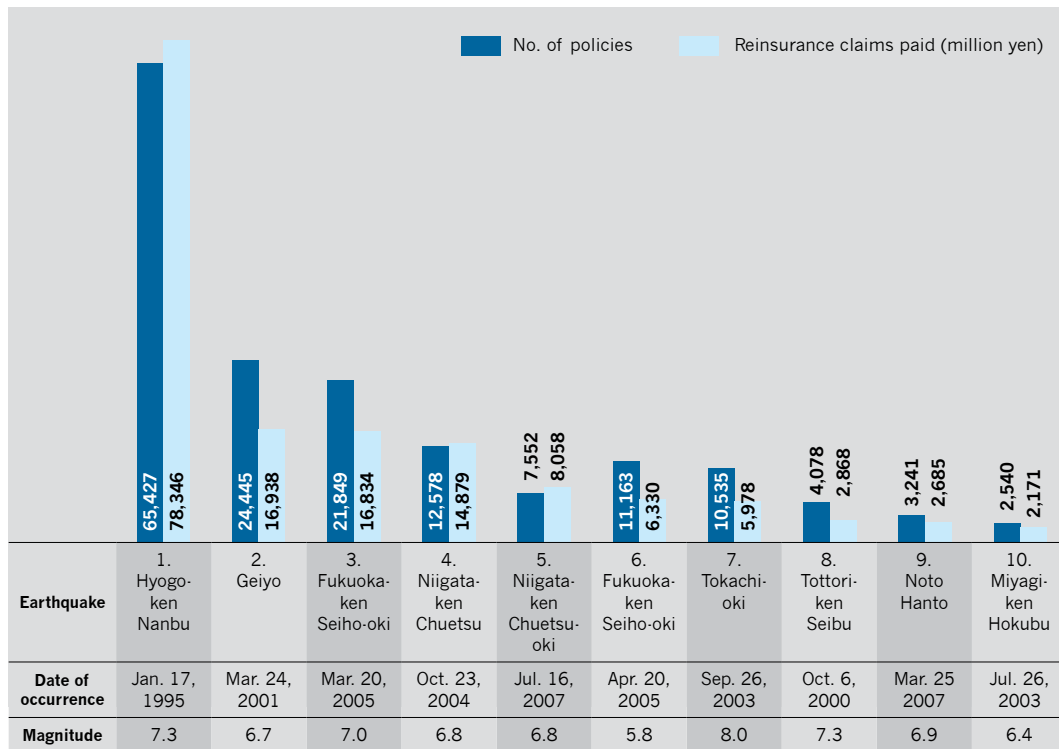
Earthquake	Date of occurrence	Magnitude	No. of policies	Reinsurance claims paid (million yen)
1. Niigataken Chuetsu-oki Earthquake	July 16, 2007	6.8	7,552	8,058
2. Noto Hanto Earthquake	March 25, 2007	6.9	3,241	2,685
3. Mieken Chubu Earthquake	April 15, 2007	5.4	1,509	887
Other earthquakes	—	—	1,103	739
Total	—	—	13,405	12,370



TOP TEN EARTHQUAKES AS TO REINSURANCE CLAIMS PAID

See the table below for the top ten earthquakes with respect to reinsurance claims paid since the earthquake insurance was established.

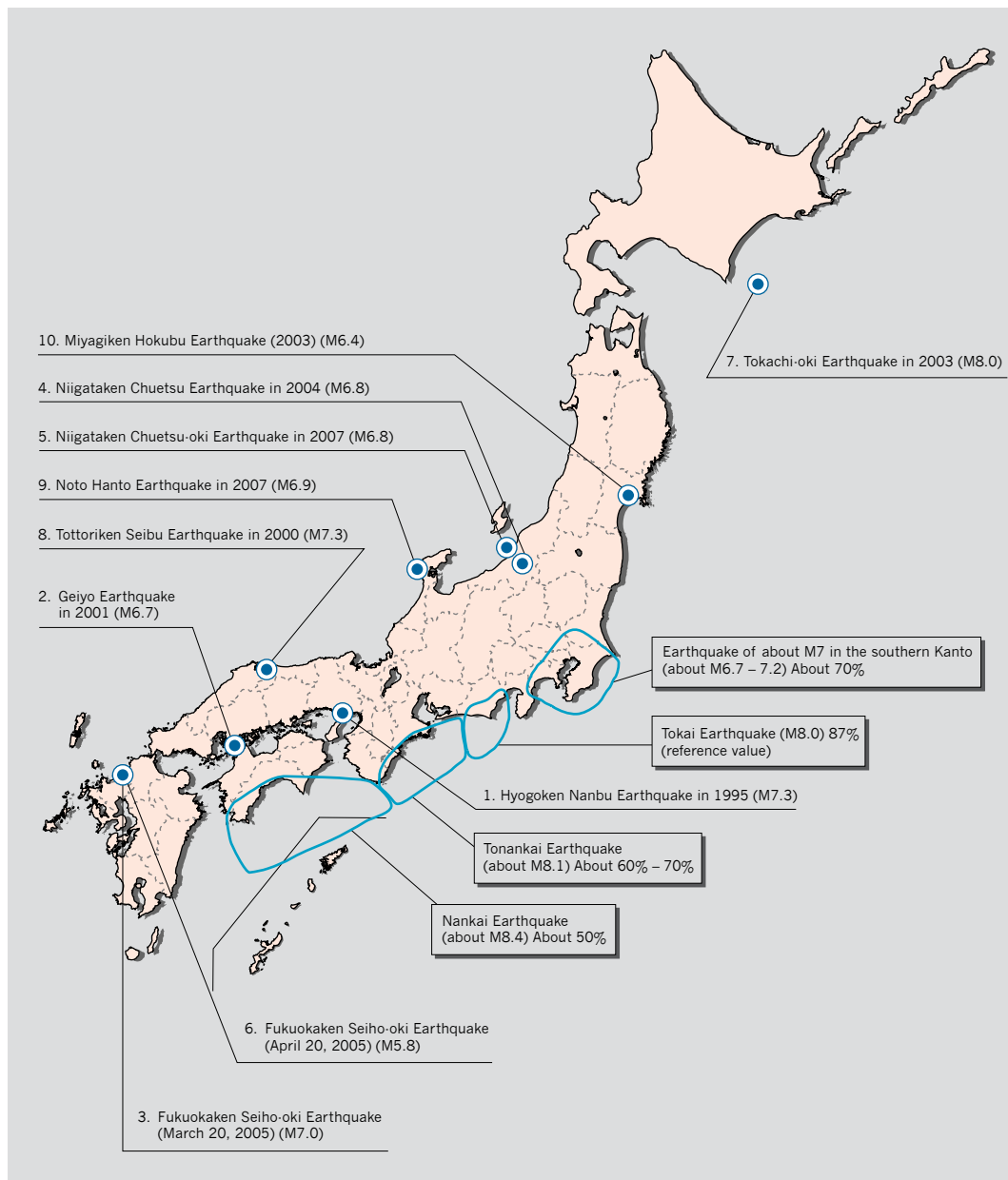
(As of March 31, 2008)



Note: Insurance claims worth 78,346 million yen were paid to cover the Hyogoken-Nanbu Earthquake. Of these claims, the government paid 6,173 million yen, JER 40,000 million yen and the non-life insurance companies 32,173 million yen according to the reinsurance scheme in force at the time.

Below are the epicenters and magnitudes of the top 10 earthquakes for which we paid reinsurance claims in the past. The number attached to the name of the earthquake is in order of payment amount.

As a reference, the epicenter area and the probability that an earthquake with a magnitude of about 7 in southern Kanto, the Tokai earthquake, the Tonankai earthquake and the Nankai earthquake could occur within the next 30 years announced by the Headquarters for Earthquake Research Promotion of the government are also included.

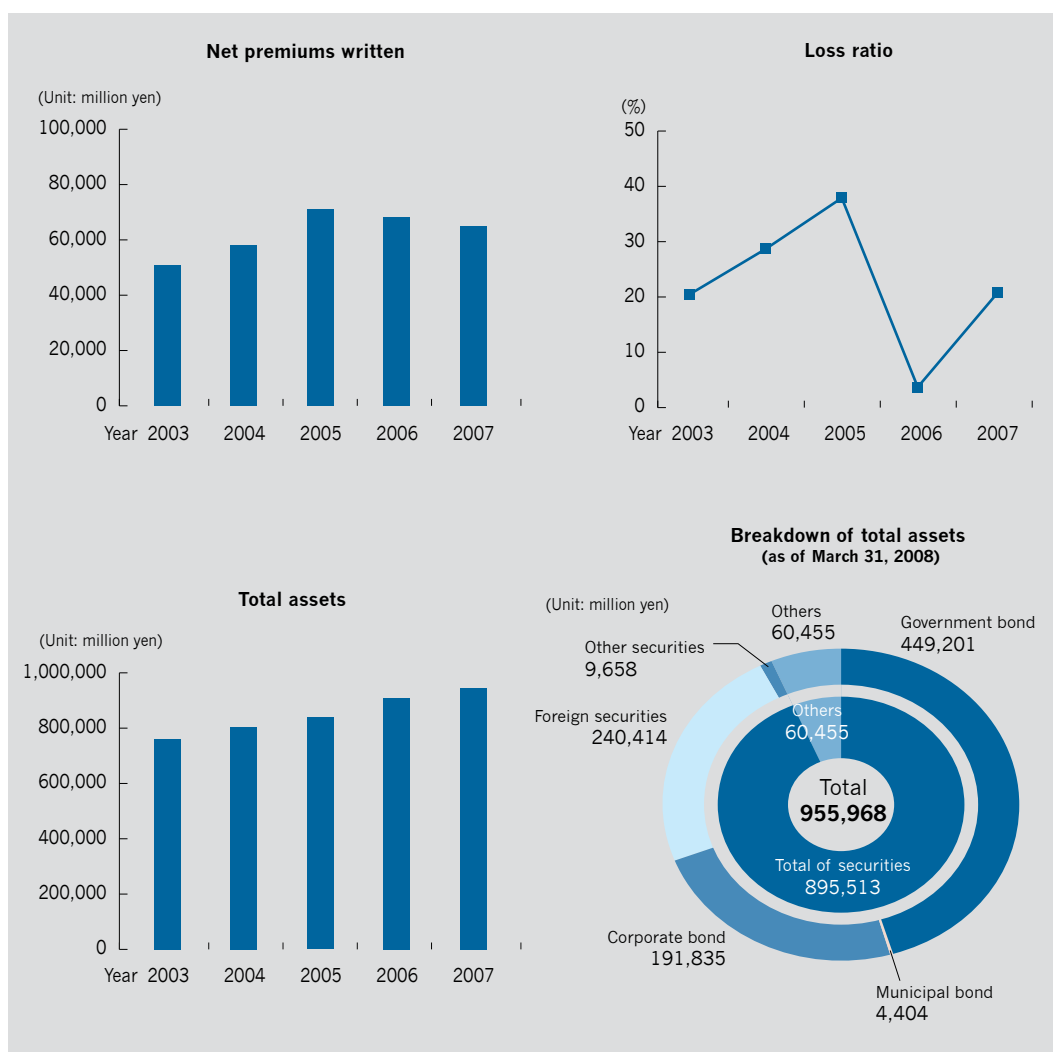


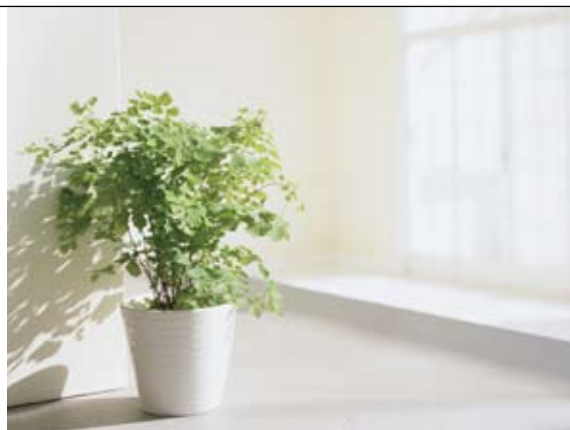


JAPAN EARTHQUAKE REINSURANCE CO., LTD.

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.

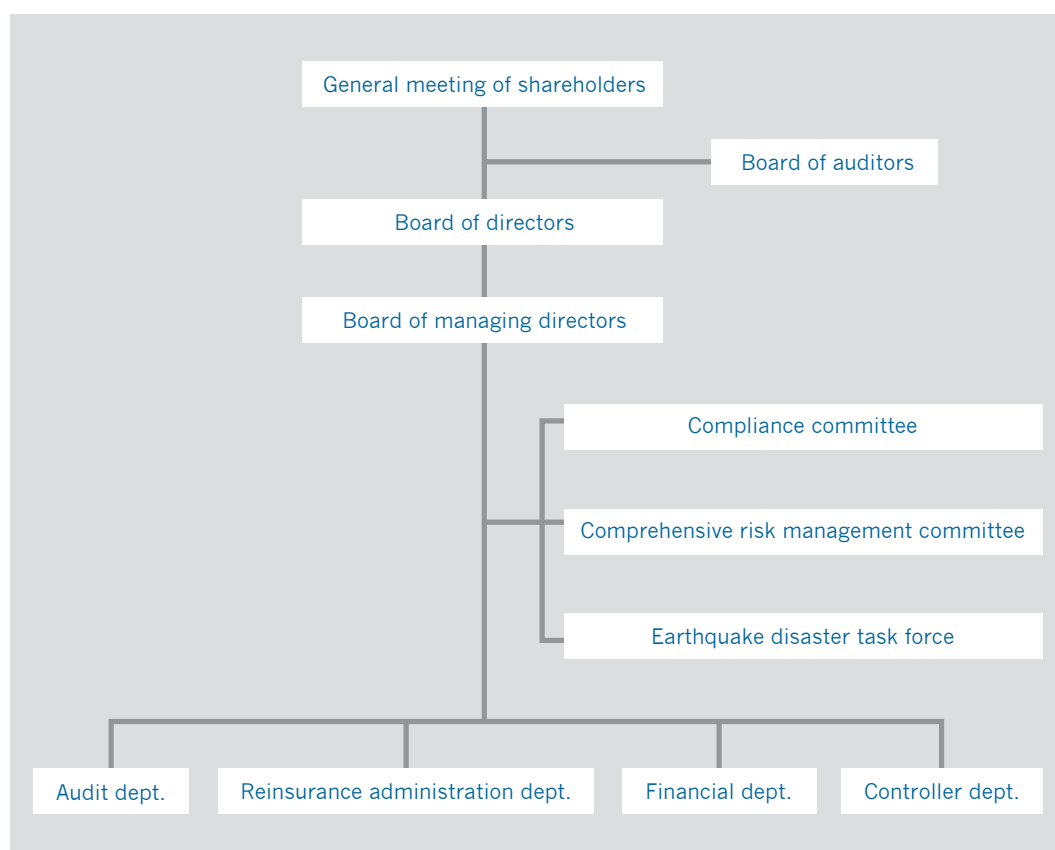
TOP 10 SHAREHOLDERS

(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.

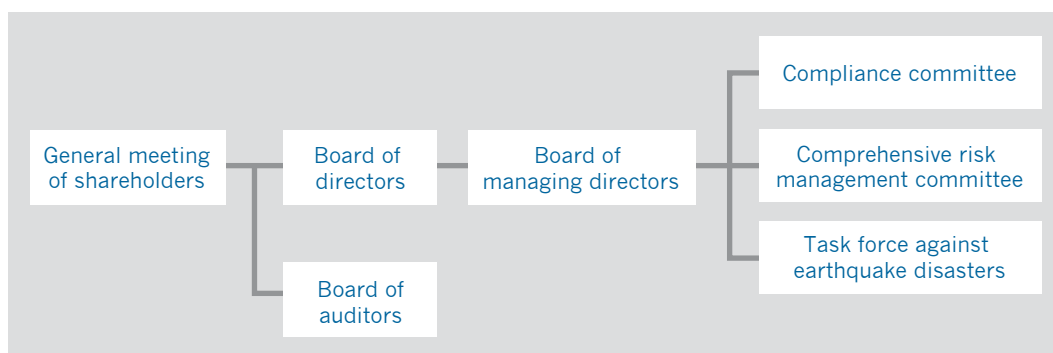
We have also set up a receiving terminal in our office in association with the launch of the Japan Meteorological Agency’s emergency earthquake report, which we use to ensure the safety of visitors as well as our officials and employees.

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.

Financial Section

Financial Review

Indicators Showing the Main Results over the Last Five Fiscal Years

Indicators Showing Results for the Last Three Fiscal Years

Accounting Concepts

1. Financial statements
2. Risk management credits
3. Present conditions of loans involving trust with contact for replacement of losses
4. Credit obligations based on debtor classification
5. Conditions of solvency-margin ratio
6. Information on market prices
(acquisition cost or contract cost, market price and appraisal profit and loss) and others

FINANCIAL REVIEW

The number of earthquake insurance contracts increased as in the previous year, backed by factors such as a higher level of interest in earthquake insurance, while premiums written declined reflecting the effect of lowering the premium rate. In the meantime, the number and amount of earthquake insurance payouts rose compared with the previous year due to insurance payouts for the Niigata Chuetsu offshore earthquake and other earthquakes.

Profits from investments declined from the previous year in the difficult operating environment where medium- and long-term interest rates continued to fall in Japan, and the yen appreciated sharply against the dollar in the second half.

Business expenses remained nearly flat from the previous year's level as a result of our efforts to achieve efficient business operations and reduce costs.

(1) Outline of earthquake insurance results

a. Premiums written and insurance claims paid

Earthquake insurance premiums registered a decrease in the current fiscal year as in the previous year, resulting in net premiums written of 64 billion yen.

Earthquake insurance claims paid amounted to 12.3 billion yen, reflecting the fact that the Niigata Chuetsu offshore earthquake and the Noto Peninsula earthquake occurred in 2007.

b. Underwriting reserves

Risk reserves added amounted to 32.6 billion yen, the total of net premiums written was 30.7 billion yen, given by deducting assumed insurance commissions from net premiums written, and there was a profit of 1.9 billion yen from investments.

Risk reserves at the end of the current term amounted to 433.8 billion yen, reflecting the drawing of 11.2 billion yen from risk reserves in the past year following the payment of ongoing insurance claims, an increase in outstanding claims, as well as advertising and publicity expenses.

Underwriting reserves at the end of the current term amounted to 515.5 billion yen after adding unearned premium reserves and refunded reserves to the risk reserves.

c. Entrusted reserves

Designated entrusted reserves from the earthquake insurance account were 423.9 billion yen for the year, obtained by adding net premiums written and profit from investments of 23.1 billion yen, and drawing advertising / publicity expenses of 500 million yen.

(2) Outline of investments

Although medium- and long-term interest rates rose in June 2007, reflecting the prospect of a policy interest

rate hike by the Bank of Japan, the interest rate level at the end of the current fiscal year was much lower than it was at the end of the previous year. This mainly reflects the emergence of uncertainty over the global economy and the prospect of the BOJ postponing an additional rate hike based on the fact that overseas financial markets became temporarily dysfunctional after August. This was attributable to the subprime mortgage crisis in the United States and the subsequent credit crunch.

In the first half, the yen remained weak in the foreign exchange market owing to the interest rate differential between Japan and overseas markets. At the end of the current fiscal year, however, the exchange rate of the yen against the dollar was 15% higher than it was a year ago, reflecting the financial instability triggered by the subprime mortgage crisis. The exchange rate for the euro was unchanged from the level at the end of the previous year.

In this environment, we refrained from investing in securitized products related to the subprime mortgage and instead invested in assets with the highest priority placed on soundness, followed by profitability. As a result, profits before tax from investments declined 2.5 billion yen from the previous year to 1.9 billion yen in the business account, and they fell 2 billion yen to 2 billion yen in the entrusted reserves account, primarily due to the effect of the stronger yen against the dollar in foreign currency denominated bond investments. Consequently, investment assets at the end of the current fiscal year were 940.8 billion yen.

(3) Current profit and loss

Net income amounted to 4 million yen after calculating interest, dividend income and corporate taxes.

INDICATORS SHOWING THE MAIN RESULTS OVER THE LAST FIVE FISCAL YEARS

(Unit: Million yen)

Division	Fiscal Year	2003	2004	2005	2006	2007
Net premiums written (percentage change over the previous term)		50,896 (7.0%)	58,198 (14.3%)	71,132 (22.2%)	67,981 (△4.4%)	64,040 (△5.8%)
Ordinary incomes (percentage change over the previous term)		66,352 (13.5%)	71,856 (8.3%)	107,868 (50.1%)	90,373 (△16.2%)	81,290 (△10.1%)
Ordinary expenses (percentage change over the previous term)		66,167 (13.8%)	71,758 (8.4%)	107,845 (50.3%)	90,229 (△16.3%)	81,273 (△9.9%)
Ordinary profit (percentage change over the previous term)		184 (△39.3%)	98 (△46.7%)	23 (△76.4%)	143 (521.1%)	16 (△88.5%)
Net income (percentage change over the previous term)		17 (74.2%)	10 (△40.5%)	36 (243.6%)	△16 (△146.4%)	4 (-)
Common stock (sum of shares issued)		1,000 (2 mil. shares)	1,000 (2 mil. shares)	1,000 (2 mil. shares)	1,000 (2 mil. shares)	1,000 (2 mil. shares)
Net assets		1,579	1,587	1,605	1,600	1,614
Total assets		761,594	804,333	838,555	908,963	955,968
Underwriting reserves (percentage change over the previous term)		412,968 (5.5%)	415,802 (0.7%)	450,892 (8.4%)	490,901 (8.9%)	515,586 (5.0%)
(of the balance, risk reserve balance) (percentage change over the previous term)		359,772 (5.3%)	355,813 (△1.1%)	378,731 (6.4%)	412,364 (8.9%)	433,841 (5.2%)
Loans (percentage change over the previous term)		- (-)	- (-)	- (-)	- (-)	- (-)
Securities (percentage change over the previous term)		682,285 (4.6%)	734,046 (7.6%)	771,383 (5.1%)	851,739 (10.4%)	895,513 (5.1%)
Solvency-margin ratio		184.3%	182.2%	160.2%	175.3%	185.4%
Dividend propensity		-%	-%	-%	-%	-%
No. of employees		17	18	21	21	24

Note:

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 a criterion to enable the administrative authorities to trigger an order for improvement.

We conduct no trust business.

INDICATORS SHOWING RESULTS FOR THE LAST THREE FISCAL YEARS

① Indicators showing the main business results

1. Net premiums written

Item: earthquake

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Premiums written		143,493	142,841	142,811
Return premiums		1,440	1,760	3,349
Assumed net premiums written (A)		139,621	139,172	138,086
Reinsurance premiums ceded (B)		68,488	71,190	74,045
Net premiums written (A-B)		71,132	67,981	64,040

Note:

- 1: Return premiums: Return premiums of receiving reinsurance.
- 2: Assumed net premiums: Produced by deducting return premiums from receiving premiums.
- 3: Net premiums written: Produced by deducting paid reinsurance premium ceded from assumed net premiums written.

2. Underwriting profit

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Underwriting incomes		91,001	72,451	67,320
Underwriting expenses		90,580	71,804	66,860
Operating and general administrative expenses		421	521	459
Other incomes and expenses		-	△126	-
Underwriting profit		-	-	-

Note:

- 1: The above operating, general and administrative expenses are those relating to the underwriting of insurances mentioned in the operating, general and 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: Million yen)

Division	Fiscal Year	2005	2006	2007
Assumed net claim paid (A)		24,662	2,240	12,370
Reinsurance claims recovered (B)		-	-	-
Net claims paid (A-B)		24,662	2,240	12,370

Note:

- 1: Assumed net claims 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 net claims paid.

② Indicators relating to insurance contracts

1. Loss ratio, net expense ratio and their combined ratio

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Loss ratio		37.9%	3.7%	21.0%
Underwriting expenses		28,982	29,348	29,198
Insurance related operating, general and administrative expenses		(421)	(521)	(459)
Agency commissions and brokerage fees		(28,560)	(28,827)	(28,739)
Net expense ratio		40.7%	43.2%	45.6%
Combined ratio		78.6%	46.9%	66.6%

Note:

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

2. Rate of premiums written by domestic and overseas contracts

Division	Fiscal Year	2005	2006	2007
Domestic contract		100%	100%	100%

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

	2006	2007
No. of reinsurers that ceded insurance contracts	18	18
Rate of top five reinsurers' ceded insurance premiums	77.7	77.6

Note:

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

There are no notes about unearned claims paid.

There are no notes about the rate of damage occurrence, the expenses ratio and rate of sum total before ceded insurance deduction.

The 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: Million yen)

Division	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Outstanding claims		1,104	1,545	178
Underwriting reserves		450,892	490,901	515,586
Total		451,997	492,446	515,765

2. Detailed listing of liability reserves

As of the end of Fiscal 2006

(Unit: Million yen)

Division	Balance as of the end of fiscal 2005	Amount of increase in fiscal 2006	Amount of decrease in fiscal 2006	Balance as of the end of fiscal 2006
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Accrued severance benefits	83	17	3	97
Reserve for directors' retirement allowances	7	4	-	11
Reserve for bonus payment	14	16	14	16
Reserve for price fluctuation	7	0	-	8
Total	113	37	18	132

As of the end of Fiscal 2007

(Unit: Million yen)

Division	Balance as of the end of fiscal 2006	Amount of increase in fiscal 2007	Amount of decrease in fiscal 2007	Balance as of the end of fiscal 2007
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Accrued severance benefits	97	18	21	94
Reserve for directors' retirement allowances	11	4	2	13
Reserve for bonus payment	16	17	16	17
Reserve for price fluctuation	8	0	-	8
Total	132	40	40	133

3. Detailed listing of shareholders' equity

As of the end of Fiscal 2006

(Unit: Million yen)

Division	Balance as of the end of fiscal 2005	Amount of increase in fiscal 2006	Amount of decrease in fiscal 2006	Balance as of the end of fiscal 2006
Common stock	1,000	-	-	1,000
Issued stock	Ordinary stock (2 mil. stock) 1,000	-	-	(2 mil. stock) 1,000
	Total (2 mil. stock) 1,000	-	-	(2 mil. stock) 1,000
Legal reserve of retained earnings	1	-	-	1
Legal reserve of retained earnings and voluntary reserves	Voluntary reserves	-	-	-
	Special reserves	17	-	17
	Special price fluctuation reserves	39	-	39
	Total	57	-	57

Note:

The number of owned shares was 11,400 as of the end of fiscal 2006.

As of the end of Fiscal 2007

(Unit: Million yen)

Division	Balance as of the end of fiscal 2006	Amount of increase in fiscal 2007	Amount of decrease in fiscal 2007	Balance as of the end of fiscal 2007
Common stock	1,000	-	-	1,000
Issued stock	Ordinary stock (2 mil. stock) 1,000	-	-	(2 mil. stock) 1,000
	Total (2 mil. stock) 1,000	-	-	(2 mil. stock) 1,000
Legal reserve of retained earnings	1	-	-	1
Legal reserve of retained earnings and voluntary reserves	Voluntary reserves	-	-	-
	Special reserves	17	-	17
	Special price fluctuation reserves	39	-	39
	Total	57	-	57

Note:

The number of owned shares was 11,400 as of the end of fiscal 2007.

4. Business expenses (inclusive of loss adjustment)

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Personnel expenses		453	343	391
Non personnel expenses		2,512	721	1,397
Taxes		195	186	177
Agency commissions and brokerage fees		28,560	28,827	28,739
Total		31,722	30,079	30,706

Note:

Business expenses are the total of loss adjustment expense, operating, general and administrative expenses, agency commissions and brokerage fees as shown in the income statement.

5. Profit on sale of securities by category

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Government bonds		92	426	597
Foreign securities		-	-	-
Total		92	426	597

6. Loss on sale of securities by category

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Government bonds		288	246	4
Foreign securities		401	-	66
Total		689	246	70

7. Securities appraisal loss by category

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Government bonds		-	-	-
Foreign securities		-	-	-
Total		-	-	-

8. Depreciation expenses by category

As of the end of Fiscal 2006

(Unit: Million yen)

Type of asset	Acquisition cost	Amount of depreciation in fiscal 2006	Aggregated depreciations	Balance as the end of fiscal 2006	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	92	2	53	39	57.6
(for underwriting)	(92)	(2)	(53)	(39)	(57.6)
(for investment)	(-)	(-)	(-)	(-)	(-)
Others	22	0	19	3	86.5
Total	115	3	73	42	63.3
Intangible fixed assets					
Software	9	2	4	4	51.3
Other intangible fixed assets	0	0	0	0	63.1
Total	9	2	5	4	52.0
Grand total	125	5	78	47	62.4

As of the end of Fiscal 2007

(Unit: Million yen)

Type of asset	Acquisition cost	Amount of depreciation in fiscal 2007	Aggregated depreciations	Balance as the end of fiscal 2007	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	94	2	55	38	59.1
(for underwriting)	(94)	(2)	(55)	(38)	(59.1)
(for investment)	(-)	(-)	(-)	(-)	(-)
Others	75	3	21	53	29.2
Total	169	5	77	91	45.9
Intangible fixed assets					
Software	18	3	7	10	43.0
Other intangible fixed assets	0	0	0	0	74.6
Total	18	3	8	10	43.9
Grand total	188	9	86	102	45.7

9. Loss from disposal of fixed assets

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Land		(-)	(-)	(-)
Buildings		(-)	(-)	(0)
Other tangible fixed assets		(-)	(-)	(0)
Total		-	-	0

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 the increase in the loss ratio is omitted because insurance claims are offset by the disposition of underwriting reserves.

There are no notes about the 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: Million yen)

Division	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Risk reserve		378,731	412,364	433,841
Unearned premium reserve		69,521	76,245	79,695
Repayment reserve		2,639	2,291	2,050
Total		450,892	490,901	515,586

6 The conditions at the end of the current fiscal year (runoff result) of outstanding claims (estimated amount) at the beginning of the term do not apply to earthquake insurance.

7 The amount of estimated final damages associated with the elapse of a period from the occurrence of accidents does not apply to earthquake insurance.

8 Investments

1. Investments policy

Because we have to pay a substantial amount of claims promptly in the event of a natural disaster such as a major earthquake, we put in principle the highest priority on safety and liquidity in operating our assets, followed by profitability to increase risk reserves. The risk management division is engaged in monitoring and controlling risks of all kinds, independently of the transactions execution division.

2. Investments in outline

Deposits

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Deposits		38,026	29,986	31,077
(Ordinary deposit)		(10,696)	(4,586)	(6,777)
(Time deposit)		(27,330)	(25,400)	(24,300)

Total assets and investments assets

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007			
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)			
Deposits		38,026	4.5	29,986	3.3	31,077	3.3
Call loans		-	-	-	-	-	-
Monetary receivable bought		1,799	0.2	999	0.1	499	0.0
Money trust		15,528	1.9	13,958	1.5	13,723	1.4
Securities		771,383	92.0	851,739	93.7	895,513	93.7
Buildings		42	0.0	39	0.0	38	0.0
Total of investments assets		826,779	98.6	896,723	98.6	940,851	98.4
Total assets		838,555	100.0	908,963	100.0	955,968	100.0

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

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007			
		Yield	Yield	Yield			
Deposits		91	0.20	143	0.33	215	0.67
Call loan		0	0.05	-	-	-	-
Monetary receivables bought		4	0.12	2	0.30	7	0.76
Money trust		86	0.57	52	0.38	94	0.69
Securities		10,307	1.40	11,705	1.46	12,894	1.49
Buildings		-	-	-	-	-	-
Total		10,490	1.31	11,904	1.39	13,211	1.45

Note:

Investment assets yield (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 investment assets while the denominator is an acquisition cost based assets.

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. Assets management yield (realized yield)

(Unit: Million yen)

Division	Fiscal Year	2006			2007		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		143	43,612	0.33	215	32,094	0.67
Call loan		-	-	-	-	-	-
Bond trading with repurchase agreement		-	-	-	-	-	-
Monetary receivables bought		2	842	0.30	7	921	0.76
Commodity securities		-	-	-	-	-	-
Money trust		265	13,730	1.93	182	13,750	1.33
Securities		11,885	799,894	1.49	13,421	864,185	1.55
Public and corporate bonds		4,874	589,636	0.83	5,875	634,883	0.93
Stocks		-	-	-	-	-	-
Foreign securities		7,005	198,508	3.53	7,187	220,908	3.25
Other securities		5	11,749	0.05	357	8,393	4.26
Loan		-	-	-	-	-	-
Buildings		-	41	-	-	39	-
Financial derivative		△3,425	-	-	△9,501	-	-
Others		65	-	-	47	-	-
Total		8,938	858,121	1.04	4,372	910,991	0.48

Note:

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

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: Million yen)

Division	Fiscal Year	2006			2007		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		143	43,612	0.33	215	32,094	0.67
Call loan		-	-	-	-	-	-
Bond trading with repurchase agreement		-	-	-	-	-	-
Monetary receivables bought		2	842	0.30	7	921	0.76
Commodity securities		-	-	-	-	-	-
Money trust		96	14,128	0.68	△72	13,978	△0.52
Securities		16,588	790,431	2.10	19,955	859,425	2.32
Public and corporate bonds		8,817	583,484	1.51	9,983	632,674	1.58
Stocks		-	-	-	-	-	-
Foreign securities		7,589	195,301	3.89	9,838	218,285	4.51
Other securities		180	11,646	1.55	133	8,465	1.58
Loans		-	-	-	-	-	-
Buildings		-	41	-	-	39	-
Financial derivative		△3,425	-	-	△9,501	-	-
Others		65	-	-	47	-	-
Total		13,470	849,058	1.59	10,650	906,460	1.17

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 fluctuations in market price appraisal while the denominator is market-price based assets.

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 distribution and yield of Foreign Loans & Investments

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005		As of the end of fiscal 2006		As of the end of fiscal 2007	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Foreign currency denominated							
Foreign public and corporate bonds		167,736	83.2	163,130	76.2	152,411	63.4
Yen denominated							
Foreign public and corporate bonds		33,905	16.8	50,819	23.8	88,003	36.6
Total		201,642	100.0	213,950	100.0	240,414	100.0
Yield on foreign loans & investment							
Investment assets yield (income yield)		3.36%		3.53%		3.28%	
Assets management (realized yield)		3.13%		3.53%		3.25%	
Market-price based overall yield (for reference)		1.13%		3.89%		4.51%	

Note:

1. Of the yield on foreign loans & investments, the investment assets yield was calculated in the same manner as 3., Amount of interest and dividend received and yield on investment assets (income yield) in connection with the assets involving foreign investment.
2. Of the yield on foreign investments, the asset management yield was calculated in the same manner as 4., Asset management yield (realized yield) in connection with the assets involving foreign investment.

7. Balance of securities by category and percentage distribution

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005		As of the end of fiscal 2006		As of the end of fiscal 2007	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Government bonds		310,554	40.3	411,753	48.3	449,201	50.2
Municipal bonds		4,476	0.6	4,390	0.5	4,404	0.5
Corporate bonds		239,851	31.1	212,777	25.0	191,835	21.4
Stocks		-	-	-	-	-	-
Foreign securities		201,642	26.1	213,950	25.1	240,414	26.8
Other securities		14,858	1.9	8,869	1.1	9,658	1.1
Loan receivable in securities		-	-	-	-	-	-
Total		771,383	100.0	851,739	100.0	895,513	100.0

8. Yield on securities held

(Unit: %)

Division	Fiscal Year		
	2005	2006	2007
Investment assets yield (income yield)			
Public & corporate bonds	0.78	0.76	0.85
Stocks	-	-	-
Foreign securities	3.36	3.53	3.28
Other securities	0.56	2.06	3.06
Total	1.31	1.46	1.49
Assets management yield (realized yield)			
Public & corporate bond	0.74	0.83	0.93
Stocks	-	-	-
Foreign securities	3.13	3.53	3.25
Other securities	△0.52	0.05	4.26
Total	0.82	1.49	1.55
Market-price based overall yield (for reference)			
Public & Corporate bonds	△1.29	1.51	1.58
Stocks	-	-	-
Foreign securities	1.13	3.89	4.51
Other securities	△0.46	1.55	1.58
Total	△0.98	2.10	2.32

9. Balance Current Maturity of securities by category

As of the end of fiscal 2006

(Unit: Million yen)

Division	Year						Total
	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	
Government bonds	48,073	126,365	211,470	-	-	25,843	411,753
Municipal bonds	-	4,312	77	-	-	-	4,390
Corporate bonds	47,939	94,263	70,077	99	397	-	212,777
Stocks	-	-	-	-	-	-	-
Foreign securities	21,464	112,657	61,789	-	18,037	-	213,950
Other securities	-	995	-	-	-	7,874	8,869
Loan receivable in securities	-	-	-	-	-	-	-
Total	117,478	338,594	343,414	99	18,435	33,717	851,739

As of the end of fiscal 2007

(Unit: Million yen)

Division	Year						Total
	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	
Government bonds	134,967	159,353	127,555	-	3,842	23,482	449,201
Municipal bonds	1,825	2,578	-	-	-	-	4,404
Corporate bonds	51,575	90,625	47,724	309	1,600	-	191,835
Stocks	-	-	-	-	-	-	-
Foreign securities	33,041	134,039	45,141	-	28,192	-	240,414
Other securities	-	-	-	-	-	9,658	9,658
Loan receivable in securities	-	-	-	-	-	-	-
Total	221,410	386,596	220,421	309	33,634	33,140	895,513

10. Tangible fixed assets by breakdown

(Unit: Million yen)

Division	Year		
	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Land	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Buildings	42	39	38
(for underwriting)	(42)	(39)	(38)
(for investment)	(-)	(-)	(-)
Construction in progress	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Total of property	42	39	38
(for underwriting)	(42)	(39)	(38)
(for investment)	(-)	(-)	(-)
Other tangible fixed assets	2	3	53
Total	45	42	91

There are no notes with respect to 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

ACCOUNTING CONCEPTS

1. Financial statements

① Balance sheets

(ASSETS)

Item	(Unit: Million yen)			
	2006		2007	
	(As of March 31, 2007)		(As of March 31, 2008)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Cash & deposits	29,986	3.3	31,077	3.3
Deposits	29,986		31,077	
Monetary receivable bought	999	0.1	499	0.1
Money trust	13,958	1.5	13,723	1.4
Securities	851,739	93.7	895,513	93.7
Government bonds	411,753		449,201	
Municipal bonds	4,390		4,404	
Corporate bonds	212,777		191,835	
Foreign securities	213,950		240,414	
Other securities	8,869		9,658	
Tangible fixed assets	42	0.0	91	0.0
Buildings	39		38	
Other tangible fixed assets	3		53	
Intangible fixed assets	4	0.0	10	0.0
Software	4		10	
Other intangible fixed assets	0		0	
Other assets	12,155	1.3	14,993	1.6
Reinsurance balance receivable	8,205		7,620	
Accounts receivable	292		464	
Uncollected income	3,348		3,500	
Deposits	51		51	
Suspense payment	96		160	
Financial derivative	161		3,195	
Deferred tax assets	76	0.0	59	0.0
Total assets	908,963	100.0	955,968	100.0

(LIABILITIES)

Item	(Unit: Million yen)			
	2006		2007	
	(As of March 31, 2007)		(As of March 31, 2008)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Underwriting funds	492,446	54.2	515,765	54.0
Outstanding claims	1,545		178	
Underwriting reserves	490,901		515,586	
Entrusted reserves	401,383	44.2	423,983	44.4
Other liabilities	17,940	2.0	12,749	1.3
Reinsurance balance payable	5,457		5,456	
Corporate taxes payable	195		82	
Deposits payable	2		2	
Accrued amounts payable	756		403	
Financial derivative	11,528		6,804	
Accrued severance benefits	97	0.0	94	0.0
Reserves for directors' retirement benefit	11	0.0	13	0.0
Reserves for bonus payment	16	0.0	17	0.0
Price fluctuation reserves	8	0.0	8	0.0
Net unrealized gains on other securities of earthquake insurance	△4,540	△0.5	1,722	0.2
Total liabilities	907,363	99.8	954,353	99.8

(NET ASSETS)

Item	(Unit: Million yen)			
	2006		2007	
	(As of March 31, 2007)		(As of March 31, 2008)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Common stock	1,000	0.1	1,000	0.1
Retained earnings	600	0.1	604	0.1
Legal reserve of retained earnings	1		1	
Other legal reserve of retained earnings	599		603	
Special reserves	17		17	
Special price fluctuation reserves	39		39	
Retained earnings brought forward	542		546	
Treasury Stock	△5	△0.0	△5	△0.0
Total shareholders' equity	1,594	0.2	1,598	0.2
Net unrealized holding gain on securities	5	0.0	15	0.0
Total valuation and translation adjustments	5	0.0	15	0.0
Total net assets	1,600	0.2	1,614	0.2
Total liabilities and net assets	908,963	100.0	955,968	100.0

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

- (1) Of other securities, those to which the market price is applicable is appraised according to the market price at term end.
- (2) Of other securities, those to which the market price is not applicable is appraised based on cost or write-off cost price using the moving-average method.
- (3) With respect to the unrealized gain of assets corresponding to the underwriting reserves and entrusted reserves of earthquake insurance, the amount before tax effect deduction is shown as an Net unrealized gains on other securities of earthquake insurance in Liabilities, according to the pertinent Enforcement Rules of Insurance Business Act. For other unrealized gains, the amount after tax effect deduction is processed entirely according to the direct capital injection method and indicated in Shareholders' Equity. The calculation of the sales price is 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 is done on the basis of market price.
- (2) In money trust exclusively operated with a view to holding securities which is not intended to be operated or held to maturity, the appraisal of securities operated as trust assets is done in the same manner as other securities.

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

4. Although depreciation of tangible fixed assets is calculated using the declining balance method, buildings (excluding equipment attached to buildings) that were acquired on and after April 1, 1998 were depreciated using the straight-line method.

5. Changes in accounting policies

In accordance with the corporate tax law revision, we have changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to the one based on the revised corporate tax law in the current fiscal year. The impact of this change on earnings is minor.

(Additional information)

For those tangible fixed assets acquired on and before March 31, 2007 that had already been depreciated to the depreciable amount, the difference between the residual book value and the memorandum value is depreciated evenly for five years in accordance with the revised corporate tax law. The impact of this change on earnings is minor.

6. Software for in-house use that is recorded as an intangible fixed asset is amortized using the straight-line method.

7. The conversion of foreign currency assets and liabilities into Japanese currency is processed according to the accounting standards for foreign currency transactions.

8. Writing standards of reserves

(1) Reserve for bad debts

Reserves for bad debts are written as follows against losses 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 effectively 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 past bad debts and other factors is multiplied by the amount of claims to appropriate for reserves.

In addition, all 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 in the current term that are to be appropriated for reserves, and no reserve is required.

- (2) Reserves for employees' retirement
For employees' retirement and severance benefits, reserves is appropriated according to the retirement allowance liabilities at the end of the term and the estimated amount of pension assets. The retirement allowance liabilities is calculated using a simple method on the basis of the allowance to be supplied at the end of the term for any employee who retires for his/her own reasons.
- (3) Reserves for directors' retirement benefit
For reserves for directors' retirement benefits, the benefits to be paid at the end of the term are recorded according to the relevant in-house rules.
- (4) Accrued bonuses for employees
Accrued bonuses for employees' bonus is calculated according to the standards of estimated bonus payable.
- (5) Reserves for price fluctuation
To prepare for a loss from price changes of shares and others, reserves are appropriated according to Article 115, Insurance Business Law.
9. Taxes are excluded when preparing accounts for consumption tax and other items. However, taxes are included when recording loss adjustment expenses and operating, general and administrative expenses. Consumption taxes and other items for assets that are not subject to deductions are recorded as suspense payments and written down by an equal amount over five years.
10. The risk reserves contained in the underwriting reserves have been deposited according to the instructions for the calculation of liability reserves by accumulating the amounts resulting from subtracting an amount equivalent to corporate taxes from the net premiums written and profit from operating the assets.
11. Financial lease transactions other than those in which the ownership of the leased item is deemed to be transferred to the leaseholder are processed according to the method equivalent to that of ordinary lease transactions.
12. The accumulated depreciation of tangible fixed assets is 77 million yen.
13. Total deferred tax assets amount to 78 million yen, while total deferred tax liabilities come to 13 million yen. The amount deducted from deferred tax assets as a valuation reserve is 5 million yen. The breakdown of deferred tax assets reveals unpaid business taxes of 29 million yen, a retirement benefit reserve of 34 million yen and a bonus reserve of 6 million yen. The deferred tax liabilities result primarily from an unrealized gain of 9 million yen on securities.
14. In addition to the equipment mentioned in B/S, some computers are used on a lease contract.
15. Net assets per share are 812.01 yen. The basis for this calculation is that net assets are 1,614 million yen, net assets accrued from ordinary shares are 1,614 million yen and the number of ordinary shares at the end of the term is 1.988 million.
16. The amounts are indicated by rounding down any amount not reaching the unit as mentioned.

② Statements of income

(Unit: Million yen)

Item	Fiscal Year	
	2006 (from April 1, 2006 to March 31, 2007)	2007 (from April 1, 2007 to March 31, 2008)
	Amount	Amount
Ordinary incomes	90,373	81,290
Underwriting incomes	72,451	67,320
Net premiums written	67,981	64,040
Reversal of outstanding claims	–	1,366
Investment income on savings premium, etc	4,469	1,912
Investment income	17,920	13,970
Interest and dividend income	11,851	13,116
Profit from operating monetary trust	265	190
Realized gain on sale of securities	426	597
Financial derivative gain	–	1,890
Foreign exchange gain	9,779	–
Profit from other operations	66	86
Transfer of profit from Investment income on savings premiums	△4,469	△1,912
Other ordinary incomes	1	0
Ordinary expenses	90,229	81,273
Underwriting expenses	71,804	66,860
Net claims paid	2,240	12,370
Loss adjustment expenses	287	1,065
Agency commissions and brokerage fees	28,827	28,739
Provision for outstanding claims	440	–
Provision for underwriting reserves	40,008	24,685
Investment expenses	13,452	11,509
Loss from operating monetary trust	–	7
Realized loss on sale of securities	246	70
Financial derivative cost	13,205	–
Foreign exchange loss	–	11,392
Other operation cost	0	39
Operating, general and administrative expenses	964	901
Other ordinary expenses	4,008	2,001
Interest paid	4,008	2,001
Other ordinary expenses	–	0
Ordinary profit	143	16
Extraordinary losses	0	0
Loss on disposal fixed assets	–	0
Provision for price fluctuation reserve	0	0
Income before taxes	143	16
Income taxes – current	158	0
Income taxes – deferred	2	11
Net income	△16	4

Notes for fiscal 2007

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

Premiums written:	138,086 (million yen)
Reinsurance premiums ceded:	74,045 (million yen)
Net premiums written:	64,040 (million yen)

2. The interests and dividends income are given below by category:

Interest on deposits:	215 (million yen)
Interest on monetary receivable bought:	7 (million yen)
Interest on securities:	12,894 (million yen)
Total:	13,116 (million yen)

3. Paper profit/loss involved in the financial derivative expenses is a loss of 3,608 million yen.

4. The net income per share is 2.21 yen.

The basis for this calculation is such that the net income is 4 million yen, the net income accrued from ordinary shares is 4 million yen and the term average No. of ordinary shares amount to 1.988 million.

5. The legal effective tax rate at the end of the term is 36.21%, and the corporate tax burden after applying the tax effect is 72.88%. The difference is explained by the following breakdown: the change in valuation reserves is 32.22%, the amount of the write-off carried from publicity expenses related to risk reserves is △462.84%, the profit surplus from operating unearned premium deposits is △212.92%, and the tax loss carried forward is △675.75%.

6. Each amount is rounded down to the nearest whole unit.

③ Statements of cash flow

(Unit: Million yen)

Item	Fiscal Year	
	2006 (from April 1, 2006 to March 31, 2007)	2007 (from April 1, 2007 to March 31, 2008)
	Amount	Amount
I. Cash flow from operating activities		
Net profit before income taxes	143	16
Depreciation	5	9
Increase in outstanding claims	440	△1,366
Increase in underwriting reserves	40,008	24,685
Increase in entrusted reserves	23,993	22,600
Increase in reserves for employees' retirement and severance benefits	13	△3
Increase in directors' retirement benefit reserves	4	2
Increase in accrued bonuses for employees	1	1
Increase in reserve for price fluctuation	0	0
Interest and dividend income	△11,851	△13,116
Gain or loss on investment in securities	△180	△527
Foreign exchange gain or loss	△7,113	13,726
Gain or loss on tangible fixed assets	-	0
Increase in other assets (other than investment and financial activities related)	102	348
Increase in other liabilities (other than investment and financial activities related)	121	△353
Others	1,068	△7,764
Subtotal	46,757	38,258
Interest and dividends received	11,295	12,695
Income taxes paid	△51	△107
Net cash provided by operating activities	58,001	50,846
II. Cash flow from investing activities		
Net increase in deposits at bank	1,930	1,100
Acquisition cost of monetary receivables bought	△499	-
Proceeds from the sales or maturity of monetary receivables	1,498	-
Expenses for increase in monetary trust	-	△20
Proceeds from sales of money trust	1,400	-
Purchase of securities	△512,329	△848,698
Proceeds from sales and redemption of securities	444,088	798,528
II ① Subtotal	△63,912	△49,090
(I+II ①)	(△5,910)	(1,756)
Acquisition of tangible fixed assets	△0	△55
Others	△0	△9
Net cash used in investing activities	△63,913	△49,155
III. Cash flow in financing activities		
-		
IV. Effect of exchange rate changes on cash and cash equivalents		
-		
V. Net change in cash and equivalents		
△5,911		
VI. Cash and cash equivalents at the beginning of the year		
11,496		
VII. Cash and cash equivalents at the end of the year		
5,585		

Notes:

1. Relationship of cash and cash equivalents at the end of the year with the amounts mentioned in the relevant balance sheet item.

	(Unit: Million yen)	
	(As of March 31, 2007)	(As of March 31, 2008)
Cash & deposits	29,986	31,077
Monetary receivables bought	999	499
Securities	851,739	895,513
Deposits of a depository period of three months or longer	△25,400	△24,300
Securities other than cash equivalent	△851,739	△895,513
Cash and cash equivalents	5,585	7,276

2. Cash flow in investing activities includes cash flow from the investment assets operations in the insurance business.

④ Statement of Changes in Shareholders' Equity

For fiscal 2006 (from April 1, 2006 to March 31, 2007)

(Unit: Million yen)

	Shareholders' equity											
	Capital stock	Capital surplus			Legal earned reserve	Earned surplus			Total earned surplus	Treasury stock	Total shareholders' equity	
		Capital surplus	Other capital reserve	Total capital surplus		Special reserves	Special price fluctuation reserves	Earned surplus carried forward				
Balance as of March 31, 2006	1,000				1	17	39	559	617	△5	1,611	
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income								△16	△16		△16	
Net amount of changes in items other than owners' equity during the term												
Total change during the term								△16	△16		△16	
Balance as of March 31, 2007	1000				1	17	39	542	600	△5	1,594	
		Valuation and translation adjustments										
		Net unrealized gains on other securities	Deferred gains or losses on hedges	Land revaluation surplus		Total valuation and translation adjustments		Stock subscription rights		Total net assets		
Balance as of March 31, 2006			△5			△5				1,605		
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income											△16	
Net amount of changes in items other than owners' equity during the term			11					11			11	
Total change during the term			11					11			△5	
Balance as of March 31, 2007			5					5			1,600	

Notes:

1. The number of shares issued as at the end of fiscal 2006 is 2 million shares of common stock.
2. The number of treasury stock at the end of fiscal 2006 is 11,400 shares of common stock.

For fiscal 2007 (from April 1, 2007 to March 31, 2008)

(Unit: Million yen)

	Shareholders' equity											
	Capital stock	Capital surplus			Legal earned reserve	Earned surplus			Total earned surplus	Treasury stock	Total shareholders' equity	
		Capital surplus	Other capital reserve	Total capital surplus		Special reserves	Special price fluctuation reserves	Earned surplus carried forward				
Balance as of March 31, 2007	1,000				1	17	39	542	600	△5	1,594	
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income								4	4		4	
Net amount of changes in items other than owners' equity during the term												
Total change during the term								4	4		4	
Balance as of March 31, 2008	1000				1	17	39	546	604	△5	1,598	
		Valuation and translation adjustments										
		Net unrealized gains on other securities	Deferred gains or losses on hedges	Land revaluation surplus		Total valuation and translation adjustments		Stock subscription rights		Total net assets		
Balance as of March 31, 2007			5			5				1,600		
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income											4	
Net amount of changes in items other than owners' equity during the term			9					9			9	
Total change during the term			9					9			14	
Balance as of March 31, 2008			15					15			1,614	

Notes:

1. The number of shares issued as at the end of fiscal 2007 is 2 million shares of common stock.
2. The number of treasury stock at the end of fiscal 2007 is 11,400 shares of common stock.

⑤ Dividend per stock and total assets per employee

(Unit: Million yen)

Division	Fiscal Year		
	2005	2006	2007
Dividend per stock	-	-	-
Net income per stock	18.23 yen	△8.47 yen	2.21 yen
Dividend propensity	-	-	-
Net assets per stock	807.42 yen	804.80 yen	812.01 yen
Total assets per employee	39,931	43,283	39,832

Notes:

1. Net income per share comes from net income / term average No. of stocks
2. The number of treasury stock 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 are no notes about the following five items:

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

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

No notes required.

4. Credits obligations based on debtor classification

There are no notes about the following four items:

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

5. Conditions of solvency-margin ratio

		(Unit: Million yen)		
Division	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Total of solvency-margin		375,606	411,687	436,505
Total of stockholders' equity		1,611	1,594	1,598
Price fluctuation reserve		7	8	8
Risk reserve		-	-	-
Catastrophe reserves		378,731	412,364	433,841
Reversal for ordinary bad debts		-	-	-
Variance of estimate for other securities (excluded deductions for Tax Consequences) unrealized gain / loss on securities available for sale		△4,743	△2,279	1,057
Unrealized gain and loss included land holdings		-	-	-
Funding instruments with a debt-like nature		-	-	-
Items deductible		-	-	-
Others		-	-	-
Total risk		468,880	469,506	470,696
$\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$		-	-	-
General underwriting risk (R1)		-	-	-
Underwriting risk in third-area insurance (R2)		-	-	-
Anticipated Rate of Return Risk (R3)		-	-	-
Investment risk (R4)		7,676	8,290	9,457
Management risk (R5)		9,193	9,206	9,229
Catastrophe risk (R6)		452,010	452,010	452,010
Solvency-Margin ratio		160.2%	175.3%	185.4%
$[(A) / \{(B) \times 1 / 2\}] \times 100$				

Notes:

1. The amounts and figures above are calculated based on the provisions of Article 86 and Article 87 of the Enforcement Rules of the Insurance Business Act and the Ministry of Finance Official Notification No.50 in 1996. "Total of stockholders' equity (other than estimated outflow to the outside, deferred assets and net unrealized gains on other securities)" was presented as "Total of net assets (other than estimated outflow to the outside, deferred assets and net unrealized gains on other securities)" before fiscal 2007.
2. The method of calculating the solvency margin was changed at the end of fiscal year 2007, in association with the amendment of the Enforcement Rules of Insurance Business Act. Therefore, figures to fiscal 2006 and those at the end of the fiscal year under review are calculated based on different standards.

Solvency-margin ratio

The non-life insurance company deposit reserves in case that they pay insurance money for any insurance accident that occurred or refund depository insurance at maturity. It is also necessary for them to maintain a satisfactory ability to make payments 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 ability to make payments by owned assets and reserves (A in the above table) over any risk unforeseeable (B in the above table)" is indicated as the solvency-margin ratio (C in the above table) which is calculated according to the pertinent rules, including the Insurance Business Law.

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

1. **General underwriting risk:** risk associated with an insurance accident rate that is higher than normally predictable (other than the risk associated with a huge disaster).
2. **Anticipated ratio of Return Risk:** risk that might arise when actual yields from operation are lower than original at the time of calculating premiums of a depository insurance
3. **Investment risk:** management risk that might arise when the value of assets owned including securities changes in an unforeseeable manner.
4. **Management risk:** risk that might arise on business management in an unforeseeable manner, other than 1~3 and 5.
5. **Catastrophe risk:** risk that might arise with 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 reserve, 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 check insurance companies to determine the soundness of management for supervisory purposes. When the rate is 200% or more, the insurance company is deemed satisfactory in terms of its ability to make insurance and other payouts.

© 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 for support and for lending 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, irrespective 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 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 2006 (Unit: Million yen)

Division	Type	Acquisition cost	Book value	Difference
Securities with acquisition cost higher than that posted on the balance sheet	Public & corporate bonds	197,594	198,763	1,169
	Stocks	-	-	-
	Foreign securities	156,809	171,806	14,996
	Others	2,800	2,921	121
	Subtotal	357,203	373,492	16,288
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	433,535	430,156	△3,378
	Stocks	-	-	-
	Foreign securities	42,603	42,143	△460
	Others	5,997	5,947	△50
	Subtotal	482,136	478,247	△3,888
Total		839,340	851,739	12,399

At the end of fiscal 2007

(Unit: Million yen)

Division	Type	Acquisition cost	Book value	Difference
Securities with acquisition cost higher than that posted on the balance sheet	Public & corporate bonds	392,773	396,684	3,910
	Stocks	-	-	-
	Foreign securities	91,443	101,414	9,971
	Others	-	-	-
	Subtotal	484,217	498,098	13,881
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	250,768	248,756	△2,012
	Stocks	-	-	-
	Foreign securities	145,511	139,000	△6,511
	Others	9,810	9,658	△152
	Subtotal	406,090	397,414	△8,675
Total		890,307	895,513	5,206

2. Other securities sold at the term

(Unit: Million yen)

Type	Fiscal 2006			Fiscal 2007		
	Sales price	Total of profit on sale	Total of loss on sale	Sales price	Total of profit on sale	Total of loss on sale
Total	67,531	426	246	120,027	597	△70

There are no notes with respect to the following items:

1. Securities held for trading purposes
2. Securities to be held until maturity and with market price
3. Securities sold at the term which were to be held until maturity
4. Main contents of securities without market price and the amounts posted on the balance sheet.

② Money trust

1. Money trust for investment

(Unit: Million yen)

Type	As of end of fiscal 2006		As of end of fiscal 2007	
	Amount posted on the balance sheet	Appraisal difference contained in profit/loss	Amount posted on the balance sheet	Appraisal difference contained in profit/loss
Money trust	10,000	-	10,000	-

2. Money trust for maturity

Nothing to be mentioned.

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

(Unit: Million yen)

Type	As of the end of fiscal 2006			As of the end of fiscal 2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Money trust	3,730	3,958	228	3,750	3,723	△26

③ Information on transactions involving derivatives

1. On the conditions of transactions

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

The derivative transactions we engage in have market risks associated with market fluctuations. Most of them are done, however, to hedge the as-

sets in kind, and losses from the transaction in question never arise on their own. In some cases, we use options transactions for securities scheduled to be purchased. But risks are limited because we put a quantitative limit on such transactions.

Because we deal with highly reputable financial institutions, we believe that there is little credit risk such as non-fulfillment of a contract.

Our derivatives transactions are checked by the Risk Management Division, independent of the Transactions Execution Division, and the results of the checks are regularly reported to the board of managing directors.

2. On market prices for transactions

A contract amount in a derivative transaction is simply 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: Million yen)

Type	As of end of fiscal 2006			As of end of fiscal 2007				
	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 transactions								
Forward foreign exchange contracts								
Currency used								
US dollar	56,592	25,889	60,440	△3,848	56,500	28,861	54,546	1,954
Euro	76,380	33,086	83,738	△7,358	70,987	26,247	76,370	△5,383
Canadian dollar	3,037	3,037	3,197	△160	3,037	1,211	3,216	△179
Total				△11,366				△3,608

Note: Calculating a market price

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

CORPORATE DATA (as of March 31, 2008)

Established:	May 30, 1966
Capital:	1 billion yen
Total assets:	955 billion yen
No. of employees:	24
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Japan Earthquake Reinsurance