

Financial Section

Financial Review

Indicators Showing the Main Results over the Last Five Fiscal Years

Indicators Showing Results for the Last Three Fiscal Years

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(acquisition cost or contract cost, market price and appraisal profit and loss) and others

FINANCIAL REVIEW

The number of earthquake insurance contracts increased during the year under review, as they did in the previous year. Premiums written also rose from the previous year, backed by factors such as a higher level of interest in earthquake insurance resulting from the effects of large earthquakes in Japan and abroad and a lower premium rate. The number and amount of earthquake insurance payouts declined from the previous year, despite insurance payouts for the Iwate-Miyagi Nairiku Earthquake in 2008.

Profits from investments increased from the previous year. This rise was achieved despite a challenging operating environment, in which interest rates fell with the global recession and financial crisis, and the yen appreciated sharply against the euro.

Business expenses remained flat from the previous year as a result of a commitment to achieve efficient business operations and cut costs as operations expanded.

(1) Summary of earthquake insurance results

a. Premiums written and insurance claims paid

Net premiums written amounted to 67.1 billion yen, reflecting an increase in the number of insurance contracts and premiums written, despite the revision of the premium rate in October 2007.

Earthquake insurance claims paid came to 9.3 billion yen due to the Iwate-Miyagi Nairiku Earthquake and the Iwate Engan Hokubu Earthquake in 2008.

b. Underwriting reserves

Risk reserves added amounted to 35.6 billion yen, the total of net premiums written of 32.5 billion yen, given by deducting assumed insurance commissions from net premiums written, and a profit of 3 billion yen from investments.

Risk reserves at the end of the current term were 460 billion yen, reflecting the drawing of 9.4 billion yen from risk reserves in the past year following the payment of ongoing insurance claims, the provision of outstanding claims, as well as advertising and publicity expenses.

Underwriting reserves at the end of the current term totaled 545.2 billion yen after adding unearned premium reserves and refunded reserves to the risk reserves.

c. Entrusted reserves

Risk reserves of direct insurance companies recorded as entrusted reserves were 497.3 billion yen for the current term (up 4.9% year on year), obtained by adding net premiums written and profit from investments of 24.1 billion yen (up 2.5% year on year), and drawing advertising and publicity expenses of 900 million yen.

(2) Outline of investments

Medium- and long-term interest rates rose during the first half of the year, reflecting fears of inflation associated with rising commodities prices and the prospect of a policy interest rate hike by the Bank of Japan. Subsequently, however, interest rates fell, and by the end of the current term were at the year-ago level. This fall was attributable to the credit crisis and the severe economic downturn triggered by the failure of financial institutions in the United States.

In the first half, the yen remained weak against both the dollar and the euro on foreign exchange markets. In the second half, however, the yen appreciated as the interest rate differential between Japan and abroad narrowed following a series of policy rate cuts by central banks in Europe and the United States. At the end of the year, the yen was approximately two yen stronger than it had been a year previously against the dollar and about 28 yen higher against the euro.

In this environment, we invested in assets with top priority placed on security and liquidity, followed by profitability. We did this by raising the ratio of high-security foreign currency-denominated bonds with government guarantees excluding the currency risk, as a means of improving the liquidity or reinsurance claims paid at the time of earthquakes. As a result, pre-tax profits from investments amounted to 3.4 billion yen in the business account and 2.8 billion yen in the entrusted reserves account. Consequently, investment assets at the end of the current term stood at 999.7 billion yen.

(3) Current profit and loss

Net income was 12 million yen after calculating interest and dividend income to capital account and other items.

INDICATORS SHOWING THE MAIN RESULTS OVER THE LAST FIVE FISCAL YEARS

(Unit: Million yen)

Division	Fiscal Year	2004	2005	2006	2007	2008
Net premiums written (percentage change over the previous term)		58,198 (14.3%)	71,132 (22.2%)	67,981 (△4.4%)	64,040 (△5.8%)	67,126 (4.8%)
Ordinary incomes (percentage change over the previous term)		71,856 (8.3%)	107,868 (50.1%)	90,373 (△16.2%)	81,290 (△10.1%)	84,993 (4.6%)
Ordinary expenses (percentage change over the previous term)		71,758 (8.4%)	107,845 (50.3%)	90,229 (△16.3%)	81,273 (△9.9%)	84,792 (4.3%)
Ordinary profit (percentage change over the previous term)		98 (△46.7%)	23 (△76.4%)	143 (521.1%)	16 (△88.5%)	200 (1,108.8%)
Net income (percentage change over the previous term)		10 (△40.5%)	36 (243.6%)	△16 (△146.4%)	4 (-)	12 (184.1%)
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		1,587	1,605	1,600	1,614	1,617
Total assets		804,333	838,555	908,963	955,968	1,015,053
Underwriting reserves (percentage change over the previous term)		415,802 (0.7%)	450,892 (8.4%)	490,901 (8.9%)	515,586 (5.0%)	545,255 (5.8%)
(of the balance, risk reserve balance) (percentage change over the previous term)		355,813 (△1.1%)	378,731 (6.4%)	412,364 (8.9%)	433,841 (5.2%)	460,081 (6.0%)
Loans (percentage change over the previous term)		- (-)	- (-)	- (-)	- (-)	- (-)
Securities (percentage change over the previous term)		734,046 (7.6%)	771,383 (5.1%)	851,739 (10.4%)	895,513 (5.1%)	953,118 (6.4%)
Solvency-margin ratio		182.2%	160.2%	175.3%	185.4%	159.1
Dividend propensity		-%	-%	-%	-%	-%
No. of employees		18	21	21	24	28

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	2006	2007	2008
Premiums written		142,841	142,811	145,445
Return premiums		1,760	3,349	3,241
Assumed net premiums written (A)		139,172	138,086	141,271
Reinsurance premiums ceded (B)		71,190	74,045	74,145
Net premiums written (A-B)		67,981	64,040	67,126

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	2006	2007	2008
Underwriting incomes		72,451	67,320	70,546
Underwriting expenses		71,804	66,860	69,884
Operating and general administrative expenses		521	459	474
Other incomes and expenses		△126	-	△187
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	2006	2007	2008
Assumed net claim paid (A)		2,240	12,370	9,350
Reinsurance claims recovered (B)		-	-	-
Net claims paid (A-B)		2,240	12,370	9,350

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	2006	2007	2008
Loss ratio		3.7%	21.0%	16.0%
Underwriting expenses		29,348	29,198	29,897
Insurance related operating, general and administrative expenses		(521)	(459)	(474)
Agency commissions and brokerage fees		(28,827)	(28,739)	(29,423)
Net expense ratio		43.2%	45.6%	44.5%
Combined ratio		46.9%	66.6%	60.5%

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	2006	2007	2008
Domestic contract		100%	100%	100%

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

	2007	2008
No. of reinsurers that ceded insurance contracts	18	17
Rate of top five reinsurers' ceded insurance premiums	77.6	77.5

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 2006	As of the end of fiscal 2007	As of the end of fiscal 2008
Outstanding claims		1,545	178	228
Underwriting reserves		490,901	515,586	545,255
Total		492,446	515,765	545,484

2. Detailed listing of liability reserves

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

As of the end of Fiscal 2008

(Unit: Million yen)

Division	Balance as of the end of fiscal 2007	Amount of increase in fiscal 2008	Amount of decrease in fiscal 2008	Balance as of the end of fiscal 2008
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Accrued severance benefits	94	18	9	102
Reserve for directors' retirement allowances	13	4	8	9
Reserve for bonus payment	17	19	17	19
Reserve for price fluctuation	8	-	0	7
Total	133	42	36	139

3. Detailed listing of shareholders' equity

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 and voluntary reserves	Legal reserve of retained earnings	1	-	1
	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.

As of the end of Fiscal 2008

(Unit: Million yen)

Division	Balance as of the end of fiscal 2007	Amount of increase in fiscal 2008	Amount of decrease in fiscal 2008	Balance as of the end of fiscal 2008
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 and voluntary reserves	Legal reserve of retained earnings	1	-	1
	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 2008.

4. Business expenses (inclusive of loss adjustment)

(Unit: Million yen)

Division	Fiscal Year	2006	2007	2008
Personnel expenses		343	391	474
Non personnel expenses		721	1,397	1,673
Taxes		186	177	185
Agency commissions and brokerage fees		28,827	28,739	29,423
Total		30,079	30,704	31,757

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	2006	2007	2008
Government bonds		426	597	27
Foreign securities		-	-	-
Total		426	597	27

6. Loss on sale of securities by category

(Unit: Million yen)

Division	Fiscal Year	2006	2007	2008
Government bonds		246	4	6
Foreign securities		-	66	-
Total		246	70	6

7. Securities appraisal loss by category

(Unit: Million yen)

Division	Fiscal Year	2006	2007	2008
Government bonds		-	-	-
Foreign securities		-	-	-
Total		-	-	-

8. Depreciation expenses by category

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

As of the end of Fiscal 2008

(Unit: Million yen)

Type of asset	Acquisition cost	Amount of depreciation in fiscal 2008	Aggregated depreciations	Balance as the end of fiscal 2008	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	100	2	58	41	58.5
(for underwriting)	(100)	(2)	(58)	(41)	(58.5)
(for investment)	(-)	(-)	(-)	(-)	(-)
Others	86	27	48	37	56.1
Total	186	29	107	79	57.4
Intangible fixed assets					
Software	175	16	23	151	13.7
Other intangible fixed assets	0	0	0	0	86.0
Total	175	16	24	151	13.9
Grand total	362	45	131	230	36.3

9. Loss from disposal of fixed assets

(Unit: Million yen)

Division	Fiscal Year	2006	2007	2008
Land		(-)	(-)	(-)
Buildings		(-)	(0)	(-)
Other tangible fixed assets		(-)	(0)	(0)
Total		-	0	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 2006	As of the end of fiscal 2007	As of the end of fiscal 2008
Risk reserve		412,364	433,841	460,081
Unearned premium reserve		76,245	79,695	83,366
Repayment reserve		2,291	2,050	1,808
Total		490,901	515,586	545,255

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 2006	As of the end of fiscal 2007	As of the end of fiscal 2008
Deposits		29,986	31,077	24,275
(Ordinary deposit)		(4,586)	(6,777)	(1,475)
(Time deposit)		(25,400)	(24,300)	(22,800)

Total assets and investments assets

(Unit: Million yen)

Division	Fiscal Year	2006	2007	2008			
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)			
Deposits		29,986	3.3	31,077	3.3	24,275	2.4
Call loans		-	-	-	-	8,819	0.9
Monetary receivable bought		999	0.1	499	0.0	-	-
Money trust		13,958	1.5	13,723	1.4	13,495	1.3
Securities		851,739	93.7	895,513	93.7	953,118	93.9
Buildings		39	0.0	38	0.0	41	0.0
Total of investments assets		896,723	98.6	940,851	98.4	999,749	98.5
Total assets		908,963	100.0	955,968	100.0	1,015,053	100.0

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

(Unit: Million yen)

Division	Fiscal Year	2006	2007	2008			
		Yield	Yield	Yield			
Deposits		143	0.33	215	0.67	236	0.76
Call loan		-	-	-	-	27	0.29
Monetary receivables bought		2	0.30	7	0.76	3	0.87
Money trust		52	0.38	94	0.69	91	0.66
Securities		11,705	1.46	12,894	1.49	13,956	1.52
Buildings		-	-	-	-	-	-
Total		11,904	1.39	13,211	1.45	14,315	1.47

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	2007			2008		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		215	32,094	0.67	236	31,183	0.76
Call loan		-	-	-	27	9,481	0.29
Bond trading with repurchase agreement		-	-	-	-	-	-
Monetary receivables bought		7	921	0.76	3	448	0.87
Commodity securities		-	-	-	-	-	-
Money trust		182	13,750	1.33	273	13,750	1.99
Securities		13,421	864,185	1.55	13,977	918,528	1.52
Public and corporate bonds		5,875	634,883	0.93	5,804	618,392	0.94
Stocks		-	-	-	-	-	-
Foreign securities		7,187	220,908	3.25	8,149	290,325	2.81
Other securities		357	8,393	4.26	23	9,810	0.24
Loan		-	-	-	-	-	-
Buildings		-	39	-	-	42	-
Financial derivative		△9,501	-	-	△7,711	-	-
Others		47	-	-	△31	-	-
Total		4,372	910,991	0.48	6,774	973,434	0.70

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	2007			2008		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		215	32,094	0.67	236	31,183	0.76
Call loan		-	-	-	27	9,481	0.29
Bond trading with repurchase agreement		-	-	-	-	-	-
Monetary receivables bought		7	921	0.76	3	448	0.87
Commodity securities		-	-	-	-	-	-
Money trust		△72	13,978	△0.52	45	13,723	0.33
Securities		19,955	859,425	2.32	15,531	920,302	1.69
Public and corporate bonds		9,983	632,674	1.58	7,083	620,291	1.14
Stocks		-	-	-	-	-	-
Foreign securities		9,838	218,285	4.51	8,626	290,353	2.97
Other securities		133	8,465	1.58	△177	9,658	△1.84
Loans		-	-	-	-	-	-
Buildings		-	39	-	-	42	-
Financial derivative		△9,501	-	-	△7,711	-	-
Others		47	-	-	△31	-	-
Total		10,650	906,460	1.17	8,101	975,181	0.83

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 2006		As of the end of fiscal 2007		As of the end of fiscal 2008	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Foreign currency denominated							
Foreign public and corporate bonds		163,130	76.2	152,411	63.4	221,324	60.0
Yen denominated							
Foreign public and corporate bonds		50,819	23.8	88,003	36.6	147,827	40.0
Total		213,950	100.0	240,414	100.0	369,151	100.0
Yield on foreign loans & investment							
Investment assets yield (income yield)		3.53%		3.28%		2.81%	
Assets management (realized yield)		3.53%		3.25%		2.81%	
Market-price based overall yield (for reference)		3.89%		4.51%		2.97%	

Note:

- 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.
- 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 2006		As of the end of fiscal 2007		As of the end of fiscal 2008	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Government bonds		411,753	48.3	449,201	50.2	412,278	43.3
Municipal bonds		4,390	0.5	4,404	0.5	2,581	0.3
Corporate bonds		212,777	25.0	191,835	21.4	159,650	16.8
Stocks		-	-	-	-	-	-
Foreign securities		213,950	25.1	240,414	26.8	369,151	38.7
Other securities		8,869	1.1	9,658	1.1	9,456	1.0
Loan receivable in securities		-	-	-	-	-	-
Total		851,739	100.0	895,513	100.0	953,118	100.0

8. Yield on securities held

(Unit: %)

Division	Fiscal Year		
	2006	2007	2008
Investment assets yield (income yield)			
Public & corporate bonds	0.76	0.85	0.94
Stocks	-	-	-
Foreign securities	3.53	3.28	2.81
Other securities	2.06	3.06	0.24
Total	1.46	1.49	1.52
Assets management yield (realized yield)			
Public & corporate bond	0.83	0.93	0.94
Stocks	-	-	-
Foreign securities	3.53	3.25	2.81
Other securities	0.05	4.26	0.24
Total	1.49	1.55	1.52
Market-price based overall yield (for reference)			
Public & Corporate bonds	1.51	1.58	1.14
Stocks	-	-	-
Foreign securities	3.89	4.51	2.97
Other securities	1.55	1.58	△1.84
Total	2.10	2.32	1.69

9. Balance Current Maturity of securities by category

As of the end of fiscal 2007

(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	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

As of the end of fiscal 2008

(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	56,096	196,100	132,707	-	9,636	17,737	412,278
Municipal bonds	2,501	79	-	-	-	-	2,581
Corporate bonds	43,212	77,355	37,232	409	1,440	-	159,650
Stocks	-	-	-	-	-	-	-
Foreign securities	69,899	139,709	103,025	9,299	47,217	-	369,151
Other securities	-	-	-	-	-	9,456	9,456
Loan receivable in securities	-	-	-	-	-	-	-
Total	171,709	413,245	272,965	9,709	58,295	27,194	953,118

10. Tangible fixed assets by breakdown

(Unit: Million yen)

Division	Year		
	As of the end of fiscal 2006	As of the end of fiscal 2007	As of the end of fiscal 2008
Land	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Buildings	39	38	41
(for underwriting)	(39)	(38)	(41)
(for investment)	(-)	(-)	(-)
Construction in progress	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Total of property	39	38	41
(for underwriting)	(39)	(38)	(41)
(for investment)	(-)	(-)	(-)
Other tangible fixed assets	3	53	37
Total	42	91	79

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)			
	2007		2008	
	(As of March 31, 2008)		(As of March 31, 2009)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Cash & deposits	31,077	3.3	24,275	2.4
Deposits	31,077		24,275	
Call loans	-		8,819	0.9
Monetary receivable bought	499	0.1	-	
Money trust	13,723	1.4	13,495	1.3
Securities	895,513	93.7	953,118	93.9
Government bonds	449,201		412,278	
Municipal bonds	4,404		2,581	
Corporate bonds	191,835		159,650	
Foreign securities	240,414		369,151	
Other securities	9,658		9,456	
Tangible fixed assets	91	0.0	79	0.0
Buildings	38		41	
Other tangible fixed assets	53		37	
Intangible fixed assets	10	0.0	151	0.0
Software	10		151	
Other intangible fixed assets	0		0	
Other assets	14,993	1.6	15,036	1.5
Reinsurance balance receivable	7,620		8,257	
Accounts receivable	464		271	
Uncollected income	3,500		4,081	
Deposits	51		54	
Suspense payment	160		106	
Financial derivative	3,195		2,264	
Deferred tax assets	59	0.0	78	0.0
Total assets	955,968	100.0	1,015,053	100.0

(LIABILITIES)

Item	(Unit: Million yen)			
	2007		2008	
	(As of March 31, 2008)		(As of March 31, 2009)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Underwriting funds	515,765	54.0	545,484	53.7
Outstanding claims	178		228	
Underwriting reserves	515,586		545,255	
Entrusted reserves	423,983	44.4	446,886	44.0
Other liabilities	12,749	1.3	17,861	1.8
Reinsurance balance payable	5,456		5,431	
Corporate taxes payable	82		294	
Deposits payable	2		3	
Accrued amounts payable	403		609	
Financial derivative	6,804		11,522	
Accrued severance benefits	94	0.0	102	0.0
Reserves for directors' retirement benefit	13	0.0	9	0.0
Reserves for bonus payment	17	0.0	19	0.0
Reserves under special laws	8	0.0	7	0.0
Price fluctuation reserves	8		7	
Net unrealized gains on other securities of earthquake insurance	1,722	0.2	3,063	0.3
Total liabilities	954,353	99.8	1,013,435	99.8

(NET ASSETS)

Item	(Unit: Million yen)			
	2007		2008	
	(As of March 31, 2008)		(As of March 31, 2009)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Common stock	1,000	0.1	1,000	0.1
Retained earnings	604	0.1	617	0.1
Legal reserve of retained earnings	1		1	
Other legal reserve of retained earnings	603		616	
Special reserves	17		17	
Special price fluctuation reserves	39		39	
Retained earnings brought forward	546		559	
Treasury Stock	△5	△0.0	△5	△0.0
Total shareholders' equity	1,598	0.2	1,611	0.2
Net unrealized holding gain on securities	15	0.0	6	0.0
Total valuation and translation adjustments	15	0.0	6	0.0
Total net assets	1,614	0.2	1,617	0.2
Total liabilities and net assets	955,968	100.0	1,015,053	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. Software for in-house use that is recorded as an intangible fixed asset is amortized using the straight-line method over the usable life (five years).
6. The conversion of foreign currency assets and liabilities into Japanese currency is processed according to the accounting standards for foreign currency transactions.
7. 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.

8. 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.
9. The risk reserves contained in the underwriting reserves have been deposited based on instructions for the calculation of liability reserves, by accumulating the amounts that result from subtracting an amount equivalent to corporate taxes from the net premiums written and profit from operating the assets.
10. For finance leases commencing before April 1 2008, other than those in which the ownership rights of the leased property are deemed to transfer to the lessee, an accounting method similar to that used for ordinary rental transactions is used.
11. Total deferred tax assets amount to 85 million yen, while total deferred tax liabilities come to 3 million yen. The amount deducted from deferred tax assets as a valuation reserve is 3 million yen. The breakdown of deferred tax assets reveals unpaid business taxes of 34 million yen, a retirement benefit reserve of 37 million yen, a bonus reserve of 7 million yen, and reserves for price fluctuation of 2 million yen. The deferred tax liabilities result primarily from an unrealized gain of 3 million yen on securities.
12. Net assets per share are 813.57 yen. The basis for this calculation is that net assets are 1,617 million yen, net assets accrued from ordinary shares are 1,617 million yen and the number of ordinary shares at the end of the term is 1.988 million.
13. The amounts are indicated by rounding down any amount not reaching the unit as mentioned.

(Changes to accounting policies)

11. Although finance leases other than those in which ownership rights of the leased property are deemed to transfer to the lessee were accounted for using a method similar to that used for rental transactions in the past, they are accounted for using a method similar to that used for ordinary trading transactions from the fiscal year under review, as a result of applying the Accounting Standard for Lease Transactions (ASB Statement No.13 [originally issued by the First Panel of the Corporate Accounting Council (CAC) on June 17, 1993 and revised by the ASBJ on March 30, 2007]) and the Guidance on the Accounting Standard for Lease Transactions (ASB Guidance No.16 [originally issued by the Japanese Institute of Certified Public Accountants (JICPA) on January 18, 1994 and revised by the ASBJ on March 30, 2007]) for consolidated fiscal years that begin on or after April 1, 2008. There is no impact of this change on earnings.
12. The accumulated depreciation of tangible fixed assets is 107 million yen.

② Statements of income

(Unit: Million yen)

Item	Fiscal Year	
	2007 (from April 1, 2007 to March 31, 2008)	2008 (from April 1, 2008 to March 31, 2009)
	Amount	Amount
Ordinary incomes	81,290	84,993
Underwriting incomes	67,320	70,546
Net premiums written	64,040	67,126
Reversal of outstanding claims	1,366	-
Investment income on savings premium, etc	1,912	3,420
Investment income	13,970	14,445
Interest and dividend income	13,116	14,224
Profit from operating monetary trust	190	273
Realized gain on sale of securities	597	27
Financial derivative gain	1,890	3,267
Profit from other operations	86	72
Transfer of profit from Investment income on savings premiums	△1,912	△3,420
Other ordinary incomes	0	2
Ordinary expenses	81,273	84,792
Underwriting expenses	66,860	69,884
Net claims paid	12,370	9,350
Loss adjustment expenses	1,065	1,391
Agency commissions and brokerage fees	28,739	29,423
Provision for outstanding claims	-	50
Provision for underwriting reserves	24,685	29,668
Investment expenses	11,509	11,090
Loss from operating monetary trust	7	-
Realized loss on sale of securities	70	6
Foreign exchange loss	11,392	10,979
Other operation cost	39	104
Operating, general and administrative expenses	901	942
Other ordinary expenses	2,001	2,875
Interest paid	2,001	2,875
Other ordinary expenses	0	0
Ordinary profit	16	200
Extraordinary incomes	-	0
Reversal of price fluctuation reserves	-	0
Extraordinary losses	0	0
Loss on disposal fixed assets	0	0
Provision for price fluctuation reserves	0	-
Income before taxes	16	201
Income taxes – current	0	202
Income taxes – deferred	11	△13
Total income taxes	-	188
Net income	4	12

Notes for fiscal 2008

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

Premiums written:	141,271 (million yen)
Reinsurance premiums ceded:	74,145 (million yen)
Net premiums written:	67,126 (million yen)

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

Interest on deposits:	236 (million yen)
Call loans:	27 (million yen)
Interest on monetary receivable bought:	3 (million yen)
Interest on securities:	13,956 (million yen)
Total:	14,224 (million yen)

3. Paper profit/loss involved in the financial derivative expenses is a loss of 9,257 million yen.

4. The net income per share is 6.30 yen.

The basis for this calculation is such that the net income is 12 million yen, the net income accrued from ordinary shares is 12 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 93.78%. The difference is explained by the following breakdown: the non-deductible amount of the taxable provision of risk reserves is 104.74%, the amount of the write-off carried from publicity expenses related to risk reserves is △7.95%, and the tax loss carried forward is △37.39%.

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

③ Statements of cash flow

(Unit: Million yen)

Item	Fiscal Year	
	2007 (from April 1, 2007 to March 31, 2008)	2008 (from April 1, 2008 to March 31, 2009)
	Amount	Amount
Cash flow from operating activities		
Net profit before income taxes (△ denotes a loss)	16	201
Depreciation	9	45
Changes in outstanding claims (△ denotes a decline)	△1,366	50
Changes in underwriting reserves (△ denotes a decline)	24,685	29,668
Changes in entrusted reserves (△ denotes a decline)	22,600	22,903
Changes in reserves for employees' retirement and severance benefits (△ denotes a decline)	△3	8
Changes in directors' retirement benefit reserves (△ denotes a decline)	2	△4
Changes in accrued bonuses for employees (△ denotes a decline)	1	2
Changes in reserve for price fluctuation (△ denotes a decline)	0	△0
Interest and dividend income	△13,116	△14,224
Gain or loss on investment in securities (△ denotes a gain)	△527	△20
Foreign exchange gain or loss (△ denotes a gain)	13,726	10,631
Gain or loss on tangible fixed assets (△ denotes a gain)	0	0
Increase in other assets (other than investment and financial activities related) (△ denotes an increase)	348	△392
Increase in other liabilities (other than investment and financial activities related) (△ denotes a decline)	△353	180
Others	△7,764	5,662
Subtotal	38,258	54,713
Interest and dividends received	12,695	13,277
Income taxes paid	△107	△3
Net cash provided by operating activities	50,846	67,987
Cash flow from investing activities		
Net increase in deposits at bank (△ denotes an increase)	1,100	1,500
Expenses for increase in monetary trust	△20	-
Purchase of securities	△848,698	△325,785
Proceeds from sales and redemption of securities	798,528	259,489
Total investment assets activities	△49,090	△64,795
(Total operating activities and investment assets activities)	(1,756)	(3,191)
Acquisition of tangible fixed assets	△55	△17
Others	△9	△156
Net cash used in investing activities	△49,155	△64,969
Cash flow in financing activities		
Effect of exchange rate changes on cash and cash equivalents	-	-
Net change in cash and equivalents	1,691	3,017
Cash and cash equivalents at the beginning of the year	5,585	7,276
Cash and cash equivalents at the end of the year	7,276	10,294

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, 2008)	(As of March 31, 2009)
Cash & deposits	31,077	24,275
Call loans	-	8,819
Monetary receivables bought	499	-
Securities	895,513	953,118
Deposits of a depository period of three months or longer	△24,300	△22,800
Securities other than cash equivalent	△895,513	△953,118
Cash and cash equivalents	7,276	10,294

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

	2008	2009
Share holder's equity		
Capital stock		
Balance at the end of the previous year	1,000	1,000
Amount of change during the term		
Issuance of new shares		
Total change during the term		
Balance at the end of the fiscal year	1,000	1,000
Earned surplus		
Legal earned reserve		
Balance at the end of the previous year	1	1
Amount of change during the term		
Total change during the term		
Balance at the end of the fiscal year	1	1
Other earned surplus		
Special reserve		
Balance at the end of the previous year	17	17
Amount of change during the term		
Total change during the term		
Balance at the end of the fiscal year	17	17
Special price fluctuation reserves		
Balance at the end of the previous year	39	39
Amount of change during the term		
Total change during the term		
Balance at the end of the fiscal year	39	39
Earned surplus carried forward		
Balance at the end of the previous year	542	546
Amount of change during the term		
Dividend of surplus		
Net income	4	12
Total change during the term	4	12
Balance at the end of the fiscal year	546	559
Total earned surplus		
Balance at the end of the previous year	600	604
Amount of change during the term		
Dividend of surplus		
Net income	4	12
Total change during the term	4	12
Balance at the end of the fiscal year	604	617
Treasury stock		
Balance at the end of the previous year	△5	△5
Amount of change during the term		
Total change during the term		
Balance at the end of the fiscal year	△5	△5
Total share-holders' equity		
Balance at the end of the previous year	1,594	1,598
Amount of change during the term		
Issuance of new shares		
Dividend of surplus		
Net income	4	12
Deposition of treasury stock		
Total change during the term	4	12
Balance at the end of the fiscal year	1,598	1,611

(Unit: Million yen)

	2008	2009
Valuation and translation adjustments		
Net unrealized gains on other securities		
Balance at the end of the previous year	5	15
Amount of change during the term		
Net amount of changes in items other than owners' equity during the term	9	△9
Total change during the term	9	△9
Balance at the end of the fiscal year	15	6
Total valuation and translation adjustments		
Balance at the end of the previous year	5	15
Amount of change during the term		
Net amount of changes in items other than owners' equity during the term	9	△9
Total change during the term	9	△9
Balance at the end of the fiscal year	15	6
Total net assets		
Balance at the end of the previous year	1,600	1,614
Amount of change during the term		
Issuance of new shares		
Dividend of surplus		
Net income	4	12
Deposition of treasury stock		
Net amount of changes in items other than owners' equity during the term	9	△9
Total change during the term	14	3
Balance at the end of the previous year	1,614	1,617

5 Dividend per stock and total assets per employee

(Unit: Million yen)

Division	Fiscal Year		
	2006	2007	2008
Dividend per stock	-	-	-
Net income per stock	△8.47 yen	2.21 yen	6.30 yen
Dividend propensity	-	-	-
Net assets per stock	804.80 yen	812.01 yen	813.57 yen
Total assets per employee	43,283	39,832	36,251

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 2007	As of the end of fiscal 2008
Total of solvency-margin	436,505	463,262
Common stock, etc. (amount obtained by subtracting an estimated outflow to the outside, deferred assets and valuation and translation adjustments from total net assets)	1,598	1,611
Price fluctuation reserve	8	7
Risk reserve	-	-
Catastrophe reserves	433,841	460,081
Reversal for ordinary bad debts	-	-
(A) Variance of estimate for other securities (excluded deductions for Tax Consequences) unrealized gain / loss on securities available for sale	1,057	1,562
Unrealized gain and loss included land holdings	-	-
Surplus such as premium reserves	-	-
Funding instruments with a debt-like nature	-	-
Items deductible	-	-
Others	-	-
Total risk	470,696	582,221
$\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$	-	-
General underwriting risk (R1)	-	-
Underwriting risk in third-area insurance (R2)	-	-
(B) Anticipated Rate of Return Risk (R3)	-	-
Investment risk (R4)	9,457	10,805
Management risk (R5)	9,229	11,416
Catastrophe risk (R6)	452,010	560,000
(C) Solvency-Margin ratio	185.4%	159.1%
$\{(A) / \{(B) \times 1 / 2\}\} \times 100$		

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.

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 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

At the end of fiscal 2008 (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	482,714	487,886	5,171
	Stocks	-	-	-
	Foreign securities	137,947	147,415	9,468
	Others	5,000	5,006	6
	Subtotal	625,662	640,308	14,646
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	88,618	88,623	△1,994
	Stocks	-	-	-
	Foreign securities	237,898	221,735	△16,162
	Others	4,810	4,450	△359
	Subtotal	331,327	312,810	△18,517
Total		956,989	953,118	△3,870

2. Other securities sold at the term

Type	Fiscal 2007			Fiscal 2008		
	Sales price	Profit on sale	Loss on sale	Sales price	Profit on sale	Loss on sale
Total	119,492	597	70	83,063	27	6

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

Type	As of end of fiscal 2007		As of end of fiscal 2008	
	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 2007			As of the end of fiscal 2008		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Money trust	3,750	3,723	△26	3,750	3,495	△254

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 2007			As of end of fiscal 2008					
	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									
Short commitment									
US dollar	56,500	28,861	54,546	1,954	52,984	33,907	53,582	△598	
Euro	70,987	26,247	76,370	△5,383	141,384	103,181	150,169	△8,785	
Canadian dollar	3,037	1,211	3,216	△179	1,211	1,211	1,085	126	
Total								△3,608	△9,257

Note: Calculating a market price

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