

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 fiscal 2010, the Japanese economy struggled with a difficult employment situation, the rapid appreciation of the yen, and other factors, which offset the effects of government fiscal stimulus and rising demand in emerging countries. In addition, the Great East Japan Earthquake in March seriously affected the Japanese economy, causing a significant reduction in production activities, for example.

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 growing interest in earthquake insurance. The number and amount of earthquake insurance payouts declined from the previous year, despite insurance payouts for the Surugawan Earthquake in 2009. For the Great East Japan Earthquake that took place in March, there was no payment of earthquake reinsurance claims for the fiscal year under review, so we posted a reserve for outstanding claims.

Profits from investments increased from the previous year, reflecting an increase in investment assets, which offset the decline of interest rates in the first half of the fiscal year and the rapid appreciation of the yen in the second half. After the Great East Japan Earthquake, we sold securities to prepare for payment of reinsurance claims.

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

The fiscal year under review was the second year of our second three-year medium-term business plan. During the year, we played an active role in enhancing and developing the earthquake insurance system and took action to ensure that we achieved the plan, such as refining our expertise in earthquake insurance operations, bolstering our asset management and risk management, and improving our business continuity plan, aiming to develop into a company that will be even more reliable and trustworthy for our stakeholders.

(1) Summary of earthquake insurance results

a. Premiums written and insurance claims paid

Net premiums written amounted to 71.5 billion yen (down 1.0% year on year), reflecting an increase in the reinsurance premiums paid to direct insurance companies and the government, which exceeded the increase in the number of insurance contracts and premiums written. Insurance claims paid came to 1 billion yen (down 81.4% year on year) due in part to the Surugawan Earthquake in 2009.

b. Risk reserves and underwriting reserves

Risk reserves added amounted to 43.3 billion yen (up 2.0% year on year), the total of net premiums written of 37.2 billion yen, given by deducting assumed insurance commissions from net premiums written, and a profit of 6 billion yen from investments.

Risk reserves at the end of the fiscal year under review were 424.4 billion yen (down 14.6% year on year), reflecting the drawing from risk reserves in the past year following the payment of ongoing insurance claims of 1 billion yen, the provision of outstanding claims of 114.4 billion yen, as well as advertising and publicity expenses of 0.1 billion yen.

Underwriting reserves at the end of the fiscal year under review totaled 515.9 billion yen (down 11.9% year on year) after adding unearned premium reserves and refunded reserves to the risk reserves.

c. Risk reserves of direct insurance companies

Risk reserves of direct insurance companies recorded as entrusted reserves were 489.1 billion yen for the fiscal year under review (down 6.7% year on year), obtained by adding net premiums written and profit from investments of 28.6 billion yen (up 2.6% year on year), and drawing a provision of outstanding claims of 63 billion yen and advertising and publicity expenses of 0.5 billion yen.

(2) Outline of investments

Medium- to long-term domestic interest rates declined significantly in the first half of the fiscal year, due in part to the slow recovery of the Japanese economy and the decline in interest rates in Europe and the United States, which is attributable to the increasingly serious sovereign debt problems in Europe. The interest rates subsequently began to rise given global expectations of an economic recovery. At the end of the fiscal year under review, however, the interest rates were slightly lower than the levels at the end of the previous fiscal year, due in part to the impact of the Great East Japan Earthquake.

The yen appreciated sharply against both the dollar and euro. It remained strong against the dollar due to further monetary easing by the Federal Reserve Board and against the euro because of the increasingly serious sovereign debt problems in Europe. Consequently, compared with a year ago, the yen had appreciated about ten yen against the dollar and about seven yen against the euro at the end of the fiscal 2010.

In the circumstances, we invested in assets with the top priority placed on security and liquidity, followed by profitability. As a result, pre-tax profits from investments amounted to 7.1 billion yen in the business account and 5.4 billion yen in the entrusted reserves account. Consequently, investment assets at the end of the year under review stood at 1,135.2 billion yen.

To prepare for the payment of reinsurance claims resulting from the Great East Japan Earthquake, we have secured abundant funding by selling securities.

(3) Profit and loss for the fiscal year under review

Net income was 3 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				
	2006	2007	2008	2009	2010
Net premiums written (percentage change over the previous term)	67,981 (△4.4%)	64,040 (△5.8%)	67,126 (4.8%)	72,225 (7.6%)	71,532 (△1.0%)
Ordinary incomes (percentage change over the previous term)	90,373 (△16.2%)	81,290 (△10.1%)	84,993 (4.6%)	99,464 (17.0%)	175,903 (76.9%)
Ordinary expenses (percentage change over the previous term)	90,229 (△16.3%)	81,273 (△9.9%)	84,792 (4.3%)	98,512 (16.2%)	174,913 (77.6%)
Ordinary profit (percentage change over the previous term)	143 (521.1%)	16 (△88.5%)	200 (1,108.8%)	951 (374.2%)	990 (4.1%)
Net income (percentage change over the previous term)	△16 (△146.4%)	4 (-)	12 (184.1%)	5 (△58.9%)	3 (△30.2%)
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	1,600	1,614	1,617	1,633	1,634
Total assets	908,963	955,968	1,015,053	1,092,272	1,154,108
Underwriting reserves (percentage change over the previous term)	490,901 (8.9%)	515,586 (5.0%)	545,255 (5.8%)	585,820 (7.4%)	515,981 (△11.9%)
of the balance, risk reserve balance (percentage change over the previous term)	412,364 (8.9%)	433,841 (5.2%)	460,081 (6.0%)	496,708 (8.0%)	424,401 (△14.6%)
Loans (percentage change over the previous term)	- (-)	- (-)	- (-)	- (-)	- (-)
Securities (percentage change over the previous term)	851,739 (10.4%)	895,513 (5.1%)	953,118 (6.4%)	1,006,947 (5.6%)	805,223 (△20.0%)
Solvency-margin ratio	175.3%	185.4%	159.1%	161.6%	124.7%
Dividend propensity	-%	-%	-%	-%	-%
No. of employees	21	24	28	26	25

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.

INDICATORS SHOWING RESULTS FOR THE LAST THREE FISCAL YEARS

Item: earthquake

① Indicators relating to insurance underwriting

1. Net premiums written

(Unit: Million yen)

Division	Fiscal Year		
	2008	2009	2010
Premiums written	145,445	151,353	152,182
Return premiums	3,241	2,464	2,324
Assumed net premiums written (A)	141,271	148,349	149,634
Reinsurance premiums ceded (B)	74,145	76,123	78,102
Net premiums written (A-B)	67,126	72,225	71,532

Notes:

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

2. Underwriting profit

(Unit: Million yen)

Division	Fiscal Year		
	2008	2009	2010
Underwriting incomes	70,546	79,278	148,490
Underwriting expenses	69,884	77,828	147,002
Operating and general administrative expenses	474	509	503
Other incomes and expenses	△187	△941	△984
Underwriting profit	-	-	-

Notes:

- 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.
- Other incomes and expenses are those equivalent to corporate taxes mentioned in a statement of earthquake insurance profits and losses.

3. Net claims paid

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010
Assumed net claim paid (A)		9,350	5,544	1,033
Reinsurance claims recovered (B)		-	-	-
Net claims paid (A-B)		9,350	5,544	1,033

Notes:

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

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

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010
Loss ratio		16.0%	8.6%	1.8%
Underwriting expenses		29,897	31,381	31,740
Insurance related operating, general and administrative expenses		(474)	(509)	(503)
Agency commissions and brokerage fees		(29,423)	(30,872)	(31,236)
Net expense ratio		44.5%	43.4%	44.4%
Combined ratio		60.5%	52.0%	46.2%

Notes:

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

5. Rate of premiums written by domestic and overseas contracts

Division	Fiscal Year	2008	2009	2010
Domestic contract		100%	100%	100%

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

	2008	2009	2010
No. of reinsurers that ceded insurance contracts	17	17	15
Rate of top five reinsurers' ceded insurance premiums	77.5%	77.5%	81.9%

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.

② Indicators relating to accounting

1. Amounts of outstanding claims and underwriting reserves

(Unit: Million yen)

Division	Year	As of the end of fiscal 2008	As of the end of fiscal 2009	As of the end of fiscal 2010
Outstanding claims		228	420	114,918
Underwriting reserves		545,255	585,820	515,981
(Risk reserve)		(460,081)	(496,708)	(424,401)
(Unearned premium reserve)		(83,366)	(87,453)	(90,054)
(Repayment reserve)		(1,808)	(1,659)	(1,524)
Total		545,484	586,241	630,899

2. Detailed listing of liability reserves

As of the end of Fiscal 2009

(Unit: Million yen)

Division	Balance as of the end of fiscal 2008	Amount of increase in fiscal 2009	Amount of decrease in fiscal 2009	Balance as of the end of fiscal 2009
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Accrued severance benefits	102	21	13	110
Reserve for directors' retirement allowances	9	4	0	13
Reserve for bonus payment	19	18	19	18
Reserve for price fluctuation	7	-	0	7
Total	139	44	34	150

As of the end of Fiscal 2010

(Unit: Million yen)

Division	Balance as of the end of fiscal 2009	Amount of increase in fiscal 2010	Amount of decrease in fiscal 2010	Balance as of the end of fiscal 2010
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Accrued severance benefits	110	20	28	102
Reserve for directors' retirement allowances	13	4	2	15
Reserve for bonus payment	18	17	18	17
Reserve for price fluctuation	7	-	1	5
Total	150	42	50	141

3. Detailed listing of shareholders' equity

As of the end of Fiscal 2009

(Unit: Million yen)

Division		Balance as of the end of fiscal 2008	Amount of increase in fiscal 2009	Amount of decrease in fiscal 2009	Balance as of the end of fiscal 2009
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 2009.

As of the end of Fiscal 2010

(Unit: Million yen)

Division		Balance as of the end of fiscal 2009	Amount of increase in fiscal 2010	Amount of decrease in fiscal 2010	Balance as of the end of fiscal 2010
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 2010.

4. Business expenses (inclusive of loss adjustment)

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010
Personnel expenses		474	378	350
Non personnel expenses		1,673	1,085	702
Taxes		185	197	196
Agency commissions and brokerage fees		29,423	30,872	31,236
Total		31,757	32,534	32,485

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	2008	2009	2010
Government bonds		27	7	1,092
Foreign securities		-	574	408
Total		27	582	1,501

6. Loss on sale of securities by category

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010
Government bonds		6	329	920
Foreign securities		-	232	638
Total		6	562	1,558

7. Securities appraisal loss by category

Nothing is to be mentioned.

8. Depreciation expenses by category

As of the end of Fiscal 2009

(Unit: Million yen)

Type of asset	Acquisition cost	Amount of depreciation in fiscal 2009	Aggregated depreciations	Balance as the end of fiscal 2009	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	101	2	61	40	60.0
(for underwriting)	(101)	(2)	(61)	(40)	(60.0)
(for investment)	(-)	(-)	(-)	(-)	(-)
Others	95	20	68	26	72.2
Total	196	23	129	67	65.9
Intangible fixed assets					
Software	409	60	75	334	18.4
Other intangible fixed assets	0	0	0	0	86.9
Total	410	60	75	334	18.4
Grand total	607	83	205	401	33.8

As of the end of Fiscal 2010

(Unit: Million yen)

Type of asset	Acquisition cost	Amount of depreciation in fiscal 2010	Aggregated depreciations	Balance as the end of fiscal 2010	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	101	2	63	37	62.7
(for underwriting)	(101)	(2)	(63)	(37)	(62.7)
(for investment)	(-)	(-)	(-)	(-)	(-)
Others	94	11	80	14	84.6
Total	196	14	143	52	73.4
Intangible fixed assets					
Software	407	81	153	253	37.8
Other intangible fixed assets	0	0	0	0	91.9
Total	407	81	154	253	37.9
Grand total	603	96	298	305	49.4

9. Loss from disposal of fixed assets

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010
Land		-	-	-
Buildings		-	0	-
Other tangible fixed assets		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.

③ Special deposit premium account

Nothing is to be mentioned.

④ 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.

⑤ The amount of estimated final damages associated with the elapse of a period from the occurrence of accidents does not apply to earthquake insurance.

⑥ 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 2008	As of the end of fiscal 2009	As of the end of fiscal 2010
Deposits		24,275	22,352	10,409
(Ordinary deposit)		(1,475)	(2,052)	(2,909)
(Time deposit)		(22,800)	(20,300)	(7,500)

Total assets and investments assets

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010			
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)			
Deposits		24,275	2.4	22,352	2.0	10,409	0.9
Call loans		8,819	0.9	28,254	2.6	319,586	27.7
Monetary receivable bought		-	-	-	-	-	-
Money trusts		13,495	1.3	13,692	1.3	-	-
Securities		953,118	93.9	1,006,947	92.2	805,223	69.8
Buildings		41	0.0	40	0.0	37	0.0
Total of investments assets		999,749	98.5	1,071,286	98.1	1,135,256	98.4
Total assets		1,015,053	100.0	1,092,272	100.0	1,154,108	100.0

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

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010			
		Yield (%)	Yield (%)	Yield (%)			
Deposits		236	0.76	219	0.61	169	0.45
Call loans		27	0.29	11	0.07	20	0.06
Monetary receivables bought		3	0.87	-	-	-	-
Money trusts		91	0.66	86	0.63	50	0.40
Securities		13,956	1.52	16,991	1.76	15,734	1.55
Buildings		-	-	-	-	-	-
Total		14,315	1.47	17,309	1.67	15,975	1.46

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	2009			2010		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		219	35,819	0.61	169	37,412	0.45
Call loans		11	16,691	0.07	20	35,101	0.06
Monetary receivables bought		-	-	-	-	-	-
Money trusts		△72	13,750	△0.52	△218	12,604	△1.73
Securities		17,011	967,658	1.76	15,676	1,011,852	1.55
Public and corporate bonds		5,372	542,992	0.99	6,121	589,258	1.04
Stocks		-	-	-	-	-	-
Foreign securities		11,968	415,507	2.88	9,898	419,477	2.36
Other securities		△329	9,158	△3.6	△343	3,116	△11.01
Loans		-	-	-	-	-	-
Buildings		-	42	-	-	40	-
Financial derivative		9,326	-	-	17,035	-	-
Others		△13,617	-	-	△19,572	-	-
Total		12,879	1,033,962	1.25	13,112	1,097,011	1.20

Notes:

1. 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

2. Profit and loss from financial derivatives principally involve foreign exchange forward contracts with the remainder primarily involving currency exchange of foreign currency-denominated bonds. JER deals in foreign exchange forward contracts and other transactions for the purpose of hedging risks associated with foreign currency-denominated bonds.

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

(Unit: Million yen)

Division	Fiscal Year	2009			2010		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		219	35,819	0.61	169	37,412	0.45
Call loans		11	16,691	0.07	20	35,101	0.06
Monetary receivables bought		-	-	-	-	-	-
Money trusts		124	13,495	0.92	△160	12,546	△1.28
Securities		29,921	970,987	3.08	7,870	1,028,090	0.77
Public and corporate bonds		8,113	546,170	1.49	3,563	595,176	0.60
Stocks		-	-	-	-	-	-
Foreign securities		22,047	416,011	5.30	4,385	430,061	1.02
Other securities		△240	8,805	△2.73	△78	2,852	△2.77
Loans		-	-	-	-	-	-
Buildings		-	42	-	-	40	-
Financial derivative		9,326	-	-	17,035	-	-
Others		△13,617	-	-	△19,572	-	-
Total		25,986	1,037,036	2.51	5,364	1,113,191	0.48

Notes:

1. 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

2. Profit and loss from financial derivatives principally involve foreign exchange forward contracts with the remainder primarily involving currency exchange of foreign currency-denominated bonds. JER deals in foreign exchange forward contracts and other transactions for the purpose of hedging risks associated with foreign currency-denominated bonds.

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

(Unit: Million yen)

Division	Year	As of the end of fiscal 2008		As of the end of fiscal 2009		As of the end of fiscal 2010	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Foreign currency denominated							
Foreign public and corporate bonds		221,324	60.0	270,894	63.6	152,723	48.4
Yen denominated							
Foreign public and corporate bonds		147,827	40.0	154,918	36.4	162,901	51.6
Total		369,151	100.0	425,813	100.0	315,624	100.0
Yield on foreign loans & investment							
Investment assets yield (income yield)		2.81%	2.80%	2.41%			
Assets management (realized yield)		2.81%	2.88%	2.36%			
Market-price based overall yield (for reference)		2.97%	5.30%	1.02%			

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.

7. Balance of securities by category and percentage distribution

(Unit: Million yen)

Division	Year	As of the end of fiscal 2008		As of the end of fiscal 2009		As of the end of fiscal 2010	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Government bonds		412,278	43.3	457,324	45.4	414,095	51.4
Municipal bonds		2,581	0.3	80	0.0	-	-
Corporate bonds		159,650	16.8	120,593	12.0	75,503	9.4
Stocks		-	-	-	-	-	-
Foreign securities		369,151	38.7	425,813	42.3	315,624	39.2
Other securities		9,456	1.0	3,135	0.3	-	-
Loan receivable in securities		-	-	-	-	-	-
Total		953,118	100.0	1,006,947	100.0	805,223	100.0

8. Yield on securities held

(Unit: %)

Division	Fiscal Year		
	2008	2009	2010
Investment assets yield (income yield)			
Public & corporate bonds	0.94	0.99	0.95
Stocks	-	-	-
Foreign securities	2.81	2.80	2.41
Other securities	0.24	-	-
Total	1.52	1.76	1.55
Assets management yield (realized yield)			
Public & corporate bond	0.94	0.99	1.04
Stocks	-	-	-
Foreign securities	2.81	2.88	2.36
Other securities	0.24	△3.60	△11.01
Total	1.52	1.76	1.55
Market-price based overall yield (for reference)			
Public & Corporate bonds	1.14	1.49	0.60
Stocks	-	-	-
Foreign securities	2.97	5.30	1.02
Other securities	△1.84	△2.73	△2.77
Total	1.69	3.08	0.77

9. Balance Current Maturity of securities by category

As of the end of fiscal 2009

(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	139,800	225,477	36,389	6,344	36,734	12,577	457,324	
Municipal bonds	80	-	-	-	-	-	80	
Corporate bonds	44,528	54,001	20,437	104	1,521	-	120,593	
Stocks	-	-	-	-	-	-	-	
Foreign securities	54,596	219,828	115,466	23,655	12,267	-	425,813	
Other securities	-	-	-	-	-	3,135	3,135	
Loan receivable in securities	-	-	-	-	-	-	-	
Total	239,005	499,307	172,293	30,104	50,523	15,712	1,006,947	

As of the end of fiscal 2010

(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	196,002	128,689	41,261	5,614	40,503	2,024	414,095	
Municipal bonds	-	-	-	-	-	-	-	
Corporate bonds	29,698	43,870	415	1,518	-	-	75,503	
Stocks	-	-	-	-	-	-	-	
Foreign securities	72,255	151,415	59,386	20,300	12,266	-	315,624	
Other securities	-	-	-	-	-	-	-	
Loan receivable in securities	-	-	-	-	-	-	-	
Total	297,957	323,974	101,063	27,433	52,769	2,024	805,223	

10. Tangible fixed assets by breakdown

(Unit: Million yen)

Division	Year		
	As of the end of fiscal 2008	As of the end of fiscal 2009	As of the end of fiscal 2010
Land	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Buildings	41	40	37
(for underwriting)	(41)	(40)	(37)
(for investment)	(-)	(-)	(-)
Construction in progress	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Total of property	41	40	37
(for underwriting)	(41)	(40)	(37)
(for investment)	(-)	(-)	(-)
Other tangible fixed assets	37	26	14
Total	79	67	52

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)			
	2009		2010	
	(As of March 31, 2010)		(As of March 31, 2011)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Cash & deposits	22,352	2.0	10,409	0.9
Deposits	22,352		10,409	
Call loans	28,254	2.6	319,586	27.7
Money trusts	13,692	1.3	–	
Securities	1,006,947	92.2	805,223	69.8
Government bonds	457,324		414,095	
Municipal bonds	80		–	
Corporate bonds	120,593		75,503	
Foreign securities	425,813		315,624	
Other securities	3,135		–	
Tangible fixed assets	67	0.0	52	0.0
Buildings	40		37	
Other tangible fixed assets	26		14	
Intangible fixed assets	334	0.0	253	0.0
Software	334		253	
Other intangible fixed assets	0		0	
Other assets	20,547	1.9	18,512	1.6
Reinsurance balance receivable	8,628		8,416	
Accounts receivable	7		3,720	
Uncollected income	5,265		3,662	
Deposits	54		52	
Suspense payment	119		73	
Financial derivative	6,472		2,466	
Other assets	–		119	
Deferred tax assets	76	0.0	71	0.0
Total assets	1,092,272	100.0	1,154,108	100.0

(LIABILITIES)

Item	(Unit: Million yen)			
	2009		2010	
	(As of March 31, 2010)		(As of March 31, 2011)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Underwriting funds	586,241	53.7	630,899	54.7
Outstanding claims	420		114,918	
Underwriting reserves	585,820		515,981	
Entrusted reserves	473,207	43.3	500,250	43.3
Other liabilities	14,885	1.4	12,772	1.1
Reinsurance balance payable	5,507		5,632	
Corporate taxes payable	952		601	
Deposits payable	2		3	
Accrued amounts payable	1,144		999	
Financial derivative	7,278		5,535	
Accrued severance benefits	110	0.0	102	0.0
Reserves for directors' retirement benefit	13	0.0	15	0.0
Reserves for bonus payment	18	0.0	17	0.0
Reserves under the special law	7	0.0	5	0.0
Price fluctuation reserves	7		5	
Net unrealized gains on available-for-sale securities of earthquake insurance	16,154	1.5	8,410	0.7
Total liabilities	1,090,639	99.9	1,152,474	99.9

(NET ASSETS)

Item	(Unit: Million yen)			
	2009		2010	
	(As of March 31, 2010)		(As of March 31, 2011)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Common stock	1,000	0.1	1,000	0.1
Retained earnings	622	0.1	625	0.1
Legal reserve of retained earnings	1		1	
Other legal reserve of retained earnings	621		624	
Special reserves	17		17	
Special price fluctuation reserves	39		39	
Retained earnings brought forward	564		568	
Treasury Stock	△5	△0.0	△5	△0.0
Total shareholders' equity	1,616	0.2	1,620	0.1
Net unrealized gain on available-for-sale securities	16	0.0	14	0.0
Total valuation and translation adjustments	16	0.0	14	0.0
Total net assets	1,633	0.1	1,634	0.1
Total liabilities and net assets	1,092,272	100.0	1,154,108	100.0

1. Appraisal standards and method of securities, and method of indication
 - (1) Of available-for-sale securities, those to which the market price is applicable is appraised according to the market price at term end.
 - (2) Of available-for-sale 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 trusts
 - (1) In money trusts exclusively operated centering on securities, the appraisal of securities operated as trust assets is done on the basis of market price.
 - (2) In money trusts 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. Financial instruments and fair values of financial instruments

(1) Situation of financial instruments

The Company carries out asset management in preparation for the payment of reinsurance claims, primarily considering soundness, namely, low price fluctuation risks, credit risks, and liquidity risks, and also taking profitability into account. As a result, the financial assets that the Company owns consist primarily of domestic and foreign, high-rated, medium-term bonds. The Company regularly obtains and manages information on fair values and credit information in association with each risk.

Trading in derivatives principally involves foreign exchange forward contracts used to hedge the risks arising from possible changes in exchange rates for bonds in foreign currencies and is kept within the scope of actual demand.

(2) Fair values of financial instruments

The table below shows the balance sheet amounts and fair values of financial instruments and the differences between them as of March 31, 2011.

(Unit: Million yen)			
	Balance sheet amount	Fair value	Difference
(i) Call loans	319,586	319,586	-
(ii) Securities Available-for-sale securities	805,223	805,223	-
(iii) Derivatives*	(3,068)	(3,068)	-

* Derivatives recorded in other assets and other liabilities. Net receivables or net payables generated from derivatives trading are shown. Figures in parentheses are net payables.

Note: Methods for calculating the fair values of financial instruments

(i) Call loans

Call loans are settled in the short term, and their fair values are therefore deemed equal to their carrying values.

(ii) Securities

In principle, the fair values of securities are based on their market prices, which are reference prices in the trading statistics of the Japan Securities Dealers Association or market prices obtained from outside vendors or brokers.

(iii) Derivatives

The fair values of derivatives are determined by prices offered by correspondent financial institutions.

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 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.

11. 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.

12. The accumulated depreciation of tangible fixed assets is 143 million yen.

13. Total deferred tax assets amount to 85 million yen, while total deferred tax liabilities come to 7 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 19 million yen, unpaid special local corporate tax of 14 million yen, a retirement benefit reserve of 37 million yen and a bonus reserve of 6 million yen. The deferred tax liabilities result primarily from an unrealized gain of 7 million yen on securities.

14. Net assets per share are 821.81 yen. The basis for this calculation is that net assets are 1,634 million yen, net assets accrued from ordinary shares are 1,634 million yen and the number of ordinary shares at the end of the term is 1,988 million.

15. Changes in the method of accounting

In the accounting period under review, JER began to apply the Accounting Standards for Asset Retirement Obligations (ASBJ Statement No. 18 of March 31, 2008) and the Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21 of March. 31, 2008).

These changes do not have any influence on the results.

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

② Statements of income

(Unit: Million yen)

Item	Fiscal Year	
	2009 (from April 1, 2009 to March 31, 2010)	2010 (from April 1, 2010 to March 31, 2011)
	Amount	Amount
Ordinary income	99,464	175,903
Underwriting income	79,278	148,490
Net premiums written	72,225	71,532
Investment income on savings premiums	7,052	7,118
Reversal of underwriting reserves	–	69,839
Investment income	20,186	27,413
Interest and dividend income	17,222	15,924
Profit from operating monetary trust	86	50
Realized gain on sale of securities	582	1,501
Financial derivative gain	9,326	17,035
Profit from other operations	21	19
Transfer of profit from Investment income on savings premiums	△7,052	△7,118
Other ordinary income	0	0
Ordinary expenses	98,512	174,913
Underwriting expenses	77,828	147,002
Net claims paid	5,544	1,033
Loss adjustment expenses	653	235
Agency commissions and brokerage fees	30,872	31,236
Provision for outstanding claims	192	114,497
Provision for underwriting reserves	40,565	–
Investment expenses	14,359	21,419
Loss from operating monetary trust	158	268
Realized loss on sale of securities	562	1,558
Foreign exchange loss	13,550	19,523
Other operation cost	88	68
Operating, general and administrative expenses	1,007	1,013
Other ordinary expenses	5,317	5,477
Interest paid	5,317	5,477
Ordinary profit	951	990
Extraordinary incomes	0	1
Reversal of price fluctuation reserves	0	1
Extraordinary losses	0	–
Loss on disposal fixed assets	0	–
Income before taxes	951	992
Income taxes – current	950	982
Income taxes – deferred	△4	6
Total income taxes	946	988
Net income	5	3

Notes for fiscal 2010

1. See below for the net premiums written by break-down.

Premiums written:	149,634 (million yen)
Reinsurance premiums ceded:	78,102 (million yen)
Net premiums written:	71,532 (million yen)

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

Interest on deposits:	169 (million yen)
Call loans:	20 (million yen)
Interest on securities:	15,734 (million yen)
Total:	15,924 (million yen)

3. Paper profit/loss involved in the financial derivative expenses is a loss of 3,068 million yen.

4. The net income per share is 1.80 yen.

The basis for this calculation is such that the net income is 3 million yen, the net income accrued from ordinary shares is 3 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 99.64%. The difference is explained by the following breakdown: the non-deductible amount of the taxable provision of risk reserves is 67.70%, the amount of the write-off carried from publicity expenses related to risk reserves is △4.43%.

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

③ Statements of cash flow

(Unit: Million yen)

Item	Fiscal Year	
	2009 (from April 1, 2009 to March 31, 2010)	2010 (from April 1, 2010 to March 31, 2011)
	Amount	Amount
Cash flow from operating activities		
Net income before income taxes (△ denotes a loss)	951	992
Depreciation	83	96
Changes in outstanding claims (△ denotes a decline)	192	114,497
Changes in underwriting reserves (△ denotes a decline)	40,565	△69,839
Changes in entrusted reserves (△ denotes a decline)	26,320	27,043
Changes in reserves for employees' retirement and severance benefits (△ denotes a decline)	7	△7
Changes in directors' retirement benefit reserves (△ denotes a decline)	4	2
Changes in accrued bonuses for employees (△ denotes a decline)	△1	△1
Changes in reserve for price fluctuation (△ denotes a decline)	△0	△1
Interest and dividend income	△17,222	△15,924
Gain or loss on investment in securities (△ denotes a gain)	△19	57
Foreign exchange gain or loss (△ denotes a gain)	5,360	666
Gain or loss on tangible fixed assets (△ denotes a gain)	0	-
Increase in other assets (other than investment and financial activities related) (△ denotes an increase)	△120	△3,453
Increase in other liabilities (other than investment and financial activities related) (△ denotes a decline)	610	△18
Others	△8,446	2,255
Subtotal	48,285	56,363
Interest and dividends received	15,664	17,526
Income taxes paid	△298	△1,326
Net cash provided by operating activities	63,651	72,562
Cash flow from investing activities		
Net increase in deposits at bank (△ denotes an increase)	2,500	12,800
Proceeds from Decrease in Money Held in Trust	-	13,750
Purchase of securities	△275,224	△443,199
Proceeds from sales and redemption of securities	229,340	636,394
Others	-	△119
Total investment assets activities	△43,383	△219,626
(Total operating activities and investment assets activities)	(20,267)	(292,189)
Acquisition of tangible fixed assets	△11	-
Others	△243	-
Net cash provided by investing activities	△43,639	219,626
Cash flow in financing activities		
Effect of exchange rate changes on cash and cash equivalents	-	-
Net change in cash and equivalents	20,012	292,189
Cash and cash equivalents at the begin- ning of the year	10,294	30,306
Cash and cash equivalents at the end of the year	30,306	322,495

Note:

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, 2010)	(As of March 31, 2011)
Cash & deposits	22,352	10,409
Call loans	28,254	319,586
Securities	1,006,947	805,223
Deposits of a depository period of three months or longer	△20,300	△7,500
Securities other than cash equivalent	△1,006,947	△805,223
Cash and cash equivalents	30,306	322,495

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

Item	Fiscal Year	2009	2010
		(from April 1, 2009 to March 31, 2010) Amount	(from April 1, 2010 to March 31, 2011) Amount
Share holder's equity			
Common 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
Retained earnings			
Legal reserve of retained earnings			
Balance at the end of the previous year		1	1
Amount of change during the term			
Total change during the term		-	-
Dividend of surplus		-	-
Balance at the end of the fiscal year		1	1
Other legal reserve of retained earnings			
Special reserves			
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
Retained earnings brought forward			
Balance at the end of the previous year		559	564
Amount of change during the term			
Dividend of surplus		-	-
Net income		5	3
Total change during the term		5	3
Balance at the end of the fiscal year		564	568
Total retained earnings			
Balance at the end of the previous year		617	622
Amount of change during the term			
Dividend of surplus		-	-
Net income		5	3
Total change during the term		5	3
Balance at the end of the fiscal year		622	625
Treasury stock			
Balance at the end of the previous year		△5	△5
Amount of change during the term			
Deposition of treasury stock		-	-
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		1,611	1,616
Amount of change during the term			
Issuance of new shares		-	-
Dividend of surplus		-	-
Net income		5	3
Deposition of treasury stock		-	-
Total change during the term		5	3
Balance at the end of the fiscal year		1,616	1,620

(Unit: Million yen)

Item	Fiscal Year	2009	2010
		(from April 1, 2009 to March 31, 2010) Amount	(from April 1, 2010 to March 31, 2011) Amount
Valuation and translation adjustments			
Net unrealized gains on available-for-sale securities			
Balance at the end of the previous year		6	16
Amount of change during the term			
Net amount of changes in items other than owners' equity during the term		10	△2
Total change during the term		10	△2
Balance at the end of the fiscal year		16	14
Total valuation and translation adjustments			
Balance at the end of the previous year		6	16
Amount of change during the term			
Net amount of changes in items other than owners' equity during the term		10	△2
Total change during the term		10	△2
Balance at the end of the fiscal year		16	14
Total net assets			
Balance at the end of the previous year		1,617	1,633
Amount of change during the term			
Issuance of new shares		-	-
Dividend of surplus		-	-
Net income		5	3
Deposition of treasury stock		-	-
Net amount of changes in items other than owners' equity during the term		10	△2
Total change during the term		15	0
Balance at the end of the previous year		1,633	1,634

5 Dividend per stock and total assets per employee

(Unit: Million yen)

Division	Fiscal Year	2008	2009	2010
Dividend per stock		-	-	-
Net income per stock		6.30 yen	2.58 yen	1.80 yen
Dividend propensity		-	-	-
Net assets per stock		813.57 yen	821.32 yen	821.81 yen

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.

Total assets per employee		36,251	42,010	46,164
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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

Division	(Unit: Million yen)	
	Year	
	As of the end of fiscal 2009	As of the end of fiscal 2010
Total of solvency-margin	506,735	430,847
Common stock, etc. (amount obtained by subtracting an estimated outflow to the outside, deferred assets and valuation and translation adjustments from total net assets)	1,616	1,620
Price fluctuation reserves	7	5
Risk reserves	-	-
Catastrophe reserves	496,708	424,401
Reserves for ordinary bad debts	-	-
(A) Unrealized gain / loss on available-for-sale securities (excluded deductions for Tax Consequences)	8,403	4,464
Unrealized gain and loss included land holdings	-	-
Supplus such as premium reserves	-	-
Funding instruments with a debt-like nature	-	-
Items deductible	-	-
Others	-	354
Total risk	626,848	690,852
$\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$		
General underwriting risk (R1)	-	-
Underwriting risk in third-area insurance (R2)	-	-
(B) Anticipated Rate of Return Risk (R3)	-	-
Investment risk (R4)	8,957	8,692
Management risk (R5)	12,291	13,546
Catastrophe risk (R6)	605,600	668,614
(C) Solvency-Margin ratio	161.6%	124.7%
$\frac{(A)}{[(B) \times 1 / 2]} \times 100$		

Note:

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 companies 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. Available-for-sale securities with market price

At the end of fiscal 2009 (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	483,926	490,673	6,746
	Stocks	-	-	-
	Foreign securities	269,042	279,448	10,405
	Others	-	-	-
	Subtotal	752,969	770,121	17,152
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	88,152	87,324	△828
	Stocks	-	-	-
	Foreign securities	158,746	146,365	△12,381
	Others	3,400	3,135	△264
	Subtotal	250,299	236,825	△13,473
Total		1,003,268	1,006,947	3,678

At the end of fiscal 2010

(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	379,451	383,236	3,785
	Stocks	-	-	-
	Foreign securities	190,400	194,537	4,136
	Others	-	-	-
	Subtotal	569,852	577,773	7,921
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	106,786	106,362	△423
	Stocks	-	-	-
	Foreign securities	133,378	121,087	△12,291
	Others	-	-	-
	Subtotal	240,164	227,449	△12,714
Total		810,016	805,223	△4,793

2. Available-for-sale securities sold at the term

(Unit: Million yen)

Type	Fiscal 2009			Fiscal 2010		
	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	58,208	582	562	243,308	1,501	1,558

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 without market price

② Money trust

1. Money trust for investment

(Unit: Million yen)

Type	As of the end of fiscal 2009		As of the end of fiscal 2010	
	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	-	-	-

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 2009			As of the end of fiscal 2010		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Money trust	3,750	3,692	△57	-	-	-

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

1. Derivatives transactions to which hedge accounting is not applied

(a) Currency related

(Unit: Million yen)

Type	As of the end of fiscal 2009			As of the end of fiscal 2010		
	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 positions						
US dollar	22,549	6,394	679	-	-	-
Euro	229,048	71,341	△1,420	142,439	27,931	△2,938
Canadian dollar	1,211	-	△64	-	-	-
Total			△806			△2,938

Notes:

1. Currency related derivatives transactions other than the above are omitted as there is no applicable item.
2. Calculating a market price: Foreign exchange rates depend on futures quotations.

(b) Credit related

(Unit: Million yen)

Type	As of the end of fiscal 2009			As of the end of fiscal 2010		
	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						
Long position in credit derivatives transactions	-	-	-	7,994	7,994	△130
Total	-	-	-	7,994	7,994	△130

Note:

Calculating a market price: Based on values presented by relationship financial institution.

2. Derivatives transactions to which hedge accounting is applied

Not applicable