Financial Section

FINANCIAL REVIEW

Business development, results, etc.

During fiscal 2012, the Japanese economy showed signs of a gradual recovery, mainly reflecting the demand for reconstruction projects in the aftermath of the 2011 Great East Japan Earthquake. However, the Japanese economy still continued to face uncertain conditions, given the slowdown in the global economy due to the European debt problem, the drop in exports resulting from the worsening relationship between Japan and China, and other negative factors. Despite this environment, with the recent recovery in the US economy, along with the weaker yen and higher stock prices reflecting expectations for positive developments as a result of the monetary easing policy in Japan, the economy began to show signs of bottoming out.

Both premiums as well as the number of earthquake insurance policies continued to increase during the fiscal year under review, just as they did in the previous fiscal year, due to the growing interest in earthquake insurance as security against earthquakes. Meanwhile, the amount of earthquake insurance payouts declined significantly from the previous fiscal year, as insurance payouts for the 2011 Great East Japan Earthquake peaked.

Regarding asset management, earnings from investments have declined markedly year on year, reflecting the increasing redemption of bonds with high yields amid the trend of declining interest rates.

In this environment, during fiscal 2012, the first year of our third medium-term business plan, in light of our experience from the 2011 Great East Japan Earthquake we have steadily implemented measures—mainly in response to massive earthquakes or consecutive earthquakes—and have reviewed and developed a structure that will allow our operations to continue even if our headquarters is stricken by a disaster. In particular, to ensure the continuity of our operations if our headquarters is afflicted by a disaster, we have comprehensively upgraded our system infrastructure in preparation for the imminent inland earthquake expected to strike the Tokyo metropolitan area, and the system is now fully operational.

Summary of earthquake insurance results

① Net premiums written and net claims paid

In the fiscal year under review, due to the increase in the number of earthquake insurance contracts, net premiums written amounted to 92.9 billion yen (up 11.1% year on year).

Meanwhile, net claims paid came to 31.6 billion yen (down 83.9% year on year), mainly reflecting the effects of the 2011 Great East Japan Earthquake.

② Risk reserves and underwriting reserves

Risk reserves added amounted to 48.0 billion yen (up 9.4% year on year), which is the total of net premiums written of 45.0 billion yen, given by deducting assumed reinsurance commissions from net premiums written, and a profit of 3.0 billion yen from investments.

Risk reserves at the end of the fiscal year under review were 352.8 billion yen (up 6.4% year on year), reflecting the reversal of the provision for outstanding claims of 9.9 billion yen to risk reserves and drawing from risk reserves in the past year of net claims paid of 31.6 billion yen, loss adjustment expenses of 4.8 billion yen, and advertising and publicity expenses of 0.2 billion yen.

Underwriting reserves at the end of the fiscal year under review totaled 461.4 billion yen (up 7.1% year on year), after adding unearned premium reserves and repayment reserves to the risk reserves.

In fiscal 2011, the amount of risk reserves provided fell short of the 0.2 billion yen that should have been provided, due to excessive income tax payments. As a result, in the fiscal under review, we claimed for a correction and issued a restatement by increasing the balance of risk reserves and accounts receivable at the beginning of the term by 0.2 billion yen based on the estimated refund.

③ Risk reserves of direct insurance companies

The risk reserves of direct insurance companies recorded as entrusted reserves were 68.7 billion yen for the fiscal year under review (up 9.5% year on year), obtained by adding net premiums written and profit from investments of 6.6 billion yen (down 59.9% year on year), reversing the publicity expenses of 0.7 billion yen.

Outline of investments

Medium- to long-term domestic interest rates trended lower due to the escalation of the European debt problem and the delayed recovery of the US economy. Long-term interest rates declined sharply in the second half of the fiscal year under review, given growing expectations for a stronger monetary easing policy after the new administration that was instated in December asked the Bank of Japan to increase its monetary easing.

The yen fell noticeably against both the dollar and the euro, reflecting the deterioration of Japan's current account balance and expectations for the Bank of Japan to commence a significant monetary easing policy. As a result, the yen has depreciated approximately 12 yen against the dollar and approximately 11 yen against the euro from its rates at the end of the previous fiscal year.

In these circumstances, we invested in assets with the top priority placed on safety and liquidity, followed by profitability. As a result, pre-tax profits from investments amounted to 3.3 billion yen in the business account and 0.6 billion yen in the entrusted reserves account. Consequently, investment assets at the end of the year under review stood at 524.0 billion yen.

Profit and loss for the fiscal year under review (Capital account)

Net income was 4 million yen after calculating interest and dividend income in the capital account and other items.

INDICATORS SHOWING THE MAIN RESULTS OVER THE LAST FIVE FISCAL YEARS

(Yen in millions)

Division \ Fiscal Year	2008	2009	2010	2011	2012
Net premiums written Percentage change over the previous term	67,126 4.8%	72,225 7.6%	71,532 (1.0%)	83,671 17.0%	92,996 11.1%
Ordinary income Percentage change over the previous term	84,993 4.6%	99,464 17.0%	175,903 76.9%	286,812 63.1%	110,370 (61.5%)
Ordinary expenses Percentage change over the previous term	84,792 4.3%	98,512 16.2%	174,913 77.6%	286,723 63.9%	110,176 (61.6%)
Ordinary profit Percentage change over the previous term	200 1,108.8%	951 374.2%	990 4.1%	89 (91.0%)	193 117.5%
Net income (loss) Percentage change over the previous term	12 184.1%	5 (58.9%)	3 (30.2%)	(5) (239.9%)	4 –
Common stock Sum of shares issued	1,000 2 mil. shares	1,000 2 mil. shares	1,000 2 mil. shares	1,000 2 mil. shares	1,000 2 mil. shares
Net assets	1,617	1,633	1,634	1,631	1,633
Total assets	1,015,053	1,092,272	1,154,108	509,498	536,808
Underwriting reserves Percentage change over the previous term	545,255 5.8%	585,820 7.4%	515,981 (11.9%)	430,700 (16.5%)	461,480 7.1%
Of the balance, risk reserves Percentage change over the previous term	460,081 6.0%	496,708 8.0%	424,401 (14.6%)	331,499 (21.9%)	352,830 6.4%
Loans Percentage change over the previous term	– –	– –	– –	– –	– –
Securities Percentage change over the previous term	953,118 6.4%	1,006,947 5.6%	805,223 (20.0%)	448,120 (44.3%)	476,979 6.4%
Non-consolidated solvency-margin ratio	159.1%	161.6%	124.7%	120.8%	160.0%
Dividend propensity	–	–	–	–	–
No. of employees	28	26	25	26	27

Notes:
1. To achieve the stricter application of risk measurement and meet other goals, laws and regulations associated with the calculation of the non-consolidated solvency-margin ratio have been revised since the end of fiscal 2011 (March 31, 2012). Order to specify divisions, provided for in Paragraph 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. For details, see page 40 Conditions of non-consolidated solvency margin ratio.
2. The figures for fiscal 2011 have been corrected by a retrospective restatement. The details are given in Note 8 for the balance sheet (page 42).

SUMMARY OF OPERATIONS

Item: earthquake

❶ Indicators relating to insurance underwriting

1. Net premiums written

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Premiums written	152,182	171,223	185,568
Return premiums	2,324	2,504	2,642
Assumed net premiums written (A)	149,634	168,676	182,895
Reinsurance premiums ceded (B)	78,102	85,005	89,899
Net premiums written (A-B)	71,532	83,671	92,996

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

2. Rate of premiums written by domestic and overseas contracts

Division \ Fiscal Year	2010	2011	2012
Domestic contract	100%	100%	100%

3. Net claims paid

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Assumed net claims paid (A)	1,033	1,240,600	55,883
Reinsurance claims recovered (B)	–	1,043,975	24,276
Net claims paid (A-B)	1,033	196,625	31,607

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

4. Net loss ratio, net expense ratio and their combined ratio

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Net loss ratio	1.8%	282.9%	39.2%
Underwriting expenses	31,740	35,677	38,867
Insurance related operating, general and administrative expenses	503	551	725
Commissions and brokerage fees	31,236	35,126	38,141
Net expense ratio	44.4%	42.6%	41.8%
Combined ratio	46.2%	325.5%	81.0%

Notes:
1. Net loss ratio: (Net claims paid + loss adjustment expenses) / net premiums written
2. Net expense ratio: (Commissions and brokerage fees + Insurance-related operating and general administrative expenses) / net premiums written
3. Combined ratio: Net loss ratio + net expense ratio

5. Rate of damage occurrence, the expenses ratio and rate of sum total before ceded insurance deduction

Not applicable

6. Changes in ordinary income or loss against a rise in the loss rate

There are no changes in ordinary income or loss in earthquake insurance because increases in insurance payments are set off through the reversal of underwriting reserves in accordance of the principle of no loss and no profit.

7. Underwriting profit

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Underwriting income	148,490	272,503	106,333
Underwriting expenses	147,002	271,872	105,420
Operating and general administrative expenses	503	551	725
Other income and expenses	(984)	(79)	(186)
Underwriting profit	–	–	–

Notes:
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 income and expenses are those equivalent to corporate taxes mentioned in a statement of earthquake insurance profits and losses.
3. The figures for fiscal 2011 have been corrected by a retrospective restatement.

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

Division \ Fiscal Year	2010	2011	2012
No. of reinsurers that ceded insurance contracts	15	14	13
Rate of top five reinsurers' ceded insurance premiums	81.9%	81.8%	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.

9. Ratio of ceded insurance premiums by rating

Not applicable

10. Contractor dividend

Not applicable

11. Conditions at the end of the current fiscal year (runoff result) of outstanding claims (estimated amount) at the beginning of the term

Not applicable to earthquake insurance.

12. Amount of estimated final damages associated with the elapse of a period from the occurrence of accidents

Not applicable to earthquake insurance.

❷ 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 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. Total assets and investments assets

(Yen in millions)

Division \ Year	As of the end of fiscal 2010	Percentage distribution (%)	As of the end of fiscal 2011	Percentage distribution (%)	As of the end of fiscal 2012	Percentage distribution (%)
Deposits	10,409	0.9	17,190	3.4	25,938	4.8
Call loans	319,586	27.7	30,105	5.9	21,137	3.9
Monetary receivable bought	–	–	–	–	–	–
Money trusts	–	–	–	–	–	–
Securities	805,223	69.8	448,120	88.0	476,979	88.9
Buildings	37	0.0	35	0.0	33	0.0
Total of investments assets	1,135,256	98.4	495,450	97.3	524,088	97.6
Total assets	1,154,108	100.0	509,498	100.0	536,808	100.0

Note:
The figures for fiscal 2011 have been corrected by a retrospective restatement.

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

(Yen in millions)

Division \ Fiscal Year	2010	Yield (%)	2011	Yield (%)	2012	Yield (%)
Deposits	169	0.45	83	0.69	32	0.18
Call loans	20	0.06	46	0.05	8	0.05
Monetary receivables bought	–	–	–	–	–	–
Money trusts	50	0.40	–	–	–	–
Securities	15,734	1.55	6,983	1.43	4,549	0.96
Buildings	–	–	–	–	–	–
Total	15,975	1.46	7,113	1.20	4,589	0.90

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. Asset management yield (realized yield)

(Yen in millions)

Division \ Fiscal Year	2010 Amount of numerator	2010 Amount of denominator	2010 Yield on working assets (%)	2011 Amount of numerator	2011 Amount of denominator	2011 Yield on working assets (%)	2012 Amount of numerator	2012 Amount of denominator	2012 Yield on working assets (%)
Deposits	169	37,412	0.45	83	12,074	0.69	32	17,636	0.18
Call loans	20	35,101	0.06	46	94,217	0.05	8	18,067	0.05
Monetary receivables bought	–	–	–	–	–	–	–	–	–
Money trusts	(218)	12,604	(1.73)	–	–	–	–	–	–
Securities	15,676	1,011,852	1.55	9,127	488,267	1.87	4,548	473,767	0.96
Public and corporate bonds	6,121	589,258	1.04	3,253	273,696	1.19	1,711	325,550	0.53
Stocks	–	–	–	–	–	–	–	–	–
Foreign securities	9,898	419,477	2.36	5,874	214,570	2.74	2,837	148,217	1.91
Other securities	(343)	3,116	(11.01)	–	–	–	–	–	–
Loans	–	–	–	–	–	–	–	–	–
Buildings	–	40	–	–	37	–	–	35	–
Derivatives	17,035	–	–	8,358	–	–	(2,836)	–	–
Others	(19,572)	–	–	(10,599)	–	–	2,783	–	–
Total	13,112	1,097,011	1.20	7,016	594,596	1.18	4,536	509,507	0.89

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 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)

(Yen in millions)

Division \ Fiscal Year	2010 Amount of numerator	2010 Amount of denominator	2010 Yield on working assets (%)	2011 Amount of numerator	2011 Amount of denominator	2011 Yield on working assets (%)	2012 Amount of numerator	2012 Amount of denominator	2012 Yield on working assets (%)
Deposits	169	37,412	0.45	83	12,074	0.69	32	17,636	0.18
Call loans	20	35,101	0.06	46	94,217	0.05	8	18,067	0.05
Monetary receivables bought	–	–	–	–	–	–	–	–	–
Money trusts	(160)	12,546	(1.28)	–	–	–	–	–	–
Securities	7,870	1,028,090	0.77	5,349	496,699	1.08	4,067	478,421	0.85
Public and corporate bonds	3,563	595,176	0.60	1,821	277,057	0.66	1,666	327,480	0.51
Stocks	–	–	–	–	–	–	–	–	–
Foreign securities	4,385	430,061	1.02	3,527	219,641	1.61	2,401	150,940	1.59
Other securities	(78)	2,852	(2.77)	–	–	–	–	–	–
Loans	–	–	–	–	–	–	–	–	–
Buildings	–	40	–	–	37	–	–	35	–
Derivatives	17,035	–	–	8,358	–	–	(2,836)	–	–
Others	(19,572)	–	–	(10,599)	–	–	2,783	–	–
Total	5,364	1,113,191	0.48	3,237	603,029	0.54	4,055	514,160	0.79

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 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

(Yen in millions)

Division \ Year	As of the end of fiscal 2010	Percentage distribution (%)	As of the end of fiscal 2011	Percentage distribution (%)	As of the end of fiscal 2012	Percentage distribution (%)
Foreign currency denominated						
Foreign public and corporate bonds	152,723	48.4	55,435	35.1	36,347	28.2
Yen denominated						
Foreign public and corporate bonds	162,901	51.6	102,638	64.9	92,494	71.8
Total	315,624	100.0	158,073	100.0	128,842	100.0
Yield on foreign loans & investments						
Investment assets yield (income yield)	2.41%		2.19%		1.91%	
Assets management (realized yield)	2.36%		2.74%		1.91%	
Market-price based overall yield (for reference)	1.02%		1.61%		1.59%	

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 investments.

❸ Conditions of non-consolidated solvency-margin ratio

(Yen in millions)

Division	Year	As of the end of fiscal 2011	As of the end of fiscal 2012
	Total amount of non-consolidated solvency-margin	336,786	357,917
(A)	Common stock, etc.	1,615	1,619
	Price fluctuation reserves	6	5
	Risk reserves	–	–
	Catastrophe reserves	331,499	352,830
	Reserves for ordinary bad debts	–	–
	Unrealized gain / loss on available-for-sale securities (excluded deductions for Tax Consequences)	3,390	3,184
	Unrealized gain and loss included land holdings	–	–
	Surplus such as premium reserves	–	–
	Funding instruments with a debt-like nature	–	–
	Surplus such as premium reserves and funding instruments with a debt-like nature that are not included in the margin	–	–
	Items deductible	–	–
	Others	275	277
(B)	Total amount of non-consolidated risk $\sqrt{(R1+R2)^2+(R3+R4)^2}+R5+R6$	557,215	447,267
	General underwriting risk (RI)	–	–
	Underwriting risk in third-area insurance (R2)	–	–
	Anticipated rate of return risk (R3)	–	–
	Investment risk (R4)	9,839	10,497
	Management risk (R5)	10,925	8,769
	Catastrophe risk (R6)	536,450	428,000
(C)	Non-consolidated solvency-margin ratio [(A) / { (B) x 1 / 2 }] x 100	120.8%	160.0%

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.
2. The figures for fiscal 2011 have been corrected by a retrospective restatement.

Non-consolidated 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 non-consolidated 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:** the risk that may arise for saving-type insurance if the actual yield from operations is lower than it was when calculating depository insurance premiums.
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 amount of non-consolidated solvency-margin) is the total of capital owned by a non-life insurance company, various reserves (price fluctuation reserve, catastrophe reserve, etc.), 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 Paragraph 4, Article 3, Order to specify the division stated in Paragraph 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 Paragraph 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.]

ACCOUNTING CONCEPTS

❶Financial statements

1. Balance sheets

(ASSETS)

(Yen in millions)

Item / Fiscal Year	2011 (As of March 31, 2012) Amount	2012 (As of March 31, 2013) Amount
Cash and deposits	**17,190**	**25,938**
Deposits	17,190	25,938
Call loans	**30,105**	**21,137**
Securities	**448,120**	**476,979**
Government bonds	248,634	328,071
Corporate bonds	41,411	20,065
Foreign securities	158,073	128,842
Tangible fixed assets	**43**	**117**
Buildings	35	33
Other tangible fixed assets	8	84
Intangible fixed assets	**175**	**232**
Software	175	231
Other intangible fixed assets	0	1
Other assets	**13,787**	**12,316**
Reinsurance balance receivable	9,671	9,962
Accounts receivable	394	223
Uncollected income	1,563	1,155
Deposits	52	50
Suspense payments	26	287
Derivatives	2,051	608
Cash collateral paid for financial instruments	28	28
Deferred tax assets	**75**	**86**
Total assets	**509,498**	**536,808**

Note:
The figures for fiscal 2011 have been corrected by a retrospective restatement.

(LIABILITIES)

(Yen in millions)

Item / Fiscal Year	2011 (As of March 31, 2012) Amount	2012 (As of March 31, 2013) Amount
Underwriting funds	**445,595**	**466,407**
Outstanding claims	14,895	4,927
Underwriting reserves	430,700	461,480
Entrusted reserves	**49,065**	**55,127**
Other liabilities	**8,429**	**9,325**
Reinsurance balance payable	6,406	6,250
Corporate taxes payable	127	175
Deposits payable	4	5
Accrued amounts payable	758	240
Derivatives	1,130	2,653
Reserve for retirement benefits	**104**	**120**
Reserve for directors' retirement benefits	**15**	**14**
Reserve for bonus payments	**19**	**21**
Reserves under the special law	**6**	**5**
Reserve for price fluctuation	6	5
Net unrealized gains on available-for-sale securities of earthquake insurance	**4,630**	**4,152**
Total liabilities	**507,866**	**535,175**

Note:
The figures for fiscal 2011 have been corrected by a retrospective restatement.

(NET ASSETS)

(Yen in millions)

Item / Fiscal Year	2011 (As of March 31, 2012) Amount	2012 (As of March 31, 2013) Amount
Common stock	**1,000**	**1,000**
Retained earnings	**620**	**625**
Legal reserve of retained earnings	1	1
Other legal reserve of retained earnings	619	624
Special reserves	17	17
Special price fluctuation reserves	39	39
Retained earnings brought forward	563	567
Treasury Stock	**(5)**	**(5)**
Total shareholders' equity	**1,615**	**1,619**
Net unrealized gains on available-for-sale securities	**16**	**13**
Total valuation and translation adjustments	**16**	**13**
Total net assets	**1,631**	**1,633**
Total liabilities and net assets	**509,498**	**536,808**

Note:
The figures for fiscal 2011 have been corrected by a retrospective restatement.

Notes for fiscal 2012

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

3. 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.

Changes in accounting policies, which are almost indistinguishable from changes in accounting estimates:

In accordance with the revision of the Corporate Tax Act of Japan, starting in the fiscal year under review, we have changed our depreciation method for the property, plant and equipment we have acquired since April 1, 2012 to the method under the revised act. The effect of this change on our financial statements is immaterial.

4. 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).

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

6. Writing standards of reserves

(1) Reserve for bad debts

Reserve for bad debts is 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) Reserve for retirement benefits

For employees' retirement and severance benefits, reserve 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) Reserve for directors' retirement benefits

For reserve 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) Reserve for bonus payments

Reserve for bonus payments is calculated according to the standards for the estimated bonuses payable as of the end of the fiscal year under review.

(5) Reserve for price fluctuation

To prepare for a loss from price changes of shares and others, reserve is appropriated according to Article 115, Insurance Business Law.

7. Changes to presentation method

Cash collateral paid for financial instruments submitted that were included under Other assets (sub-account) of Other assets in the previous fiscal year were independently presented in the fiscal year under review by applying the appended form for the Ordinance for Enforcement of the Insurance Business Act (MOF Ordinance No. 5, 1996), which was revised in accordance with the Cabinet Office Ordinance for Partial Revision of the Ordinance for Enforcement of the Banking Act, etc. (Cabinet Office Ordinance No. 11, March 28, 2013). Cash collateral paid for financial instruments submitted that were included under Other assets (sub-account) in the previous fiscal year amounted to 28 million yen.

8. Error correction

In the balance sheet for the previous fiscal year, the amount of Risk reserves, an item in Underwriting reserves, was recorded as 223 million yen short of the amount that should have been provided, due to excessive income tax payments. The tax refund related to interim payments was also recorded as short the same amount in accounts receivable. As a result, we claimed for a correction and issued a restatement by recording the estimated refund in accounts receivable for the beginning of the term and increasing the balance of underwriting reserves by 223 million yen.

There was no effect on retained earnings due to the correction.

9. Financial instruments and fair values of financial instruments

(1) Situation of financial instruments

We carry 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, our financial assets consist primarily of domestic and foreign, high-rated, medium-term bonds. We regularly obtain and manage 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, 2013.

(Yen in millions)

	Balance sheet amount	Fair value	Difference
(i) Cash and deposits	25,938	25,938	–
(ii) Call loans	21,137	21,137	–
(iii) Securities Available-for-sale securities	476,979	476,979	–
(iv) Derivatives*	(2,044)	(2,044)	–

*Derivatives recorded in other assets and other liabilities.
Net claims and debts derived from derivatives represent the net amounts, and items whose net balance becomes debts are stated in brackets.

Note: Methods for calculating the fair values of financial instruments

(i) Cash and deposits
Fair values of cash and deposits are deemed equal to their carrying values as their fair values and carrying values are similar.

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

(iii) 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.

(iv) Derivatives
The fair values of derivatives are determined by prices offered by correspondent financial institutions.

10. Taxes are included when preparing accounts for consumption tax and other items.

11. Risk reserves contained in Underwriting reserves have been deposited based on instructions for the calculation of underwriting 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.

12. The accumulated depreciation of tangible fixed assets is 162 million yen.

13. See below for a breakdown of outstanding claims.

(Yen in millions)

Outstanding claims (before the deduction of outstanding reinsurance claims)	7,672
Outstanding reinsurance claims related to the above claims	2,744
Net outstanding claims	4,927

14. Total deferred tax assets amount to 96 million yen, while total deferred tax liabilities come to 6 million yen. The amount deducted from deferred tax assets as a valuation reserve is 4 million yen. The breakdown of deferred tax assets reveals unpaid business taxes of 26 million yen, unpaid special local corporate tax of 19 million yen, reserve for retirement benefits of 37 million yen and reserve for bonus payments of 7 million yen. The deferred tax liabilities result primarily from unrealized gains of 6 million yen on securities.

15. Net assets per share are 821.18 yen. The basis for this calculation is that net assets are 1,633 million yen, net assets accrued from ordinary shares are 1,633 million yen and the number of ordinary shares at the end of the term is 1.988 million.

16. No events that could significantly affect assets or income or loss for the next fiscal years and beyond have taken place since the last day of the fiscal year under review.

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

2. Statements of income

(Yen in millions)

Item \ Fiscal Year	2011 (from April 1, 2011 to March 31, 2012) Amount	2012 (from April 1, 2012 to March 31, 2013) Amount
Ordinary income	**286,812**	**110,370**
Underwriting income	**272,503**	**106,333**
Net premiums written	83,671	92,996
Investment income on savings premiums	3,528	3,369
Reversal of outstanding claims	100,023	9,967
Reversal of underwriting reserves	85,280	–
Investment income	**14,309**	**4,031**
Interest and dividend income	7,113	4,589
Gains on sales of securities	2,364	–
Gains on derivatives	8,358	–
Foreign exchange gains	–	2,809
Other investment income	1	1
Transfer of profit from Investment income on savings premiums	(3,528)	(3,369)
Other ordinary income	**–**	**5**
Ordinary expenses	**286,723**	**110,176**
Underwriting expenses	**271,872**	**105,420**
Net claims paid	196,625	31,607
Loss adjustment expenses	40,121	4,892
Commissions and brokerage fees	35,126	38,141
Provision of underwriting reserves	–	30,779
Investment expenses	**10,821**	**2,865**
Losses on sales of securities	220	0
Losses on derivatives	–	2,836
Foreign exchange losses	10,553	–
Other investment expenses	48	27
Operating, general and administrative expenses	**1,074**	**1,273**
Other ordinary expenses	**2,954**	**617**
Interest paid	2,954	617
Ordinary profit	**89**	**193**
Extraordinary income	**–**	**0**
Reversal of price fluctuation reserves	–	0
Extraordinary losses	**0**	**0**
Losses on disposal fixed assets	0	0
Provision of price fluctuation reserves	0	–
Income before taxes	**88**	**194**
Income taxes – current	**97**	**199**
Income taxes – deferred	**(3)**	**(9)**
Total income taxes	**93**	**189**
Net income (loss)	**(5)**	**4**

Note:
The figures for fiscal 2011 have been corrected by a retrospective restatement.

Notes for fiscal 2012

1. See below for a breakdown of net premiums written.

(Yen in millions)

Premiums written:	182,895
Reinsurance premiums ceded:	89,899
Net premiums written:	92,996

2. See below for a breakdown of net claims paid.

(Yen in millions)

Claims paid:	55,883
Claims recovered:	24,276
Net claims paid:	31,607

3. See below for a breakdown of the provision of outstanding claims (figures in parentheses are the reversal of outstanding claims).

(Yen in millions)

Provision of outstanding claims (before the deduction of outstanding reinsurance claims)	(18,694)
Provision of outstanding reinsurance claims related to the above claims	(8,726)
Net provision of outstanding claims	(9,967)

4. The interest and dividend income are given below by category:

(Yen in millions)

Deposits:	32
Call loans:	8
Interest on cash collateral and other financial instruments submitted:	0
Securities:	4,549
Total:	4,589

5. Paper profit/loss involved in the gains on derivatives is a loss of 2,044 million yen.
6. Net income per share is 2.14 yen.
   The basis for this calculation is such that net income is 4 million yen, net income accrued from ordinary shares is 4 million yen and the term average No. of ordinary shares amount to 1.988 million.
7. The legal effective tax rate at the end of the term is 33.33%, and the corporate tax burden after applying the tax effect is 97.81%. The difference is explained by the following breakdown: the non-deductible amount of the taxable provision of risk reserves is 101.10%, the amount of the write-off carried from publicity expenses related to risk reserves is (36.92%).
8. Each amount is rounded down to the nearest whole unit.

3. Statements of cash flow

(Yen in millions)

Item \ Fiscal Year	2011 (from April 1, 2011 to March 31, 2012) Amount	2012 (from April 1, 2012 to March 31, 2013) Amount
Cash flow from operating activities		
Net income before income taxes	312	194
Depreciation	95	104
Increase (decrease) in outstanding claims	(100,023)	(9,967)
Increase (decrease) in underwriting reserves	(85,280)	30,779
Increase (decrease) in entrusted reserves	(451,185)	6,061
Increase (decrease) in reserve for retirement benefits	2	15
Increase (decrease) in reserve for directors' retirement benefits	(0)	(1)
Increase (decrease) in reserve for bonus payments	1	1
Increase (decrease) in reserve for price fluctuation	0	(0)
Interest and dividend income	(7,113)	(4,589)
Losses (gains) on investment in securities	(2,143)	0
Foreign exchange losses (gains)	(2,262)	(8,518)
Losses (gains) on tangible fixed assets	0	0
Decrease (increase) in other assets (other than investment and financial activities related)	2,119	(380)
Increase (decrease) in other liabilities (other than investment and financial activities related)	534	(673)
Others	(3,955)	2,974
Subtotal	(648,897)	16,001
Interest and dividends received	9,331	5,342
Income taxes paid	(828)	(160)
Net cash provided by operating activities	(640,394)	21,182
Cash flow from investing activities		
Net decrease (increase) in deposits	(8,000)	4,500
Purchase of securities	(237,033)	(559,847)
Proceeds from sales and redemption of securities	594,644	538,680
Others	91	–
Total investment assets activities	349,702	(16,666)
Total operating activities and investment assets activities	(290,691)	4,516
Acquisition of tangible fixed assets	(4)	(87)
Others	(4)	(148)
Net cash provided by investing activities	349,693	(16,902)
Cash flow in financing activities	–	–
Effect of exchange rate changes on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	(290,700)	4,280
Cash and cash equivalents at the beginning of the year	322,495	31,795
Cash and cash equivalents at the end of the year	31,795	36,075

Note:
The figures for fiscal 2011 have been corrected by a retrospective restatement.

Notes

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

(Yen in millions)

	(As of March 31, 2012)	(As of March 31, 2013)
Cash and deposits	17,190	25,938
Call loans	30,105	21,137
Securities	448,120	476,979
Deposits of a depository period of three months or longer	(15,500)	(11,000)
Securities other than cash equivalent	(448,120)	(476,979)
Cash and cash equivalents	31,795	36,075

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

(Yen in millions)

Item \ Fiscal Year	2011 (from April 1, 2011 to March 31, 2012) Amount	2012 (from April 1, 2012 to March 31, 2013) Amount
Shareholder's equity		
Common stock		
Balance at the beginning of the period	1,000	1,000
Changes during the period		
Issuance of new stocks	–	–
Total changes	–	–
Balance at the end of the period	1,000	1,000
Retained earnings		
Legal reserve of retained earnings		
Balance at the beginning of the period	1	1
Changes during the period		
Dividends of surplus	–	–
Total changes	–	–
Balance at the end of the period	1	1
Other legal reserve of retained earnings		
Special reserves		
Balance at the beginning of the period	17	17
Changes during the period		
Total changes	–	–
Balance at the end of the period	17	17
Special price fluctuation reserves		
Balance at the beginning of the period	39	39
Changes during the period		
Total changes	–	–
Balance at the end of the period	39	39
Retained earnings brought forward		
Balance at the beginning of the period	568	563
Changes during the period		
Dividends of surplus	–	–
Net income (loss)	(5)	4
Total changes	(5)	4
Balance at the end of the period	563	567

(Yen in millions)

Item \ Fiscal Year	2011 (from April 1, 2011 to March 31, 2012) Amount	2012 (from April 1, 2012 to March 31, 2013) Amount
Total retained earnings		
Balance at the beginning of the period	625	620
Changes during the period		
Dividends of surplus	–	–
Net income (loss)	(5)	4
Total changes	(5)	4
Balance at the end of the period	620	625
Treasury stock		
Balance at the beginning of the period	(5)	(5)
Changes during the period		
Disposal of treasury stock	–	–
Total changes	–	–
Balance at the end of the period	(5)	(5)
Total shareholders' equity		
Balance at the beginning of the period	1,620	1,615
Changes during the period		
Issuance of new stocks	–	–
Dividends of surplus	–	–
Net income (loss)	(5)	4
Disposal of treasury stock	–	–
Total changes	(5)	4
Balance at the end of the period	1,615	1,619
Valuation and translation adjustments		
Net unrealized gains on available-for-sale securities		
Balance at the beginning of the period	14	16
Changes during the period		
Net changes other than shareholders' equity	2	(2)
Total changes	2	(2)
Balance at the end of the period	16	13
Total valuation and translation adjustments		
Balance at the beginning of the period	14	16
Changes during the period		
Net changes other than shareholders' equity	2	(2)
Total changes	2	(2)
Balance at the end of the period	16	13
Total net assets		
Balance at the beginning of the period	1,634	1,631
Changes during the period		
Issuance of new stocks	–	–
Dividends of surplus	–	–
Net income (loss)	(5)	4
Disposal of treasury stock	–	–
Net changes other than shareholders' equity	2	(2)
Total changes	(3)	1
Balance at the end of the period	1,631	1,633

Notes:

1. Matters related to the types and total number of stocks outstanding and the types and number of treasury stock

(Stock)

		Balance as of the end of fiscal 2011	Increase in fiscal 2012	Decrease in fiscal 2012	Balance as of the end of fiscal 2012
Issued stock	Ordinary stock	2,000,000	–	–	2,000,000
	Total	2,000,000	–	–	2,000,000
Treasury stock	Ordinary stock	11,400	–	–	11,400
	Total	11,400	–	–	11,400

2. Matters related to stock options or own stock options
   Not applicable
3. Matters related to dividends
   Not applicable

5. Dividend per stock and total assets per employee

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Dividend per stock	–	–	–
Net income (loss) per stock	1.80 yen	(2.52 yen)	2.14 yen
Dividend propensity	–	–	–
Net assets per stock	821.81 yen	820.30 yen	821.18 yen
Total assets per employee	46,164	19,596	19,881

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.
4. The figures for fiscal 2011 have been corrected by a retrospective restatement.

❷ Details of assets and liabilities

1. Deposits

(Yen in millions)

Division \ Year	As of the end of fiscal 2010	As of the end of fiscal 2011	As of the end of fiscal 2012
Deposits	10,409	17,190	25,938
Ordinary deposits	2,909	1,690	8,908
Time deposits	7,500	15,500	17,030

2. Average balance and trading amount of commodity securities

Not applicable

3. Balance of securities by category and percentage distribution

(Yen in millions)

Division \ Year	As of the end of fiscal 2010		As of the end of fiscal 2011		As of the end of fiscal 2012	
		Percentage distribution (%)		Percentage distribution (%)		Percentage distribution (%)
Government bonds	414,095	51.4	248,634	55.5	328,071	68.8
Municipal bonds	–	–	–	–	–	–
Corporate bonds	75,503	9.4	41,411	9.2	20,065	4.2
Stocks	–	–	–	–	–	–
Foreign securities	315,624	39.2	158,073	35.3	128,842	27.0
Other securities	–	–	–	–	–	–
Loan receivable in securities	–	–	–	–	–	–
Total	805,223	100.0	448,120	100.0	476,979	100.0

4. Yield on securities held

(%)

Division \ Fiscal Year	2010	2011	2012
Investment assets yield (income yield)			
Public & corporate bonds	0.95	0.83	0.53
Stocks	–	–	–
Foreign securities	2.41	2.19	1.91
Other securities	–	–	–
Total	1.55	1.43	0.96
Assets management yield (realized yield)			
Public & corporate bonds	1.04	1.19	0.53
Stocks	–	–	–
Foreign securities	2.36	2.74	1.91
Other securities	(11.01)	–	–
Total	1.55	1.87	0.96
Market-price based overall yield (for reference)			
Public & corporate bonds	0.60	0.66	0.51
Stocks	–	–	–
Foreign securities	1.02	1.61	1.59
Other securities	(2.77)	–	–
Total	0.77	1.08	0.85

Note:
Public & corporate bonds include government bonds, municipal bonds, and corporate bonds.

5. Balance Current Maturity of securities by category

As of the end of fiscal 2011

(Yen in millions)

Division	Up to 1 year	1 over up to 3 years	3 over up to 5 years	5 over up to 7 years	7 over up to 10 years	Over 10 years	Total
Govern-ment bonds	150,938	32,443	23,374	16,351	24,495	1,031	248,634
Municipal bonds	–	–	–	–	–	–	–
Corporate bonds	21,647	18,153	104	1,506	–	–	41,411
Stocks	–	–	–	–	–	–	–
Foreign securities	45,197	64,219	36,307	12,350	–	–	158,073
Other securities	–	–	–	–	–	–	–
Loan receivable in securi-ties	–	–	–	–	–	–	–
Total	217,783	114,815	59,786	30,208	24,495	1,031	448,120

As of the end of fiscal 2012

(Yen in millions)

Division	Up to 1 year	1 over up to 3 years	3 over up to 5 years	5 over up to 7 years	7 over up to 10 years	Over 10 years	Total
Govern-ment bonds	210,396	26,392	45,992	27,203	18,085	–	328,071
Municipal bonds	–	–	–	–	–	–	–
Corporate bonds	17,655	2,410	–	–	–	–	20,065
Stocks	–	–	–	–	–	–	–
Foreign securities	39,581	48,224	28,613	12,422	–	–	128,842
Other securities	–	–	–	–	–	–	–
Loan receivable in securi-ties	–	–	–	–	–	–	–
Total	267,633	77,027	74,605	39,626	18,085	–	476,979

6. Amount of stocks held by type of business

There are no stocks.

7. Loans

There are no notes with the following items; amount of stocks held by type of business, balance current maturity of loan by remaining life, balance of loans by type of collateral secured, balance and percentage distribution of loan by designated use, balance of loan by industry and its ratio to the total, and balance of amortization of loans.

8. Risk management credits

Not applicable

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

Not applicable

10. Self-appraisal of assets

We categorize assets in accordance with the level of risk associated with collection and the level of risk of a loss in the value by carrying out self-appraisal and individually examining holding assets. There were no category assets (II through IV categories) as at the end of March 2013.

11. Tangible fixed assets by category

(Yen in millions)

Division \ Year	As of the end of fiscal 2010	As of the end of fiscal 2011	As of the end of fiscal 2012
Land	–	–	–
for underwriting	–	–	–
for investment	–	–	–
Buildings	37	35	33
for underwriting	37	35	33
for investment	–	–	–
Construction in progress	–	–	–
for underwriting	–	–	–
for investment	–	–	–
Total of property	37	35	33
for underwriting	37	35	33
for investment	–	–	–
Other tangible fixed assets	14	8	84
Total	52	43	117

12. Unearned claims paid

Not applicable

13. Special account

Not applicable

14. Underwriting funds

(Yen in millions)

Division \ Year	As of the end of fiscal 2010	As of the end of fiscal 2011	As of the end of fiscal 2012
Outstanding claims	114,918	14,895	4,927
Underwriting reserves	515,981	430,700	461,480
Risk reserves	424,401	331,499	352,830
Unearned premium reserves	90,054	97,686	107,140
Repayment reserves	1,524	1,514	1,509
Total	630,899	445,595	466,407

Note:
The figures for fiscal 2011 have been corrected by a retrospective restatement.

15. Level of underwriting reserves

There is no target contact.

16. Detailed listing of liability reserves

As of the end of Fiscal 2011

(Yen in millions)

Division	Balance as of the end of fiscal 2010	Increase in fiscal 2011	Decrease in fiscal 2011	Balance as of the end of fiscal 2011
Reserve for ordinary bad debts	–	–	–	–
Reserve for individual bad debts	–	–	–	–
Reserve for specific foreign securities	–	–	–	–
Reserve for retirement benefits	102	18	15	104
Reserve for directors' retirement benefits	15	4	4	15
Reserve for bonus payments	17	19	17	19
Reserve for price fluctuation	5	0	–	6
Total	141	41	37	146

As of the end of Fiscal 2012

(Yen in millions)

Division	Balance as of the end of fiscal 2011	Increase in fiscal 2012	Decrease in fiscal 2012	Balance as of the end of fiscal 2012
Reserve for ordinary bad debts	–	–	–	–
Reserve for individual bad debts	–	–	–	–
Reserve for specific foreign securities	–	–	–	–
Reserve for retirement benefits	104	20	4	120
Reserve for directors' retirement benefits	15	4	5	14
Reserve for bonus payments	19	21	19	21
Reserve for price fluctuation	6	–	0	5
Total	146	45	30	161

17. Detailed listing of shareholders' equity

Please refer to the statement of changes in shareholders' equity on page 45.

❸ Income and loss details

1. Gains on sales of securities by category

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Government bonds	1,092	1,116	–
Foreign securities	408	1,247	–
Total	1,501	2,364	–

2. Losses on sales of securities by category

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Government bonds	920	145	–
Foreign securities	638	75	0
Total	1,558	220	0

3. Losses on valuation of securities

Not applicable

4. Gains on disposal of fixed assets

Not applicable

5. Losses on disposal of fixed assets

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Land	–	–	–
Buildings	–	–	–
Other tangible fixed assets	–	0	0
Total	–	0	0

6. Business expenses (inclusive of loss adjustment)

(Yen in millions)

Division \ Fiscal Year	2010	2011	2012
Personnel expenses	350	11,636	1,031
Non personnel expenses	702	29,330	4,881
Taxes	196	228	252
Commissions and brokerage fees	31,236	35,126	38,141
Total	32,485	76,322	44,307

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

7. Depreciation expenses by category

As of the end of Fiscal 2011

(Yen in millions)

Type of asset	Acquisition cost	Deprecia-tion in fiscal 2011	Aggregated deprecia-tions	Balance as the end of fiscal 2011	Rate of aggregated deprecia-tions %
Tangible fixed assets					
Buildings	101	2	65	35	65.0
for underwriting	101	2	65	35	65.0
for investment	–	–	–	–	–
Others	97	10	89	8	91.6
Total	199	13	155	43	78.1
Intangible fixed assets					
Software	411	82	236	175	57.3
Other intangible fixed assets	0	0	0	0	95.6
Total	412	82	236	175	57.4
Grand total	611	95	391	219	64.1

As of the end of Fiscal 2012

(Yen in millions)

Type of asset	Acquisition cost	Deprecia-tion in fiscal 2012	Aggregated deprecia-tions	Balance as the end of fiscal 2012	Rate of aggregated deprecia-tions %
Tangible fixed assets					
Buildings	101	2	68	33	66.9
for underwriting	101	2	68	33	66.9
for investment	–	–	–	–	–
Others	179	10	94	84	52.9
Total	280	12	162	117	58.0
Intangible fixed assets					
Software	558	91	327	231	58.7
Other intangible fixed assets	1	0	0	1	12.2
Total	560	91	328	232	58.5
Grand total	841	104	490	350	58.3

❹ Information about fair values, etc.

1. Matters related to financial instruments

For matters related to the status of financial instruments and matters related to the fair values of financial instruments, please refer to Note 9 on the balance sheet (page 43).

2. Securities

(i) Securities held for trading purposes

Not applicable

(ii) Securities to be held to maturity

Not applicable

(iii) Available-for-sale securities

At the end of fiscal 2011

(Yen in millions)

Division	Type	Acquisition cost	Book value	Difference
Securities with acquisition cost higher than that posted on the balance sheet	Public & corporate bonds	194,534	196,554	2,020
	Stocks	–	–	–
	Foreign securities	93,178	94,842	1,663
	Others	–	–	–
	Subtotal	287,712	291,396	3,683
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	93,582	93,491	(90)
	Stocks	–	–	–
	Foreign securities	73,135	63,231	(9,903)
	Others	–	–	–
	Subtotal	166,717	156,723	(9,994)
Total		454,430	448,120	(6,310)

At the end of fiscal 2012

(Yen in millions)

Division	Type	Acquisition cost	Book value	Difference
Securities with acquisition cost higher than that posted on the balance sheet	Public & corporate bonds	199,878	201,819	1,941
	Stocks	–	–	–
	Foreign securities	98,536	101,028	2,492
	Others	–	–	–
	Subtotal	298,414	302,848	4,433
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	146,373	146,317	(56)
	Stocks	–	–	–
	Foreign securities	30,463	27,813	(2,649)
	Others	–	–	–
	Subtotal	176,837	174,131	(2,705)
Total		475,251	476,979	1,727

(iv) Available-for-sale securities sold at the term

(Yen in millions)

Type	Fiscal 2011			Fiscal 2012		
	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	273,998	2,364	220	100	–	0

3. Money trust

Not applicable

4. Derivative transactions

(i) Derivative transactions to which hedge accounting is not applied

(a) Currency related

At the end of fiscal 2011

(Yen in millions)

Type	Contract amount		Market price	Appraisal profit and loss
		1 year or longer ones		
Over-the-counter transactions				
Forward foreign exchange contracts				
Short positions				
US dollar	394	–	(15)	(15)
Euro	53,410	8,600	979	979
Total			963	963

At the end of fiscal 2012

(Yen in millions)

Type	Contract amount		Market price	Appraisal profit and loss
		1 year or longer ones		
Over-the-counter transactions				
Forward foreign exchange contracts				
Short positions				
US dollar	1,644	–	(328)	(328)
Euro	30,272	921	(1,687)	(1,687)
Total			(2,016)	(2,016)

Notes:
1. Currency related derivative 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

At the end of fiscal 2011

(Yen in millions)

Type	Contract amount		Market price	Appraisal profit and loss
		1 year or longer ones		
Over-the-counter transactions				
Long position in credit derivative transactions	3,952	3,952	(42)	(42)
Total			(42)	(42)

At the end of fiscal 2012

(Yen in millions)

Type	Contract amount		Market price	Appraisal profit and loss
		1 year or longer ones		
Over-the-counter transactions				
Long position in credit derivative transactions	4,346	–	(28)	(28)
Total			(28)	(28)

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

(ii) Derivative transactions to which hedge accounting is applied

Not applicable