

2015

ANNUAL REPORT

Introduction to Earthquake Reinsurance in Japan



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MESSAGE FROM THE PRESIDENT



Chairman:
Yoshihiko Murase

President:
Masamichi Irie

I would like to take this opportunity to express my sincere gratitude to all our stakeholders for their continued support. Japan Earthquake Reinsurance Co., Ltd. (JER) was founded with the launch of an earthquake insurance system in 1966 as the only company in Japan permitted to exclusively handle reinsurance for earthquake insurance covering dwelling risks. We have thus been involved in earthquake insurance for nearly half a century. During this time, we have sought to make earthquake reinsurance payouts promptly and reliably in response to earthquakes, tsunamis and volcanic eruptions that have occurred in Japan, including the Great Hanshin Awaji Earthquake and the Great East Japan Earthquake. At the same time, JER has consistently paid close attention to managing and operating assets for future earthquake reinsurance payouts, focusing primarily on asset liquidity and safety.

Observations in recent years suggest that the Japanese economy continues to recover moderately on the back of firm personal consumption growth supported by steady improvements in employment and income conditions. In March 2016, it will be exactly five years since the Great East Japan Earthquake. Under these conditions, it is assumed that the Japanese government will maintain its policies aimed at speeding up reconstruction following the disaster, ensuring a breakaway from deflation and pursuing economic recovery and financial reconstruction at the same time.

In the meantime, looking at the situation regarding disasters caused by earthquakes and volcanic eruptions, concerns regarding volcanic eruptions are spreading throughout Japan as a result of the Nagano-ken Hokubu Earthquake and the eruption of Mount Ontake in 2014, as well as the eruptions of mountains including Kuchinoerabujima Shindake, Asama and Hakone since the beginning of this year. New developments in earthquake research have included the announcement of the likelihood of an earthquake in the Kanto region within the next 30 years based on a regional active fault assessment undertaken by the Headquarters for Earthquake Research Promotion under the Japanese government in April 2015.

Under these circumstances, interest in earthquake insurance has continued to rise among Japanese citizens. This has led to the number of in-force contracts reaching 16 million, the highest level on record.

This fiscal year, we launched our fourth medium-term business plan, "Strengthening Arrangements for Earthquake Reinsurance Payouts."

Under our third medium-term business plan, we have worked to develop a business continuity plan (BCP) and related systems to prepare for earthquakes, such as the feared inland earthquake in the Tokyo metropolitan area. We will further our initiatives for increasing stakeholders' trust through the reinforcement of our business continuity management (BCM) in a bid to ensure our readiness for earthquake reinsurance payout, our most important mission.

We will also enhance our asset management capabilities and increase our capacity to deal with financial market fluctuations under the tough management situation of extremely low interest rates. At the same time, we will address new risk management processes for advancing integrated risk management. We will also enhance information security measures and strengthen information technology (IT) management as part of our initiatives for stepping up for IT governance system IT.

As an earthquake reinsurance specialist, we are committed to continuing to play an active role in enhancing and developing the system of earthquake insurance covering dwelling risks through the sound operation of this system, aiming to become a company that is completely trusted by our stakeholders.

We hope that we can rely on your continued support.

July 2015

Masamichi Irie
President
Japan Earthquake Reinsurance Co., Ltd.

JAPAN EARTHQUAKE REINSURANCE CO., LTD.

PROFILE

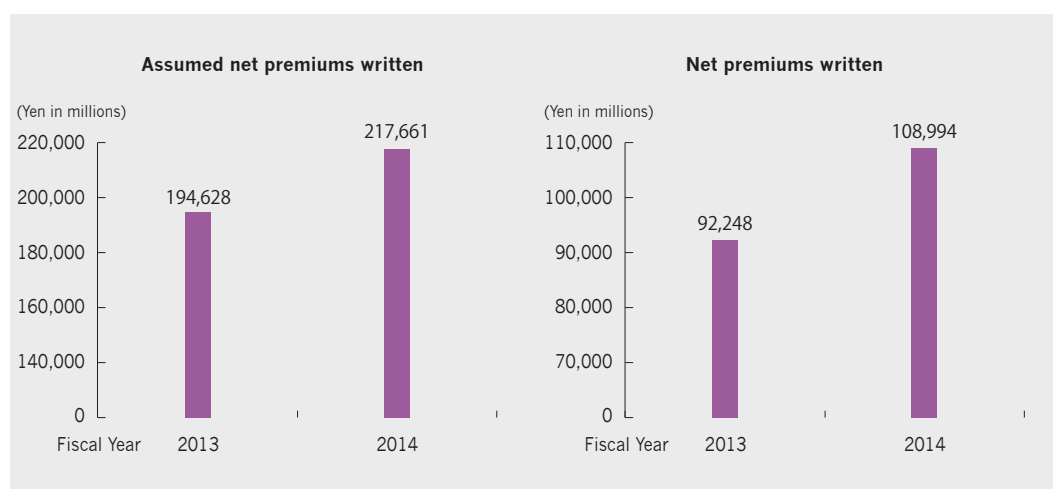
In accordance with the introduction of the Law concerning Earthquake Insurance (Law No. 73, May 18, 1966) and following the launch of sales of earthquake insurance on dwelling risks to be written in conjunction with dwelling and shop-owners comprehensive insurance policies, JER was established with share capital of 1 billion yen by 20 domestic Japanese non-life insurance companies on May 30, 1966. The Company was licensed for the earthquake insurance business and started its operation on June 1, 1966.

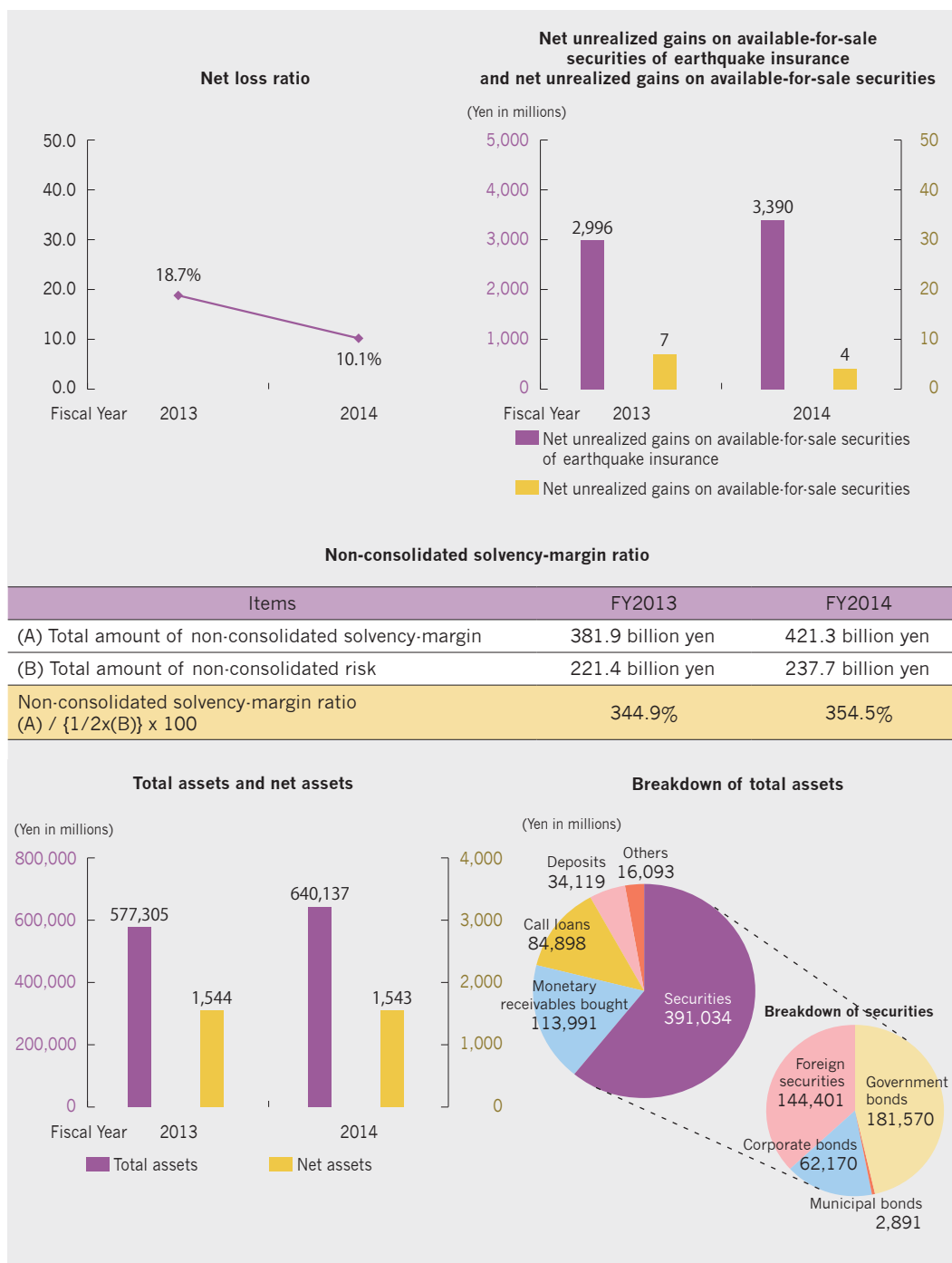
Earthquake insurance on dwelling risks depends on this reinsurance system (which is a safety net, as it were), in which the government, non-life insurance companies and JER participate to ensure that insurance claims can be paid to policyholders without fail.

The insurance premiums paid by policyholders are separated from non-life insurance companies, and are managed and operated by the government and JER.

JER is thus at the center of a reinsurance system, and undertakes reinsurance procedures with the government and non-life insurance companies, while managing and operating the insurance premiums paid by policyholders as the sole earthquake reinsurance company in Japan.

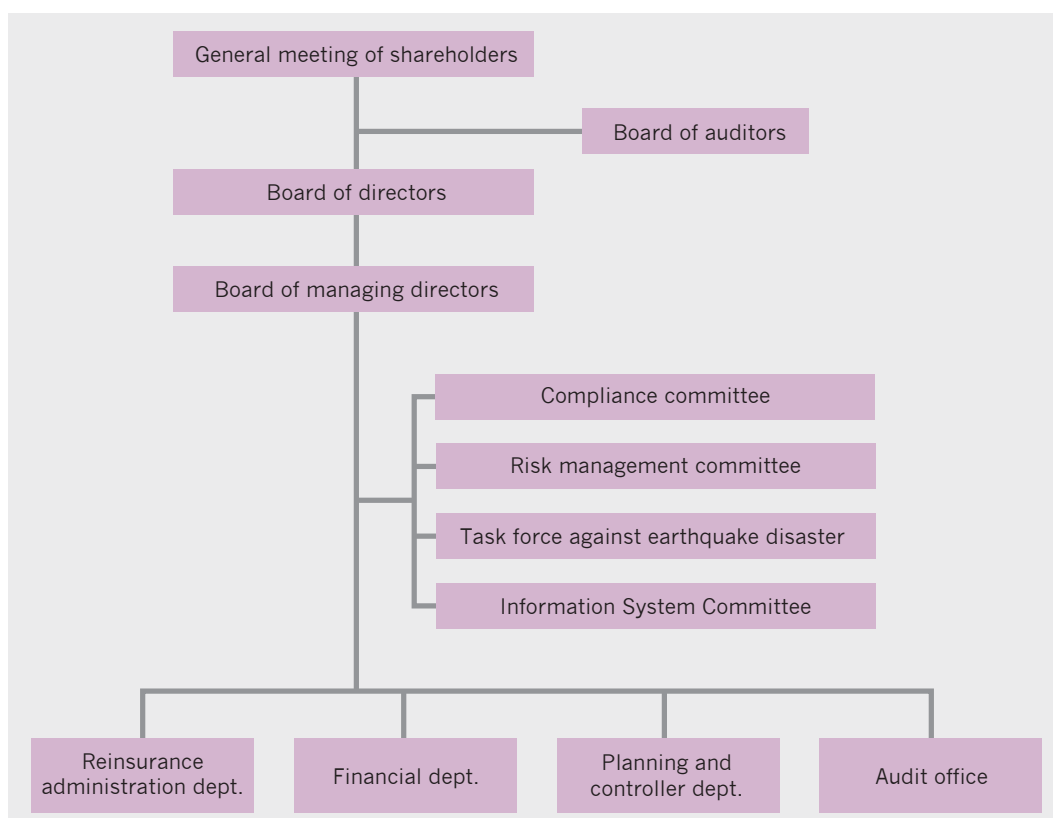
FINANCIAL HIGHLIGHTS





ORGANIZATION

(As of April 1, 2015)



SHAREHOLDERS

(As of March 31, 2015)

Shareholder	No. of shares owned (1,000 shares)	Percentage of shares owned (%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	537	26.9
Sompo Japan Nipponkoa Insurance Inc.	529	26.5
Mitsui Sumitomo Insurance Co., Ltd.	338	16.9
Aioi Nissay Dowa Insurance Co., Ltd.	255	12.8
The Fuji Fire and Marine Insurance Co., Ltd.	123	6.2
The Toa Reinsurance Co., Ltd.	93	4.7
Nisshin Fire & Marine Insurance Co., Ltd.	61	3.1
The Kyoei Fire & Marine Insurance Co., Ltd.	34	1.7
The Asahi Fire and Marine Insurance Co., Ltd.	8	0.4
SECOM General Insurance Co., Ltd.	7	0.4



BOARD MEMBERS (FULL-TIME)

(As of July 1, 2015)

Post	Name
Chairman (representative director)	Yoshihiko Murase
President (representative director)	Masamichi Irie
Managing director (representative director)	Hiroyuki Fushimi
Managing director (representative director)	Shinji Okazaki
Corporate auditor	Katsuhiko Murata

RESPONSES TO MAJOR EARTHQUAKES

We consider prompt earthquake reinsurance payouts to be our most important mission. Based on this view, we have established a standing Task Force Against Earthquake Disaster that deals exclusively with earthquake disaster responses. Consisting of our full-time directors and division managers, the Task Force oversees system development in preparation for major earthquakes and carries out periodic earthquake response drills.

We also manage and operate the assets we have accumulated for the purpose of earthquake reinsurance payouts by paying the utmost attention to their liquidity (cashability) and safety so that reinsurance payouts are made without delay in the event of a major earthquake.

TASK FORCE AGAINST EARTHQUAKE DISASTER AND ITS ACTIVITIES

Our Task Force Against Earthquake Disaster is working to make business continuity management more effective in preparation for an inland earthquake in the Tokyo metropolitan area, with the view that this activity is of the utmost importance.

Immediately after the Great East Japan Earthquake, the Task Force reformed system infrastructure and relocated important systems to data centers that are more resistant to earthquakes to ensure business continuation in the event of an office disaster. In addition, the Task Force substantially reduced the risk of simultaneous disaster damage by establishing a backup system in Okinawa. The Task Force also established a system that enables directors and employees to continue undertaking business from home, even in cases where traveling to the office becomes impossible, by building a system that can be accessed from external locations. The Task Force confirms the effectiveness of this system through regular work-at-home exercises.

In fiscal 2014, the Task Force Against Earthquake Disaster resolved issues that had surfaced through work-at-home exercises that were undertaken in the previous fiscal year and carried out drills to develop a more effective business continuity system division by division. Moreover, the Task Force implemented additional drills, in which all JER employees participated, in a bid

to secure the personnel necessary for processing the tasks that will arise in large volumes in the event of a major earthquake.

DRILLS BY DIVISION (DRILLS AT HOME AND USING A TEMPORARY OFFICE

The Task Force Against Earthquake Disaster conducted drills division by division from November 2014 to December 2014 to enhance the skills of JER employees in business execution and equipment operation at home and in a temporary office. The Task Force implemented drills for establishing disaster response headquarters in the administrative and planning divisions and carried out drills to ensure a workflow for reinsurance claim payments based on rough estimates in the operating divisions. In addition, the Task Force asked members of the financial divisions to buy and sell bonds and perform routines in a temporary office in an attempt to increase the efficiency of the business continuity system.

DRILLS FOR ALL EMPLOYEES (DRILLS FOR PROCESSING LOSS ASSESSMENT EXPENSES)

The number of claims for loss assessment expenses increases significantly with the occurrence of a major earthquake, making it impossible for the division in charge to handle them. To address this problem, in September 2014 the Task Force Against Earthquake Disaster conducted drills for checking and inputting the loss assessment expenses, in which all JER employees participated, to secure processing personnel. The Task Force is working during normal conditions to secure personnel that can undertake prompt payments to prepare JER for an inland earthquake in the Tokyo metropolitan area and an earthquake in the Nankai Trough, both of which are expected to produce claims outnumbering those made at the time of the Great East Japan Earthquake.

MANAGEMENT BASED ON HIGHLY LIQUID ASSETS

Should a disaster such as an inland earthquake in the Tokyo metropolitan area strike, we would have to pay a tremendous amount of reinsurance claims in a short period of time. For this reason, we always manage assets safely commensurate with our responsibilities, centered on highly rated bonds such as highly liquid government bonds. We also hold mainly short- and medium-term bonds to reduce the risk of price fluctuations at the time of their liquidation.

PREPARATIONS FOR EARTHQUAKES

We have installed a terminal for receiving early earthquake warnings from the Japan Meteorological Agency at our head office. We use this terminal to ensure the safety of visitors, directors and employees. We are proceeding with a program for making business facilities, equipment and the like at our head office earthquake-proof as well. In accordance with the part of the Tokyo metropolitan ordinance related to measures for dealing with commuters who are unable to get home, we store sufficient drinking water, food, daily necessities and other items to enable employees to stay in the office if an earthquake occurs during working hours.

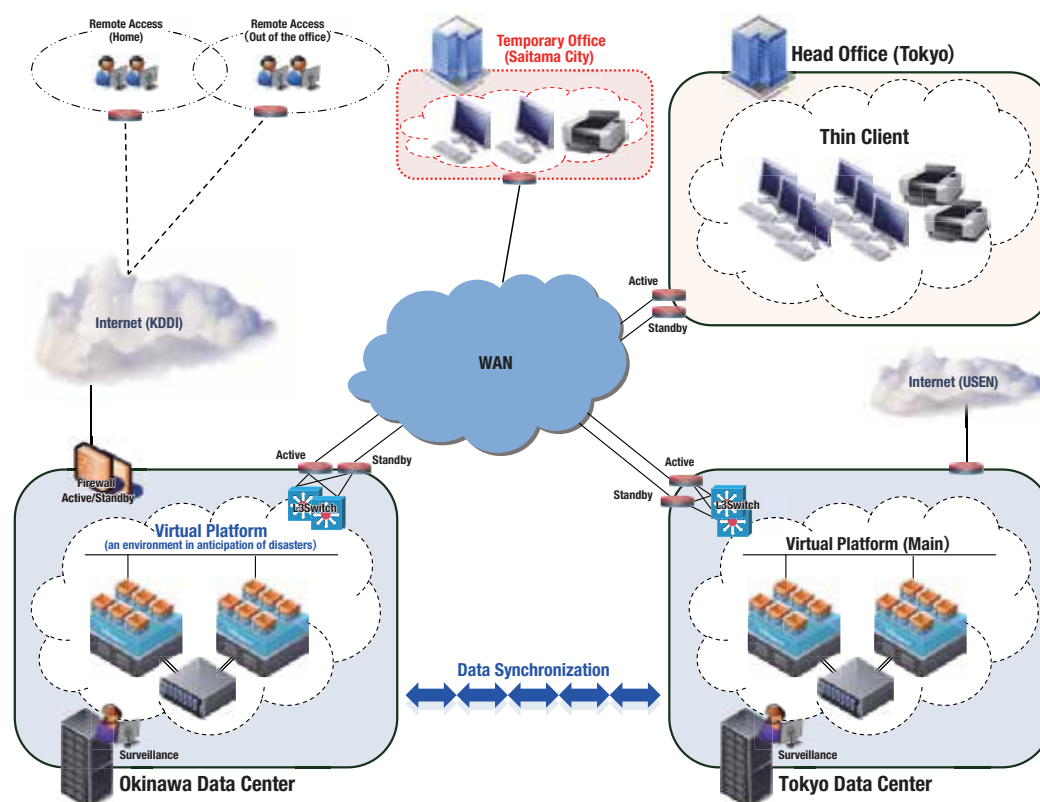


SYSTEM INFRASTRUCTURE IN ANTICIPATION OF AN INLAND EARTHQUAKE IN THE TOKYO METROPOLITAN AREA

To ensure business continuity in the case of the feared inland earthquake in the Tokyo metropolitan area, in March 2013 we renovated all of our important systems and moved them onto a virtual platform at a cutting-edge data center in Tokyo, which has Japan's highest-level earthquake-resistance capacity and energy utilization efficiency. To make doubly sure, we have established a backup system at our data center in Okinawa, which is unlikely to be affected by an earthquake at the same time as Tokyo, and have built a system for data synchronization between Tokyo and Okinawa using a communications line.

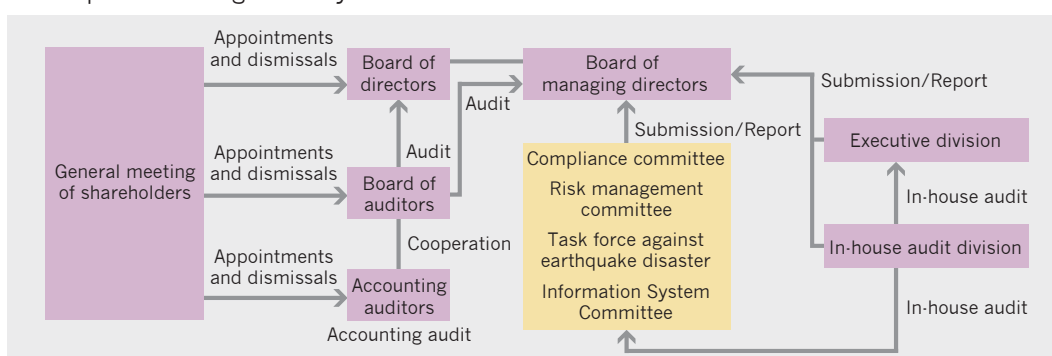
Moreover, we have made our terminals thin clients and concentrated data on the virtual platform to reduce the risk of data loss and information leakage. Combined with a remote access system whereby users outside the company can access the company's system via the Internet, we have created an environment that enables employees to use the same systems as usual if they have access to the Internet, even if the transportation network is disrupted by an inland earthquake in the Tokyo metropolitan area and they are unable to come to the office.

We will continue to focus on strengthening our business continuity management in anticipation of an inland earthquake in the Tokyo metropolitan area.



CORPORATE GOVERNANCE

We believe that establishing corporate governance is an important management issue, and are endeavoring to manage our business in a sound and appropriate manner by establishing a transparent management system with verification functions.



COMMITTEE-BASED OPERATION

We have established a Compliance Committee, a Risk Management Committee and an Information System Committee under the direct control of the Board of Managing Directors in an effort to ensure sound and transparent business operations by strengthening the supervisory function with the construction of systems for compliance, risk management and system management. In addition, in preparation for the risk of a major earthquake, we have established the Task Force Against Earthquake Disaster to facilitate the payment of reinsurance claims and maintain the funding plan for payment, enabling us to take prompt action in response to large-scale earthquake disasters.

The annual operation policies and operating conditions of each committee are periodically submitted or reported to the Board of Managing Directors and the Board of Directors.

AUDITING AND INSPECTION SYSTEMS

OUTSIDE AUDITING AND INSPECTION

We are subject to inspection by the Financial Services Agency under the Insurance Business Act and inspection by the Ministry of Finance under the Act on Earthquake Insurance. We also undergo accounting audits by PricewaterhouseCoopers Arata in accordance with the Companies Act.

IN-HOUSE AUDITING

Apart from the audits conducted by corporate auditors under the Companies Act, the Audit Division of JER conducts in-house audits.

The purpose of an in-house audit is to develop and establish an internal control system. This is done by conducting an audit to examine and evaluate various in-house systems and the execution of various internal activities fairly and objectively from the standpoint of lawfulness and rationality. It also requires the provision of the necessary advice and recommendations



based on the examination and evaluation, contributing to the sound development of the company and building credibility in the community.

In fiscal 2015, based on the “In-house Audit Policy and Plan” adopted by resolution of the Board of Directors, we will prioritize the evaluation of the administrative status of our programs for educating and training personnel who are capable of supporting the development of IT governance systems and the enhancement of corporate value.

We will also conduct regular audits of the internal control conditions of all divisions.

The audit results, including recommendations for corrections and improvements, are reported to the Board of Managing Directors and the Board of Directors, and are communicated to the audited divisions.

RISK MANAGEMENT SYSTEM

We have developed a structure in which risk management is appropriately carried out to ensure sound and safe management. This organizational framework and important risk management issues are defined in our Risk Management Rules and Integrated Risk Management Rules. Specific ways of managing various risks—namely, asset management risks, liquidity risks, and operational risks—are defined in our management rules for each type of risk and our annual risk management policies. We have also established a company-wide Risk Management Committee, and are managing risks in an integrated manner by fully understanding our risk management situation.

ASSET MANAGEMENT RISKS

Risks relating to asset management are classified into “market risks” and “credit risks” for risk management, and the management standards are stipulated in the “Standards for Management of Investment Risks” for each fiscal year.

Market risks

Market risks include interest-rate risk, foreign exchange risk, and price volatility risk. These are the risks of losses that investors may sustain with fluctuations in the value of assets or debt, or in income, due to changes in a number of risk factors in the market. We manage overall market risks both quantitatively and qualitatively. We measure the value at risk (VaR) of interest rates and currency exchange as the amount of risk, while also monitoring the unrealized gain/loss and price changes (sensitivity). We also apply an upper limit of retention or a loss-cut rule if necessary. In addition, we have separate divisions for executing transactions and for handling administrative processes, respectively, thereby enabling the supervisory and checking functions to work effectively.

Credit risks

Credit risks are the risks of a reduction in value or the disappearance of assets, which results when the credit standing of the borrower has weakened, for example.

When purchasing securities, we limit their issuers to those with high credibility with reference to the credit rating made by rating agencies. We always check securities held to determine credibility, and conduct individual controls to avoid a concentration on a specific group of companies or type of business. We also measure the credit VaR based on the default rate, etc. for managing credit risks.

Stress test

The VaR that statistically measures the amount of risks has a limit in circumstances when financial market is fluctuating greatly. The stress test is used to complement monitoring in such circumstances. The stress test examines the amount of potential losses by assuming a situation in which risk factors, such as interest rates and exchange rates, fluctuate considerably.

LIQUIDITY RISKS

Liquidity risks are the risks of losses that may be caused by failure to ensure the liquidity of assets against debt or by being forced to execute transactions at a disadvantageous price due to market turmoil, etc. These risks are important in fulfilling our social mission. We own sufficient liquid assets by keeping in mind the possibility of having to dispose of all assets in the event of a major earthquake. We also strive to accurately assess cash flows, thereby managing funds appropriately.

OPERATIONAL RISKS

Operational risks are classified into “Administrative risks,” “IT system risks,” and “other operational risks,” and we manage these risks as appropriate given the characteristics of each.

Administrative risks

Administrative risks are the risks of losses that may be caused by the failure of officers, employees, or any other members of an organization to do accurate paperwork, or by accidents, fraud, or any other improper acts. We constantly examine the rules and regulations of authority and paperwork procedures and manuals and strive to improve our training programs and educational system, to ensure exact and perfect paperwork. We also regularly check the rules and regulations through in-house auditing for conformity with related laws and regulations.

IT system risks

IT system risks are risks of losses that may be caused by IT system problems such as computer system failures or glitches or by unauthorized use of a computer.

We strive to protect our information assets appropriately under our Security Policy and Safety Measure Standards, which we established for preventing leaks of internal information, etc., and as safety measures for our information system. In addition, we have clarified our measures for handling crises by developing the Information System Contingency Plan for disasters and other emergency situations.

Other operational risks

As other operational risks, we are aware of such risks as “human resource risks” (the risks of losses that may be caused by outflows or losses of human resources) and “reputational risks.” We strive to manage these risks with each responsible division playing the leading role.

* Underwriting risks are excluded from risks to be managed, because earthquake insurance on dwelling risks has been managed under the legal system.

TOPICS

PARTICIPATION IN PUBLIC FORUMS ON EARTHQUAKE INSURANCE AT THE THIRD UN WORLD CONFERENCE ON DISASTER RISK REDUCTION

We took part in public forums on earthquake insurance sponsored by the General Insurance Association of Japan at the UN World Conference on Disaster Risk Reduction held in Sendai City, Miyagi Prefecture in March 2015. The aim of the Conference was to facilitate disaster prevention initiatives around the world by holding sessions with concerned parties from Japan and overseas to share the experiences gained and lessons learned by the city of Sendai and the surrounding Tohoku region through the Great East Japan Earthquake, as well as post-earthquake initiatives for disaster prevention and community reconstruction.

At the World Conference Venue, we exhibited panels introducing the way earthquake reinsurance works, the reinsurance payments made, and the history of earthquake insurance systems. We also distributed a brochure containing the same information to the people who visited the venue.

DISPATCH OF EMPLOYEES TO EDUCATIONAL INSTITUTIONS


We dispatch our employees to educational institutions and similar facilities to enhance understanding of earthquake insurance systems. In fiscal 2014, JER employees delivered lectures at a seminar of the Insurance Institute of Keio University in September. They reported on the roles we played in the aftermath of the Great East Japan Earthquake after explaining how we are positioned and the functions we perform in Japan's earthquake insurance system.

In October, we dispatched employees to lectures at Seijo University's Department of Economics and Management. They used diagrams to provide explanations to students taking a course on insurance theory, including an outline of the earthquake insurance system and the way reinsurance works.

We will actively disseminate information on the earthquake insurance system by dispatching lecturers and the like during this fiscal year too.

PARTICIPATION IN THE WORLD FORUM OF CATASTROPHE PROGRAMS

Representatives from 15 countries and regions have been operating the World Forum of Catastrophe Programs as a platform for public institutions that operate insurance schemes for earthquakes and other natural disasters to share knowledge and exchange information with each other. The Ninth Conference of the World Forum of Catastrophe Programs was held in Christchurch, New Zealand in September 2014. The city of Christchurch was struck by the Canterbury Earthquake on February 22, 2011. At the Conference, our representatives shared the state of the disaster and the state of the subsequent community reconstruction with their counterparts from other countries and regions based on visits they made to the stricken areas and the Canterbury Earthquake Recovery Authority (CERA, equivalent to the Reconstruction Agency in Japan), as well as giving presentations on the systems used in the respective countries. Our representatives explained the state of affairs in Japan three and a half years after the Great East Japan Earthquake, the details of follow-up meetings organized by a Ministry



of Finance project team on the earthquake insurance system, and the earthquake insurance premium revisions undertaken in July 2014.

Through its participation in the World Forum of Catastrophe Programs, JER is actively disseminating information overseas.

PARTICIPATION IN THE TREIF NATURAL CATASTROPHE CONFERENCE

A JER representative was invited to attend the Natural Catastrophe Conference, which was sponsored by the Taiwan Residential Earthquake Insurance Fund (TREIF) in Taiwan in October 2014, as a guest speaker.

Representatives of parties involved in earthquake insurance, insurance companies and competent authorities in the respective countries that administer earthquake insurance and other insurance schemes for natural disasters and the like took part in the TREIF Natural Catastrophe Conference. The JER representative lectured the participants on the details of the earthquake insurance system in Japan and the problems with the system. At the ensuing panel discussion, the JER representative explained various points, including the reasons for prompt insurance payments after the Great East Japan Earthquake and the reasons against using the global reinsurance market, taking the present state of the system into consideration.

PARTICIPATION IN THE FOLLOW-UP MEETINGS BY THE PROJECT TEAM ON THE EARTHQUAKE INSURANCE SYSTEM

The Project Team on the Earthquake Insurance System (PT) resumed its follow-up meetings in February 2015. JER has been taking part in the PT as an observer with parties such as the General Insurance Association of Japan.

Established within the Ministry of Finance in April 2012, the PT examined the aspects of the earthquake insurance system that require reconsideration, taking into account experiences and lessons gained through the Great East Japan Earthquake. The PT published a report on the outcome of the investigations it made in November 2012. In the subsequent period, the PT organized follow-up meetings to confirm the status of initiatives taken to address problems with the system that were addressed in the report.

OFFICIAL WEBSITE FOR THE MINISTRY OF FINANCE:

https://www.mof.go.jp/about_mof/councils/jisinpt_fu/index.html

EARTHQUAKE INSURANCE IN JAPAN

ESTABLISHING THE EARTHQUAKE INSURANCE SYSTEM

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

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

MECHANISM OF THE EARTHQUAKE INSURANCE SYSTEM

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

INSURANCE COVERAGE

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

Fire insurance* does not cover

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

INSURABLE INTERESTS

Buildings for residential use and/or personal property

None of the following is insurable:

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

TERM INSURED

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

AMOUNT INSURED

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

* Fire insurance

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

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



PAYMENT OF INSURANCE CLAIMS

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

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

AUTHORIZATION CRITERIA OF LOSSES

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

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

CASES WHEN NO INSURANCE CLAIM IS PAYABLE:

- Loss or damage due to willful acts or gross negligence or violation of law
- Loss or theft of the objects of the insurance
- Loss or damage due to war or insurrection
- Loss or damage occurring ten days or more after the earthquake
- Loss or damage caused only to gates, walls, fences, and other parts that are not major structural parts.

* *Current price*

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

LIMIT OF TOTAL AMOUNT OF INSURANCE CLAIMS TO BE PAID

Limit of total amount of insurance claims to be paid* is limited to 7,000 billion yen as revised in April 1, 2014 per earthquake, etc.. (On the same day, the liability limits of JER, non-life insurance companies and the government were revised. Please refer to page 22 for the details.) In the event the total amount of insurance claims payable exceeds the limit, law allows insurance claims per contract to be reduced.

PREMIUM RATE

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

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

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

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

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

The Law concerning Earthquake Insurance stipulates that the limit to the total insurance claims payable by the government and private insurance company per earthquake, etc.. For details, see page 22 Insurance liabilities held by JER, non-life insurance companies and the government.

** *General Insurance Rating Organization of Japan*

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

*** *The Headquarters for Earthquake Research Promotion*

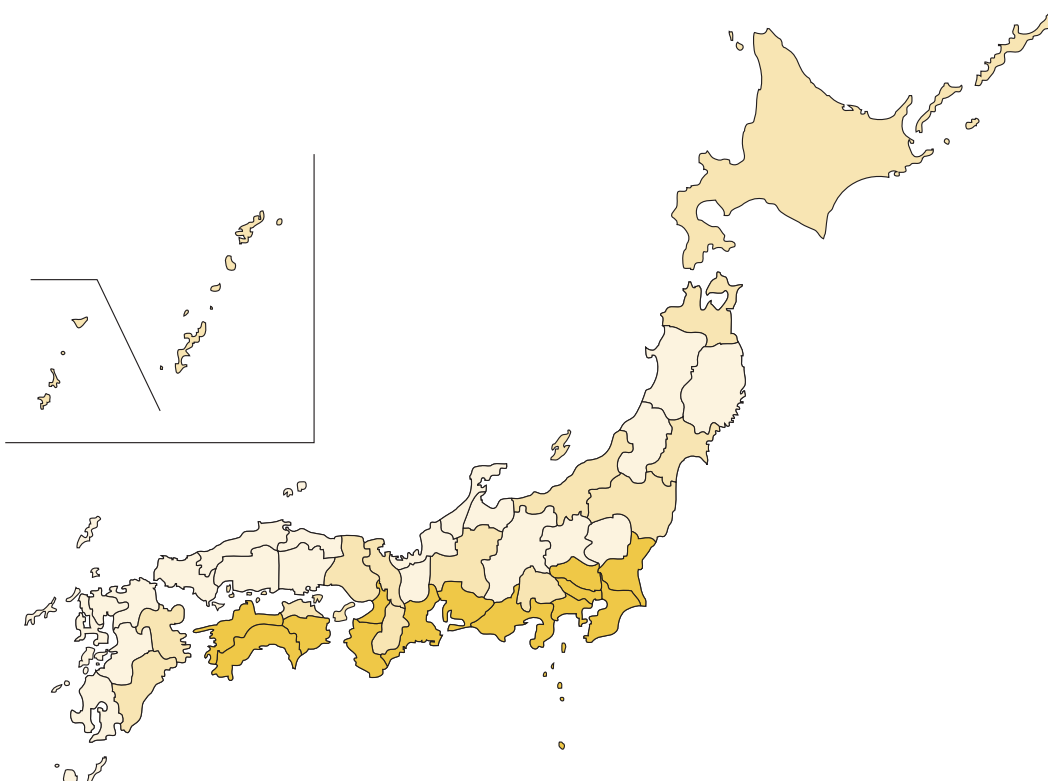
Following on the lessons learned from the Great Hanshin-Awaji Earthquake Disaster, the Special Measure Law on Earthquake Disaster Prevention was enacted to develop a system to facilitate research and study on earthquakes, and based on this Law, the Headquarters for Earthquake Research Promotion was founded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



**BASIC RATE (APPLICABLE TO BUILDINGS AND PERSONAL PROPERTY)
EXAMPLES OF PREMIUMS**

Per one year insurance period and 10 million yen of amount insured (Unit: yen)

Location classification	Prefecture	Non wooden	Wooden	Wooden (with transitional measures)
1	Iwate-ken, Akita-ken, Yamagata-ken, Tochigi-ken, Gunma-ken, Toyama-ken, Ishikawa-ken, Fukui-ken, Nagano-ken, Shiga-ken, Tottori-ken, Shimane-ken, Okayama-ken, Hiroshima-ken, Yamaguchi-ken, Fukuoka-ken, Saga-ken, Nagasaki-ken, Kumamoto-ken, Kagoshima-ken	6,500	10,600	8,400
2	Fukushima-ken	6,500	13,000	8,400
	Hokkai-do, Aomori-ken, Miyagi-ken, Niigata-ken, Yamanashi-ken, Gifu-ken, Hyogo-ken, Nara-ken, Kyoto-fu, Kagawa-ken, Oita-ken, Miyazaki-ken, Okinawa-ken	8,400	16,500	10,900
3	Ibaraki-ken, Ehime-ken	11,800	24,400	15,300
	Saitama-ken, Osaka-fu	13,600	24,400	17,600
	Tokushima-ken, Kochi-ken	11,800	27,900	15,300
	Chiba-ken, Tokyo-to, Kanagawa-ken, Shizuoka-ken, Aichi-ken, Mie-ken, Wakayama-ken	20,200	32,600	26,200



DISCOUNT RATE

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

- Discounts cannot be claimed more than once.

(a) Seismic isolated building* discount

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

Discount rate	50%
---------------	-----

(b) Earthquake-resistance class** discount rate

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

Earthquake-resistance class	1	2	3
Discount rate	10%	30%	50%

(c) Earthquake-resistance diagnosis discount

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

Discount rate	10%
---------------	-----

(d) Building age discount rate

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

Discount rate	10%
---------------	-----

* *Seismic isolated building*

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

** *Earthquake-resistance class*

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

Earthquake-Resistance Class 3

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

Earthquake-Resistance Class 2

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

Earthquake-Resistance Class 1

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

*** *Earthquake-resistance capacity*

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



PREMIUM RATE OF A LONG-TERM CONTRACT

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

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

An example of insurance premiums calculated

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

Fire insurance (principal contract) amount insured: Building 20 million yen; personal property 10 million yen

Period of insurance: One year

- Setting the amount insured of earthquake insurance: In this case, the proportion insured (*) will be 50%.
 Residential building: 20 million yen x 50% = 10 million yen
 Personal property: 10 million yen x 50% = 5 million yen
- Confirming the premium rate applicable: Hyogo-ken, wooden
 → 1.65 (premium per 1,000 yen insurance)
- Confirming the discount rate applicable: Building constructed in and after June 1981
 → 10%

$$\begin{array}{l} \text{Earthquake insurance premium} \\ \text{on residential building} \end{array} = \begin{array}{l} \text{Earthquake} \\ \text{amount insured} \end{array} \times \begin{array}{l} \text{Earthquake insurance} \\ \text{premium rate} \end{array} \times \begin{array}{l} \text{Discount rate} \\ (100\% - 10\%) \end{array} = 14,900 \text{ (yen)} \\ \begin{array}{l} 10,000 \\ (1,000 \text{ yen}) \end{array} \times \underbrace{1.65 \times (100\% - 10\%)}_{1.49} \end{array}$$

$$\begin{array}{l} \text{Earthquake insurance premium} \\ \text{on personal property} \end{array} = \begin{array}{l} \text{Earthquake} \\ \text{amount insured} \end{array} \times \begin{array}{l} \text{Earthquake insurance} \\ \text{premium rate} \end{array} \times \begin{array}{l} \text{Discount rate} \\ (100\% - 10\%) \end{array} = 7,450 \text{ (yen)} \\ \begin{array}{l} 5,000 \\ (1,000 \text{ yen}) \end{array} \times \underbrace{1.65 \times (100\% - 10\%)}_{1.49} \end{array}$$

* Proportion Insured

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

INCOME TAX CREDIT SYSTEM FOR EARTHQUAKE INSURANCE

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

REINSURANCE OF EARTHQUAKE INSURANCE

MECHANISM OF REINSURANCE

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

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

MECHANISM OF PAYMENT OF INSURANCE CLAIMS

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

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

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

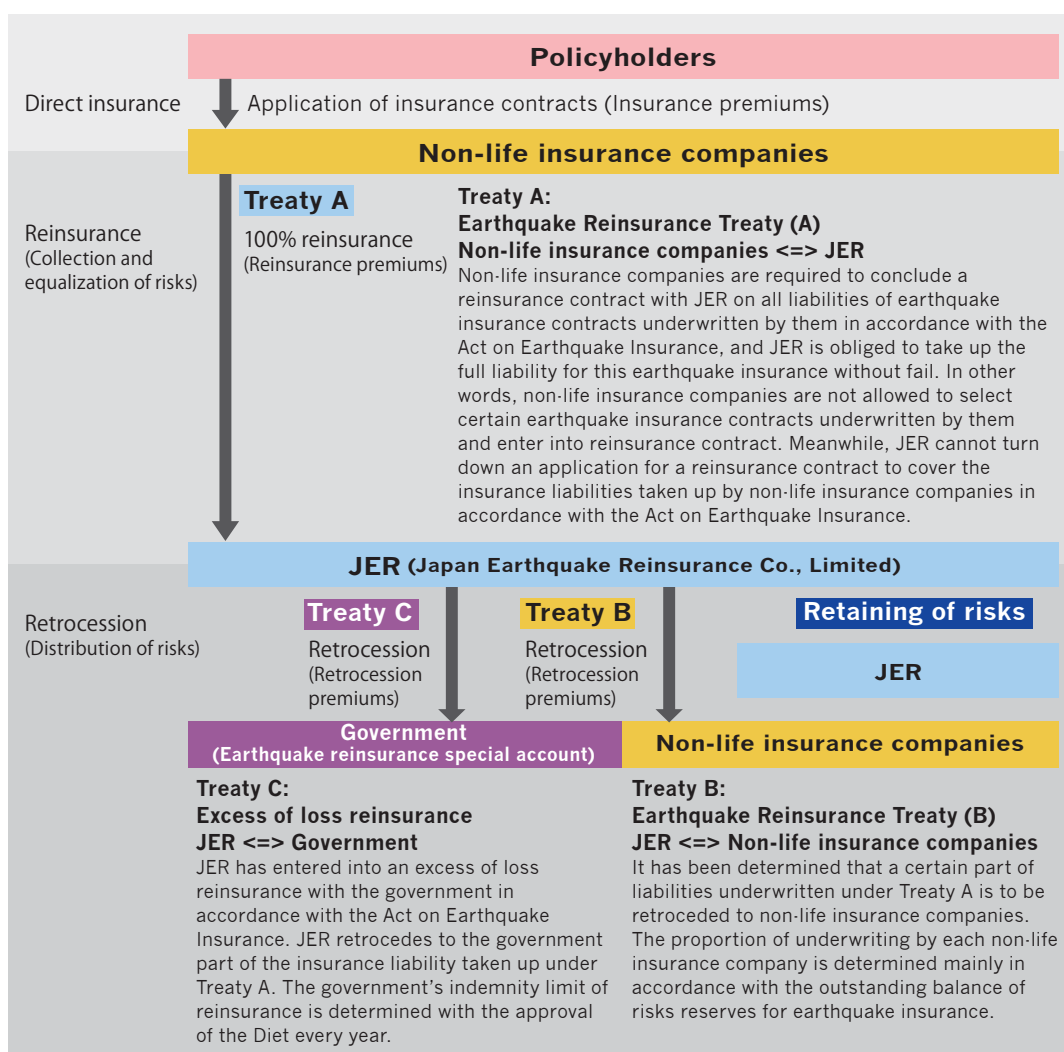
When a major earthquake occurs, a non-life insurance company must make a large amount of money ready so that it can pay a large number of insurance claims. To avoid problems in paying insurance claims, the government has set forth a ministerial ordinance that covers the payment of reinsurance claims pertaining to earthquake insurance based on a rough estimate, and promptly pays reinsurance claims based on a rough estimate (makes a provisional payment) through JER.



FLOWCHART OF REINSURANCE

To enable the government, non-life insurance companies and JER to share insurance liabilities in an equitable manner, it is necessary to first collect and standardize evenly the risks non-life insurance companies underwrote, and then distribute them to the relevant organizations. It is also necessary to receive insurance premiums (reinsurance and retrocession premiums) as compensation for taking on insurance liabilities. To collect, evenly standardize and distribute risks and to give and take insurance premiums (reinsurance and retrocession premiums), reinsurance transactions are conducted, centered on JER.

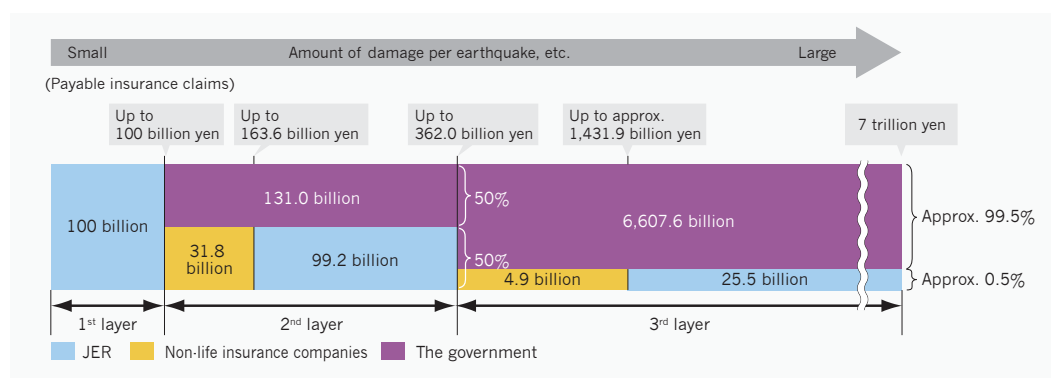
JER first reinsures earthquake insurance contracts that were underwritten by non-life insurance companies, and then divides the risks evenly. After excluding the risks held by JER, JER implements retrocession against the government and non-life insurance companies in accordance with the burden of risks taken on by each organization.



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

The limit of the total amount of insurance claims to be paid per earthquake, etc. is set in advance. This system is designed so that, even in the event of an earthquake as devastating as the Great Kanto Earthquake, insurance claims can be paid without problems. The current limit of total amount of insurance claims to be paid is set at 7.0 trillion yen. This is the reinsurance scheme that shows how JER, non-life insurance companies and the government share and limit insurance liabilities within the limit of the total amount of insurance claims to be paid per earthquake.

REINSURANCE SCHEME (APPLICABLE TO EARTHQUAKE, ETC. THAT TAKE PLACE AFTER APRIL 1, 2014)



LIABILITY LIMIT

JER	224.7 billion yen
Non-life insurance companies	36.7 billion yen
The government	6,738.6 billion yen

JER pays insurance claims up to 100 billion yen (1st layer) per earthquake, etc. The government and others (non-life insurance companies and JER) share equally insurance claims for the portion exceeding 100 billion yen, up to 362 billion yen (2nd layer). The government pays a majority of insurance claims (approximately 99.5%) for the portion exceeding 362 billion yen (3rd layer). In portions of insurance claims to be paid by non-life insurance companies in the 2nd and 3rd layers, the first part represents insurance claims to be paid by non-insurance companies and the second part by JER.

In this way, in cases where insurance claims per earthquake, etc. exceed a certain amount, excess liabilities are shared by the relevant organizations. This is called the excess of the loss reinsurance.



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

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

(Unit: billion yen)

A person of burden \ Claims paid	Claims paid			Total
	Portion up to 100 billion yen	Portion over 100 billion yen, and up to 362 billion yen	Portion over 362 billion yen, and up to 2,000 billion yen	
Non-life insurance companies	100.0	131.0	About 8.2	About 239.2
The government	—	131.0	About 1,629.8	About 1,760.8
Total	100.0	262.0	1,638.0	2,000.0

THE BALANCE OF RISK RESERVES AT JER AND NON-LIFE INSURANCE COMPANIES AND THE GOVERNMENT LIABILITY RESERVES AT THE END OF FISCAL 2014

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

JER	417.0 billion yen
Non-life insurance companies	74.7 billion yen
The government	1,193.4 billion yen
Total	1,685.1 billion yen

Note 1: The risk reserves by the non-life insurance companies include the amount equivalent to deferred tax assets due to tax effect accounting.

2: Government reserves will be finalized when the settlement for fiscal 2014 is approved by the Diet.

RESPONSE TO THE GREAT EAST JAPAN EARTHQUAKE

At 2:46 p.m. on March 11, 2011, the largest earthquake in recorded Japanese history, with a magnitude of 9.0 on the Richter scale, struck off the coast of Sanriku, causing unprecedented damage to the Tohoku and Kanto regions, with violent tremors and a massive tsunami. The Japan Meteorological Agency named this earthquake, “The 2011 off the Pacific coast of Tohoku Earthquake,” while the Japanese government decided to collectively call the disaster “The Great East Japan Earthquake,” which referred to the damage caused by the earthquake, the subsequent tsunami, and aftershocks.

Responding to this devastating disaster, the non-life insurance industry and the Japanese government were united to take initiatives to promptly and steadily make insurance payouts to support the reconstruction of the lives of policyholders.

SUMMARY OF THE GREAT EAST JAPAN EARTHQUAKE

Outlook of the Earthquake

(i) Date and Time: Friday, March 11, 2011, 14:46 JST (05:46 UTC)

(ii) Hypocenter: Sanriku-oki (N38.1, E142.5)

(iii) Depth: 24 km

(iv) Magnitude: 9.0

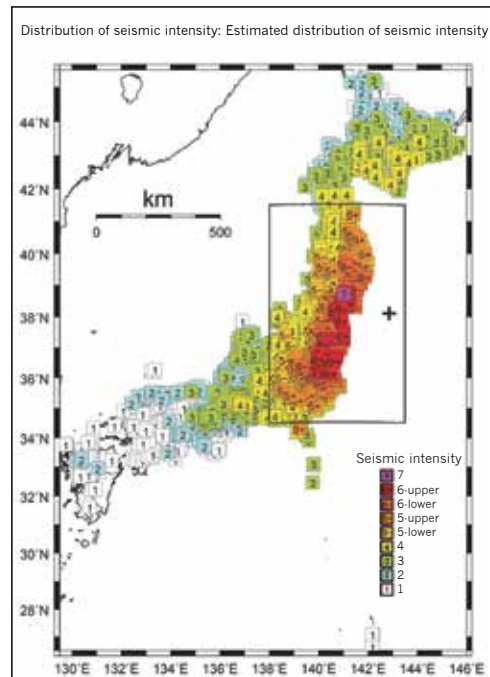
(v) JMA Seismic Intensity:

The intensity of 7 was recorded in Kurihara City, Miyagi Prefecture, and the intensity of a 6-upper was recorded in 34 cities and towns in four prefectures of Miyagi, Fukushima, Ibaraki and Tochigi, in addition to a wide area of Japan from Hokkaido to Kyushu, mainly in the eastern part of Japan, where the intensity of between a 6-lower and 1 was recorded.

(vi) Number of aftershocks:

The number of aftershocks so far (as at 10 a.m., July 3, 2015) is as follows.

Maximum seismic intensity	No. of aftershocks
6-upper	2
6-lower	2
5-upper	17
5-lower	47
4	274



Sources: “Monthly Report on Earthquakes and Volcanoes in Japan, March 2011” of the Japan Meteorological Agency



Summary of damage (as of March 9, 2015)

(i) Casualties:	Death:	19,225 people
	Missing:	2,614 people
	Injured:	6,219 people
(ii) Residential damage:	Total collapse:	127,830 houses
	Half collapse:	275,807 houses
	Partially collapse:	766,671 houses

* Prepared by JER based on “Monthly Report on Earthquakes and Volcanoes in Japan, March 2011” of the Japan Meteorological Agency and “The 2011 off the Pacific coast of Tohoku Earthquake (the Great East Japan Earthquake) (No. 151)” of the Fire and Disaster Management Agency

INITIATIVES TAKEN IN THE WAKE OF THE GREAT EAST JAPAN EARTHQUAKE

1. Initiatives taken by the non-life insurance industry

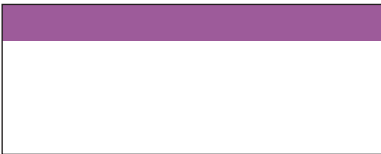
To carry out the social mission of earthquake insurance, “Contribute to establishing a stable living for the victims,” the General Insurance Association of Japan (the “GIAJ”) established an “Earthquake Insurance Central Command,” and the non-life insurance industry united across all member companies to take the initiatives described below. As a result, as of March 31, 2015, the overall non-life insurance industry paid earthquake insurance of approximately 1,265.3 billion yen.

(1) Enhancement of information provision to customers

The GIAJ prepared posters (approximately 80,000 sheets) and leaflets (approximately 546,000 copies) that presented inquiry addresses and telephone numbers of non-life insurance companies, and presented and distributed them mainly to municipal government offices and evacuation centers. It also published a list of inquiry addresses of member companies in 18 newspapers, while it broadcast 500 radio commercial messages about the inquiry addresses of the GIAJ, and released advertising (on 12 regional television stations in affected areas) to encourage policyholders to make earthquake insurance claims. Moreover, it introduced special measures to the no-entry zone and other areas in the wake of the accident at the Fukushima Daiichi Nuclear Power Plant, and published payments of earthquake insurance in two newspapers in Fukushima Prefecture.

(2) Strengthening support for customers who are unsure about their insurance companies

The GIAJ established an “the Center for Searching Earthquake Insurance Contracts” for customers who were unsure about which insurers their earthquake insurance and other non-life insurance contracts were concluded with because they had lost their insurance policies, due to the disaster and other reasons. It helped confirm customers’ non-life insurance companies through the specially designated free telephone services and the web page. In the same manner, each member company also dealt with inquiries from customers who were unsure about their insurance companies.



(3) Prompt insurance payouts by streamlining loss confirmation procedures and survey of earthquake insurance

Because the tsunami and fires caused losses across large areas of the coastal regions in Iwate, Miyagi and Fukushima prefectures, non-life insurance companies carried out a joint loss survey, in what was an industry's first. Non-life insurance companies identified areas with the same level of losses through the joint survey, and identified areas that had sustained devastating damage from the disaster as "total loss areas" using aerial and satellite photography as well as tours of the areas themselves. As a result, by waiving the need for onsite inspections, member companies promptly paid total earthquake insurance claims for earthquake insurance contracts in total loss areas. To facilitate claims by customers, the GIAJ also published the total loss area on its website.

(4) Simpler procedures for earthquake insurance claims

In conducting an earthquake loss survey on wooden buildings and on furniture in such buildings, in addition to onsite inspections, non-life insurance companies adopted a loss inspection in which, provided certain requirements are met, onsite inspections are waived and the loss is inspected based on photos taken by customers and other self-reported documents. They also conducted inspections based on self-reported documents for claims in the no-entry zone and other areas where entries were limited in the wake of the accident at the Fukushima Daiichi Nuclear Power Plant.

(5) Donation of the relief money

To help support people in the areas affected by the Great East Japan Earthquake, the GIAJ received donations from 26 member companies and donated relief money of 1 billion yen to the Japanese Red Cross Society.

2. Initiatives taken by JER

JER's mission and role in the face of major disasters

Our mission in the face of major disasters is to financially facilitate prompt insurance payouts by non-life insurance companies through "reinsurance payouts" to support the early reconstruction of the lives of policyholders in the afflicted areas.





Prompt reinsurance payment

To promptly make reinsurance payouts to non-life insurance companies, we established an Earthquake Disaster Countermeasures Headquarters on the day the Great East Japan Earthquake took place, and took steps to promptly secure funds and make reinsurance payouts based on approximate projections, in cooperation with non-life insurance companies and the government. As a result, we made reinsurance payouts of approximately 1,265.3 billion yen for approximately 790,000 policies^(Note) by the end of March 2015.

(Note) The figures do not include reinsurance payouts related to aftershocks and other earthquakes.

Securing funds promptly

- ✓ Preparation of approximately 322.4 billion yen in cash by selling assets within 20 days of the occurrence of the earthquake (March 31, 2011).
- ✓ Receipt of reinsurance payouts of approximately 426.8 billion yen (based on approximate projections) from the government within 73 days of the occurrence of the earthquake (May 23, 2011).

Because the earthquake insurance system is a system whose income and expenditures are designed to be balanced out after a long period of time, all premiums received, after deducting necessary expenses, are individually set aside as reserves by non-life insurance companies and the government.

Insurance claims paid to policyholders affected by the earthquake were funded from these reserves. To promptly secure funds for reinsurance payouts to non-life insurance companies, we quickly started to sell our reserve assets from the first business day after the occurrence of the earthquake. At the same time, cooperating with the government, we flexibly requested the government's reinsurance payouts and implemented procedures for receiving the payments.



Reinsurance payouts based on approximate projections

- ✓ Provision of funds of approximately 968.6 billion yen to non-life insurance companies within 75 days of the earthquake (May 25, 2011).

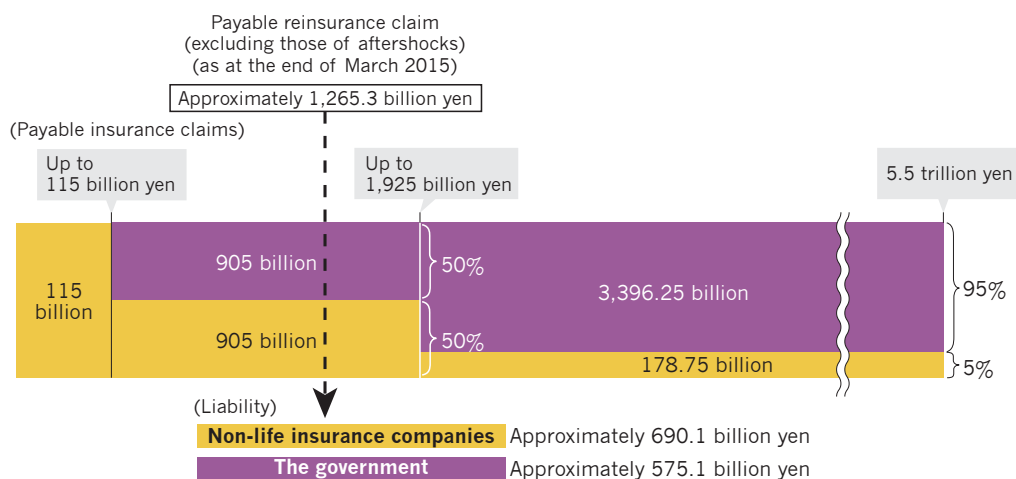
To facilitate prompt insurance payouts by non-life insurance companies to policyholders, we made reinsurance payouts based on approximate projections for the first time since the establishment of Japan's earthquake insurance system.

Payments based on approximate projections is a system in which estimated reinsurance payouts based on rough projections on the amount of damage incurred by the relevant earthquake. The system is designed to make it possible to provide in advance the funds necessary for insurance payouts to non-life insurance companies before they actually pay insurance claims to policyholders who are afflicted by an earthquake.

STATUS OF THE BURDEN OF LIABILITIES ASSOCIATED WITH THE GREAT EAST JAPAN EARTHQUAKE

The reinsurance scheme for the Great East Japan Earthquake and the share of liabilities for the damage from the earthquake between non-life insurance companies and the government are as follows:

Reinsurance scheme at the time when the Great East Japan Earthquake took place (from April 1, 2009 to May 1, 2011)



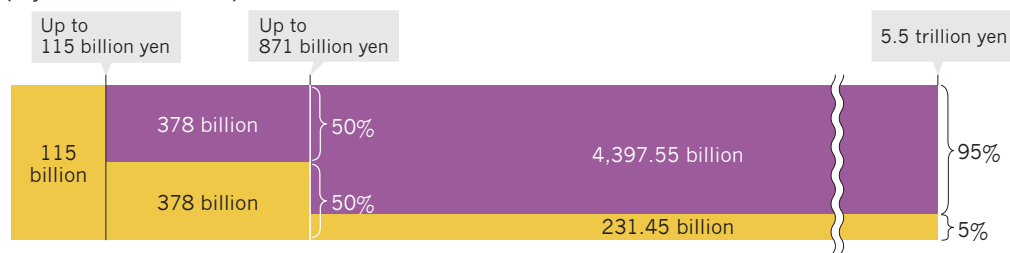


MODIFICATION OF THE REINSURANCE SCHEME AFTER THE GREAT EAST JAPAN EARTHQUAKE

Reserves of non-life insurance companies noticeably decreased with the burden of liabilities after the Great East Japan Earthquake. As a result, to reinforce the continuity and the stability of the scheme to deal with large-scale earthquakes in the future, the reinsurance scheme was revised on May 2, 2011, as shown below.

Reinsurance scheme after the Great East Japan Earthquake took place (from May 2, 2011 to April 5, 2012)

(Payable insurance claims)



LIABILITY LIMIT

Non-life insurance companies (including JER)	724.45 billion yen
The government	4,775.55 billion yen
Total	5,500.00 billion yen

Note: Please refer to page 22 for information on the mechanism of reinsurance and the latest reinsurance scheme.

STATUS OF REINSURANCE PAYMENTS ASSOCIATED WITH THE GREAT EAST JAPAN EARTHQUAKE

(As of March 31, 2015)

BY PREFECTURES

	Region	No. of policies	Reinsurance claims (million yen)
Tohoku	Hokkaido	1,532	1,723
	Aomori	8,314	5,266
	Iwate	26,744	57,713
	Miyagi	244,548	556,886
	Akita	2,289	1,278
	Yamagata	4,023	3,157
	Fukushima	75,743	159,123
	Subtotal	361,661	783,427



	Region	No. of policies	Reinsurance claims (million yen)
Kanto, Koshinetsu, Shizuoka	Ibaraki	106,700	156,260
	Tochigi	38,664	44,579
	Gunma	9,046	7,862
	Saitama	39,235	30,045
	Chiba	98,988	116,752
	Tokyo	104,086	97,033
	Kanagawa	25,481	21,400
	Niigata	1,558	1,391
	Yamanashi	4,881	3,105
	Nagano	417	575
	Shizuoka	1,074	802
	Subtotal	430,130	479,810
	Other prefectures	437	397
	Total	793,760	1,265,359

- Note 1: The number of policies represents the number of insurance policies of earthquake insurance contracts, under which insurance claims were paid.
 2: The figures do not include reinsurance payouts related to aftershocks.

BY PROPERTIES AND LOSS CATEGORIES

Tohoku region

	Buildings		Personal property		Total	
	No. of properties	Reinsurance claims (million yen)	No. of properties	Reinsurance claims (million yen)	No. of properties	Reinsurance claims (million yen)
Total loss	22,866	206,483	13,155	43,355	36,021	249,839
Half loss	64,769	302,727	75,645	120,923	140,414	423,651
Partial loss	193,705	102,255	46,365	7,681	240,070	109,937
Total	281,340	611,467	135,165	171,960	416,505	783,427

Non-Tohoku region

	Buildings		Personal property		Total	
	No. of properties	Reinsurance claims (million yen)	No. of properties	Reinsurance claims (million yen)	No. of properties	Reinsurance claims (million yen)
Total loss	5,009	46,944	686	2,227	5,695	49,171
Half loss	33,608	160,853	34,457	61,098	68,065	221,952
Partial loss	322,276	192,583	98,183	18,224	420,459	210,808
Total	360,893	400,381	133,326	81,550	494,219	481,932

- Note 1: The number of properties represents the number of properties (by building and personal property) under the earthquake insurance contracts, whose insurance claims were paid.
 2: The figures do not include reinsurance payouts related to aftershocks.

STATISTICS

REINSURANCE CLAIMS PAID IN FISCAL 2014

Reinsurance claims paid in fiscal 2014 amounted to 13.2 billion yen, including earthquake reinsurance claims paid to cover the 2011 off the Pacific coast of Tohoku Earthquake. In terms of numbers, 19,361 claims were paid (on the basis of insurance policies). See below for major claims paid per earthquake.

Earthquake (Region name)	Date of occurrence	Magnitude	No. of policies	Reinsurance claims paid (million yen)
1. The 2011 off the Pacific coast of Tohoku	March 11, 2011	9.0	10,729	7,447
2. Iyonada	March 14, 2014	6.2	3,230	1,955
3. Nagano-ken Hokubu	November 22, 2014	6.7	1,505	1,335
4. Ibaraki-ken Nanbu	September 16, 2014	5.6	1,413	865
5. Izu Oshima Kinkai	May 5, 2014	6.0	448	328
Other earthquakes	—	—	2,036	1,353
Total	—	—	19,361	13,287

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

(As of March 31, 2015)

Earthquake (Region name)	No. of households (A) (1,000 households)	No. of policies (B) (1,000 policies)	Percentage of households with insurance (B/A) (%)	Probability that an earthquake could occur within the next 30 years
Great Kanto	25,204	8,379	33.2	Nearly 0%–5%
Tokyo metropolitan	17,790	6,039	33.9	About 70%
Nankai trough	42,979	13,361	31.1	About 70%

Note 1: JER prepared the number of policies, assuming that major prefectures were stricken, based on the preliminary figures as of the end of fiscal 2014 from the General Insurance Rating Organization of Japan that were published on June 22, 2015.

2: The probability that an earthquake could occur within the next 30 years is based on the 2015 version of the National Seismic Hazard Maps for Japan of the Headquarters for Earthquake Research Promotion of the Japanese government.

The probability of a Great Kanto Earthquake is that of a magnitude 8 earthquake along the Sagami Trough. The probability of an inland earthquake in Tokyo metropolitan area is that of a magnitude 7 earthquake to be caused by a sinking plate along the Sagami Trough.

TOP 20 EARTHQUAKES AS TO REINSURANCE CLAIMS PAID

See the table below for the top 20 earthquakes with respect to reinsurance claims paid since the earthquake insurance was established.

(As of March 31, 2015)

Earthquake (Region name)	Date of occurrence	Magnitude	No. of policies	Reinsurance claims paid (million yen)
1. The 2011 off the Pacific coast of Tohoku	March 11, 2011	9.0	793,760	1,265,359
2. Hyogo-ken Nanbu	January 17, 1995	7.3	65,427	78,346
3. Miyagi-ken-oki	April 7, 2011	7.2	30,985	32,371
4. Fukuoka-ken Seiho-oki	March 20, 2005	7.0	22,058	16,969
5. Geiyo	March 24, 2001	6.7	24,452	16,941
6. Niigata-ken Chuetsu	October 23, 2004	6.8	12,608	14,897
7. Niigata-ken Chuetsu-oki	July 16, 2007	6.8	7,864	8,247
8. Fukuoka-ken Seiho-oki	April 20, 2005	5.8	11,337	6,429
9. Tokachi-oki	September 26, 2003	8.0	10,553	5,990
10. Iwate-Miyagi Nairiku	June 14, 2008	7.2	8,276	5,545
11. Suruga-wan	August 11, 2009	6.5	9,477	5,142
12. Shizuoka-ken Tobu	March 15, 2011	6.4	5,252	4,600
13. Iwate-ken Engan Hokubu	July 24, 2008	6.8	7,754	3,972
14. Fukushima-ken Hamadori	April 11, 2011	7.0	2,357	3,669
15. Nagano-ken Chubu	June 30, 2011	5.4	2,957	3,302
16. Tottori-ken Seibu	October 6, 2000	7.3	4,078	2,868
17. Noto Hanto	March 25, 2007	6.9	3,306	2,732
18. Awajishima fukin	April 13, 2013	6.3	2,865	2,283
19. Miyagi-ken Hokubu	July 26, 2003	6.4	2,543	2,172
20. Tokachi-chiho Nanbu	February 2, 2013	6.5	4,013	2,054

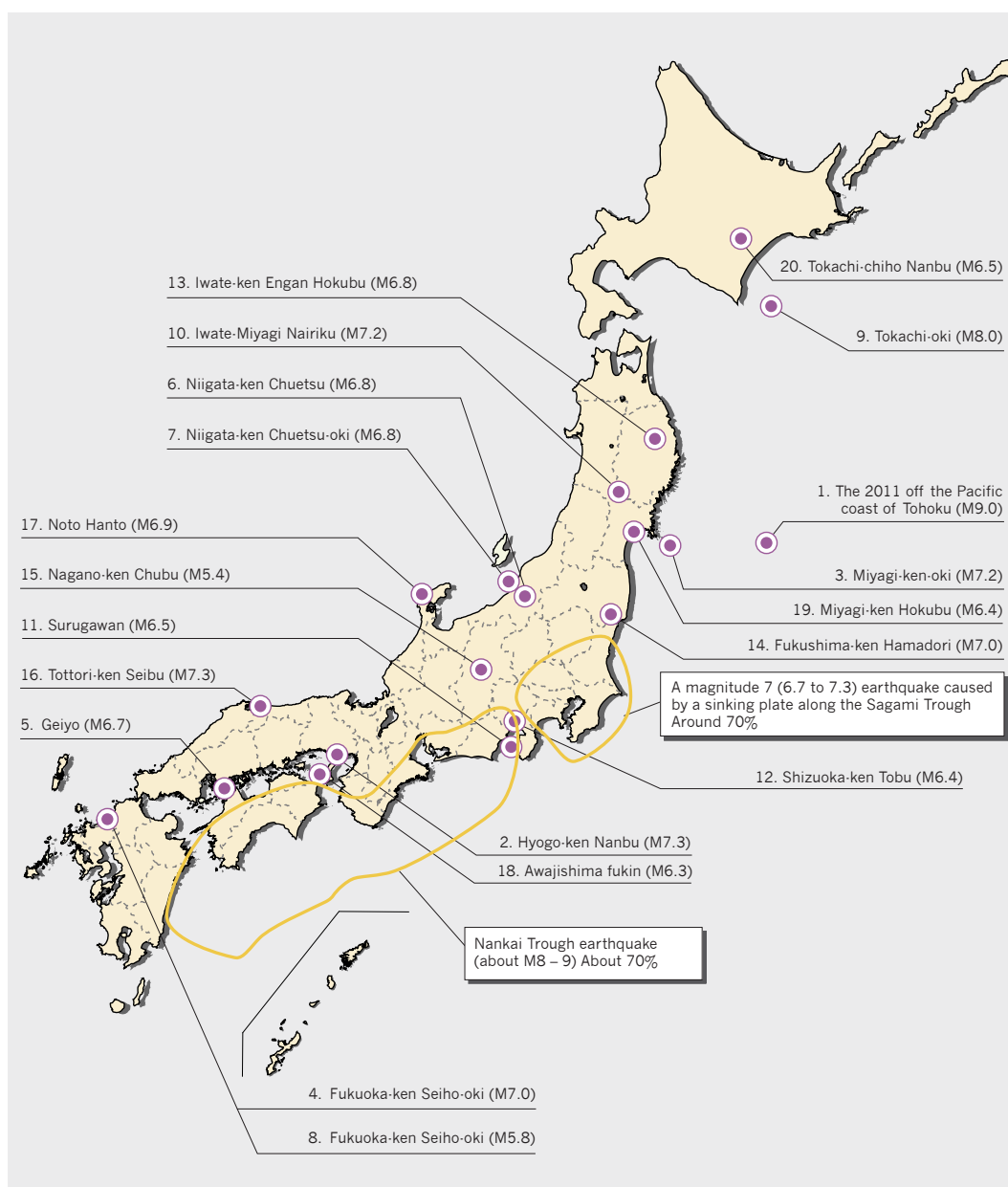
Note 1: After the 2011 Great East Japan Earthquake, in accordance with our reinsurance scheme at the time, the government paid 575,179 million yen and private non-life insurance companies paid 690,179 million yen.

Note 2: After the Hyogo-ken Nanbu Earthquake in 1995, in accordance with our reinsurance scheme at the time, the government paid 6,173 million yen and private non-life insurance companies paid 72,173 million yen.



Below are the epicenters and magnitudes of the top 20 earthquakes for which we paid reinsurance claims in the past. The number attached to the name of the earthquake is in order of payment amount.

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



Financial Section

Financial Review

Indicators Showing the Main Results over the Last Five Fiscal Years

Summary of Operations

Accounting Concepts

1. Financial statements
2. Details of assets and liabilities
3. Income and loss details
4. Information about fair values, etc.

FINANCIAL REVIEW

Business development, results, etc.

During fiscal 2014, the Japanese economy showed a temporary decline attributable to the consumption tax increase. However, the economy then took a turn toward a moderate recovery under the large-scale monetary easing policy of the Japanese government and the Bank of Japan. Personal spending supported by low crude oil prices and improved employment conditions contributed to this upswing, together with increased exports on the back of the yen's depreciation.

The number of in-force earthquake insurance contracts and earthquake insurance premiums grew from the previous fiscal year due to the impact of new contracts associated with housing purchases ahead of the consumption tax increase in April and premium rate revisions in July. Earthquake insurance payouts and loss adjustment expenses decreased substantially from the previous fiscal year, reflecting steps taken toward the resolution of insurance payouts for the Great East Japan Earthquake in 2011.

Looking at asset management, earnings from investments fell far below the level posted in the previous fiscal year, reflecting the advanced redemption of high-yield bonds under the sustained condition of low interest rates. In this environment, during fiscal 2014, which was the final year of our third medium-term business plan, we steadily implemented initiatives with a focus on those aimed at strengthening our business continuity plan based on the damage predicted to be caused by an inland earthquake in the Tokyo metropolitan area. In each of the three years under the third medium-term business plan, we worked steadily to advance measures, concentrating on those for preparing for massive, consecutive earthquakes. Upon completing our business plan, we had achieved almost all of its targets.

Summary of earthquake insurance results

① Net premiums written and net claims paid

In the fiscal year under review, the number of in-force insurance contracts and premiums written increased and the government's share of reinsurance decreased after revisions to the reinsurance scheme. As a result, net premiums written rose sharply to 108.9 billion yen (up 18.2% year on year).

Meanwhile, net claims paid came to 9.5 billion yen (down 36.3% year on year), reflecting factors such as the Great East Japan Earthquake in 2011.

② Risk reserves and underwriting reserves

Risk reserves added totaled 48.4 billion yen (up 17.1% year on year), consisting of net premiums written of 46.8 billion yen, calculated by deducting assumed reinsurance commissions from net premiums written, and gains on investments of 1.5 billion yen.

Risk reserves at the end of the fiscal year under review came to 417 billion yen (up 10.3% year on year) as a result of the reversal of the provision for outstanding claims of 1.9 billion yen to risk reserves and the withdrawal from the reserves in the past year of net claims paid of 9.5 billion yen as stated above, loss assessment expenses of 1.4 billion yen, and advertising and publicity expenses of 0.3 billion yen.

Underwriting reserves at the end of the fiscal year under review amounted to 556.7 billion yen (up 11.5% year on year) as a result of the addition of unearned premium reserves to the risk reserves stated above. Repayment reserves were transferred to risk reserves with the expiration of monthly premium earthquake insurance contracts in fiscal 2014.

③ Risk reserves of direct insurance companies

A total of 4.3 billion yen (down 6.4% year on year), consisting of net premiums written and gains on in-

vestments, was added to the risk reserves of direct insurance companies recorded as entrusted reserves. The risk reserves of direct insurance companies at the end of the fiscal year under review came to 74.7 billion yen (up 3.0% year on year) as a result of the withdrawal of advertising and publicity expenses of 1 billion yen.

Outline of investments

Medium- to long-term domestic interest rates remained low due to the Bank of Japan's sustained policy of quantitative and qualitative monetary easing. Additional monetary easing through an asset purchase expansion announced by the Bank of Japan in October added momentum to the interest rate decline.

Looking at exchange rates, the yen weakened against the US dollar, reflecting differences in the monetary policies of Japan, where easy money continued, and the United States, which aimed to tighten credit. Meanwhile, the yen strengthened against the euro due to additional monetary easing by the European Central Bank. 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 1.5 billion yen in the business account and 0.2 billion yen in the entrusted reserves account. Consequently, investment assets totaled 624 billion yen at the end of the fiscal year under review.

Profit and loss for the fiscal year under review

Net income for the fiscal year under review totaled 3 million yen after the addition or deduction of other items to or from interest and dividends received, and the deduction of corporate and resident taxes.

INDICATORS SHOWING THE MAIN RESULTS OVER THE LAST FIVE FISCAL YEARS

(Yen in millions)

Division	Fiscal Year	2010	2011	2012	2013	2014
Net premiums written		71,532	83,671	92,996	92,248	108,994
Percentage change over the previous term		(1.0%)	17.0%	11.1%	(0.8%)	18.2%
Net claims paid		1,033	196,625	31,607	15,010	9,563
Percentage change over the previous term		(81.4%)	18,927.3%	(83.9%)	(52.5%)	(36.3%)
Ordinary income		175,903	286,812	110,370	104,703	119,822
Percentage change over the previous term		76.9%	63.1%	(61.5%)	(5.1%)	14.4%
Ordinary expenses		174,913	286,723	110,176	104,509	119,818
Percentage change over the previous term		77.6%	63.9%	(61.6%)	(5.1%)	14.6%
Ordinary profit		990	89	193	194	3
Percentage change over the previous term		4.1%	(91.0%)	117.5%	0.3%	(98.2%)
Net income (loss)		3	(5)	4	(82)	3
Percentage change over the previous term		(30.2%)	(239.9%)	-	(2,045.2%)	-
Common stock		1,000	1,000	1,000	1,000	1,000
Sum of shares issued		2 mil. shares	2 mil. shares	2 mil. shares	2 mil. shares	2 mil. shares
Net assets		1,634	1,631	1,633	1,544	1,543
Total assets		1,154,108	509,498	536,808	577,305	640,137
Underwriting reserves		515,981	430,700	461,480	499,274	556,727
Percentage change over the previous term		(11.9%)	(16.5%)	7.1%	8.2%	11.5%
Of the balance, risk reserves		424,401	331,499	352,830	378,041	417,056
Percentage change over the previous term		(14.6%)	(21.9%)	6.4%	7.1%	10.3%
Loans		-	-	-	-	-
Percentage change over the previous term		-	-	-	-	-
Securities		805,223	448,120	476,979	525,161	391,034
Percentage change over the previous term		(20.0%)	(44.3%)	6.4%	10.1%	(25.5%)
Non-consolidated solvency-margin ratio		124.7%	120.8%	160.0%	344.9%	354.5%
Dividend propensity		-	-	-	-	-
No. of employees		25	26	27	26	29

Note:

For a stricter risk measurement, revised laws and regulations concerning the calculation of the non-consolidated solvency-margin ratio have been applied since fiscal 2011. JER's solvency-margin ratio will not be used as a criterion for the administrative authorities' order for improvement. For details, please refer to page 40.

SUMMARY OF OPERATIONS

Item: earthquake

1 Indicators relating to insurance underwriting

1. Net premiums written

(Yen in millions)

Division	Fiscal Year	2012	2013	2014
Premiums written		185,568	197,919	222,014
Return premiums		2,642	3,271	4,341
Assumed net premiums written (A)		182,895	194,628	217,661
Reinsurance premiums ceded (B)		89,899	102,379	108,666
Net premiums written (A - B)		92,996	92,248	108,994

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 the reinsurance premiums ceded from the assumed net premiums written.

2. Rate of premiums written by domestic and overseas contracts

Division	Fiscal Year	2012	2013	2014
Domestic contract		100%	100%	100%

3. Net claims paid

(Yen in millions)

Division	Fiscal Year	2012	2013	2014
Assumed net claims paid (A)		55,883	22,014	13,287
Reinsurance claims recovered (B)		24,276	7,003	3,723
Net claims paid (A - B)		31,607	15,010	9,563

Notes:

- Assumed net claims paid: Produced by deducting surrender value from ceded insurance claims paid
- Net claims paid: Produced by deducting reinsurance claims recovered from assumed net claims paid

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

(Yen in millions)

Division	Fiscal Year	2012	2013	2014
Net loss ratio		39.2%	18.7%	10.1%
Underwriting expenses		38,867	41,134	44,026
Insurance related operating, general and administrative expenses		725	722	710
Commissions and brokerage fees		38,141	40,411	43,315
Net expense ratio		41.8%	44.6%	40.4%
Combined ratio		81.0%	63.3%	50.5%

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	2012	2013	2014
Underwriting income		106,333	96,358	112,468
Underwriting expenses		105,420	95,447	111,757
Operating and general administrative expenses		725	722	710
Other income and expenses		(186)	(188)	-
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.

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

Division	Fiscal Year	2012	2013	2014
No. of reinsurers that ceded insurance contracts		13	11	10
Rate of top five reinsurers' ceded insurance premiums		81.9%	81.9%	90.4%

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.

② 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

Division	Year	As of the end of fiscal 2012		As of the end of fiscal 2013		As of the end of fiscal 2014	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Deposits		25,938	4.8	23,892	4.1	34,119	5.3
Call loans		21,137	3.9	14,634	2.5	84,898	13.3
Monetary receivables bought		-	-	-	-	113,991	17.8
Money trusts		-	-	-	-	-	-
Securities		476,979	88.9	525,161	91.0	391,034	61.1
Buildings		33	0.0	31	0.0	28	0.0
Total of investments assets		524,088	97.6	563,719	97.6	624,072	97.5
Total assets		536,808	100.0	577,305	100.0	640,137	100.0

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

Division	Fiscal Year	2012		2013		2014	
		Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Deposits		32	0.18	23	0.09	28	0.10
Call loans		8	0.05	7	0.04	23	0.03
Monetary receivables bought		-	-	-	-	15	0.10
Money trusts		-	-	-	-	-	-
Securities		4,549	0.96	3,248	0.66	2,642	0.59
Buildings		-	-	-	-	-	-
Total		4,589	0.90	3,279	0.61	2,710	0.47

Note:

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

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

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

Denominator = Acquisition cost or depreciation based average balance

4. Asset management yield (realized yield)

Division	Fiscal Year	2012			2013			2014		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		32	17,636	0.18	23	24,974	0.09	28	29,824	0.10
Call loans		8	18,067	0.05	7	19,385	0.04	23	77,058	0.03
Monetary receivables bought		-	-	-	-	-	-	15	15,513	0.10
Money trusts		-	-	-	-	-	-	-	-	-
Securities		4,548	473,767	0.96	3,346	490,629	0.68	2,642	450,256	0.59
Public and corporate bonds		1,711	325,550	0.53	1,054	356,649	0.30	791	312,640	0.25
Stocks		-	-	-	-	-	-	-	-	-
Foreign securities		2,837	148,217	1.91	2,292	133,980	1.71	1,850	137,615	1.34
Other securities		-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-
Buildings		-	35	-	-	33	-	-	31	-
Derivatives		(2,836)	-	-	(7,336)	-	-	(6,447)	-	-
Others		2,783	-	-	7,691	-	-	6,153	-	-
Total		4,536	509,507	0.89	3,731	535,023	0.70	2,416	572,684	0.42

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	2012			2013			2014		
	Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits	32	17,636	0.18	23	24,974	0.09	28	29,824	0.10
Call loans	8	18,067	0.05	7	19,385	0.04	23	77,058	0.03
Monetary receivables bought	-	-	-	-	-	-	15	15,513	0.10
Money trusts	-	-	-	-	-	-	-	-	-
Securities	4,067	478,421	0.85	2,182	494,802	0.44	3,030	453,264	0.67
Public and corporate bonds	1,666	327,480	0.51	898	358,533	0.25	1,253	314,369	0.40
Stocks	-	-	-	-	-	-	-	-	-
Foreign securities	2,401	150,940	1.59	1,284	136,268	0.94	1,777	138,895	1.28
Other securities	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Buildings	-	35	-	-	33	-	-	31	-
Derivatives	(2,836)	-	-	(7,336)	-	-	(6,447)	-	-
Others	2,783	-	-	7,691	-	-	6,153	-	-
Total	4,055	514,160	0.79	2,567	539,196	0.48	2,804	575,693	0.49

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 2012		As of the end of fiscal 2013		As of the end of fiscal 2014	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Foreign currency denominated							
Foreign public and corporate bonds		36,347	28.2	70,357	49.7	93,638	64.8
Yen denominated							
Foreign public and corporate bonds		92,494	71.8	71,164	50.3	50,763	35.2
Total		128,842	100.0	141,522	100.0	144,401	100.0
Yield on foreign loans & investments							
Investment assets yield (income yield)			1.91%		1.71%		1.34%
Assets management (realized yield)			1.91%		1.71%		1.34%
Market-price based overall yield (for reference)			1.59%		0.94%		1.28%

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.

③ Information on the non-consolidated solvency-margin ratio (the ratio that shows the ability to pay out claims)

Division	(Yen in millions)		
	Year	As of the end of fiscal 2013	As of the end of fiscal 2014
Total amount of non-consolidated solvency-margin		381,954	421,385
Common stock, etc.		1,536	1,539
Price fluctuation reserves		5	5
Risk reserves		-	-
Catastrophe reserves		378,041	417,056
Reserves for ordinary bad debts		-	-
Unrealized gain / loss on available-for-sale securities (prior to tax effect deductions)		2,370	2,783
(A) 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		-	-
Total amount of non-consolidated risk $\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$		221,459	237,717
General underwriting risk (R1)		-	-
Underwriting risk in third-area insurance (R2)		-	-
(B) Anticipated rate of return risk (R3)		-	-
Investment risk (R4)		11,017	8,355
Management risk (R5)		4,342	4,661
Catastrophe risk (R6)		206,100	224,700
(C) Non-consolidated solvency-margin ratio $\frac{(A)}{[(B) \times 1 / 2]} \times 100$		344.9%	354.5%

Note:

Amounts and other figures presented above are calculated on the basis of the provisions of Article 86 and Article 87 of the Enforcement Regulations for the Insurance Business Act and Notification No. 50 of the Ministry of Finance issued in 1996.

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

① Financial statements

1. Balance sheets

(ASSETS)

Item	(Yen in millions)	
	Fiscal Year	
	2013 (As of March 31, 2014)	2014 (As of March 31, 2015)
Cash and deposits	23,892	34,119
Deposits	23,892	34,119
Call loans	14,634	84,898
Monetary receivables bought	-	113,991
Securities	525,161	391,034
Government bonds	378,735	181,570
Municipal bonds	-	2,891
Corporate bonds	4,904	62,170
Foreign securities	141,522	144,401
Tangible fixed assets	84	91
Buildings	31	28
Other tangible fixed assets	52	62
Intangible fixed assets	158	167
Software	156	165
Other intangible fixed assets	1	1
Other assets	13,375	15,834
Reinsurance accounts receivable	11,519	12,660
Accounts receivable	-	84
Uncollected income	1,690	1,438
Deposits	47	47
Suspense payments	61	33
Derivatives	55	1,568
Total assets	577,305	640,137

(LIABILITIES)

Item	(Yen in millions)	
	Fiscal Year	
	2013 (As of March 31, 2014)	2014 (As of March 31, 2015)
Underwriting funds	502,854	558,377
Outstanding claims	3,579	1,650
Underwriting reserves	499,274	556,727
Entrusted reserves	59,243	63,012
Other liabilities	10,502	13,629
Reinsurance accounts payable	7,636	7,764
Income taxes payable	214	167
Deposits payable	3	3
Accrued amounts payable	128	100
Derivatives	2,518	5,593
Reserve for retirement benefits	116	130
Reserve for directors' retirement benefits	18	22
Reserve for bonus payments	20	21
Reserves under the special law	5	5
Reserve for price fluctuation	5	5
Net unrealized gains on available-for-sale securities of earthquake insurance	2,996	3,390
Deferred tax liabilities	3	1
Total liabilities	575,761	638,593

(NET ASSETS)

Item	(Yen in millions)	
	Fiscal Year	
	2013 (As of March 31, 2014)	2014 (As of March 31, 2015)
Common stock	1,000	1,000
Retained earnings	542	545
Legal reserve of retained earnings	1	1
Other legal reserve of retained earnings	541	544
Special reserves	17	17
Special price fluctuation reserves	39	39
Retained earnings carried forward	484	487
Treasury Stock	(5)	(5)
Total shareholders' equity	1,536	1,539
Net unrealized gains on available-for-sale securities	7	4
Total valuation and translation adjustments	7	4
Total net assets	1,544	1,543
Total liabilities and net assets	577,305	640,137

Notes for fiscal 2014

- Appraisal standards and method of securities, and method of indication
 - Of available-for-sale securities, those to which the market price is applicable is appraised according to the market price at term end.
 - 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 Net unrealized gains on other securities of earthquake insurance in Liabilities on the form attached to the 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.
- The appraisal of derivatives is done on the basis of market price.
- 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.
- Software for in-house use that is recorded as an intangible fixed asset is amortized using the straight-line method over the estimated usable life (five years).
- 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 planning and controller 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 estimated retirement allowance liabilities at the end of the term.

Retirement allowance liabilities are 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. Financial instruments and fair values of financial instruments

(1) Situation of financial instruments

We mainly hold highly rated short- and medium-term Japanese and foreign bonds in preparation for reinsurance payouts. We manage assets by attaching top priority to liquidity and safety and giving additional consideration to profitability. It is our policy to engage in derivatives trading or forward exchange contracts to reduce the market risks of foreign-currency receivables associated with exchange fluctuations, within the limits of actual demand. In addition, we maintain an understanding of market risks, credit risks and liquidity risks and manage current quotations and credit information on a regular basis in this regard.

(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, 2015.

(Yen in millions)

	Balance sheet amount	Fair value	Difference
(i) Cash and deposits	34,119	34,119	-
(ii) Call loans	84,898	84,898	-
(iii) Monetary receivables bought	113,991	113,991	-
(iv) Securities Available-for-sale securities	391,034	391,034	-
Total assets	624,043	624,043	-
(v) Derivatives* to which hedge accounting is not applied	(4,024)	(4,024)	-
Derivatives total	(4,024)	(4,024)	-

*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
Cash and deposits are settled in the short term and their fair values are based on 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 based on their carrying values as their fair values and carrying values are similar.
- (iii) Monetary receivables bought
Monetary receivables bought are settled in the short term and their fair values are based on their carrying values as their fair values and carrying values are similar.
- (iv) Securities
The fair values of securities are based on their market prices at term end, which are reference prices in the trading statistics of the Japan Securities Dealers Association or market prices obtained from outside vendors or brokers.
- (v) Derivatives
The fair values of derivatives are determined by prices offered by correspondent financial institutions.

8. Taxes are included when preparing accounts for consumption tax and other items.
9. 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.
10. The accumulated depreciation of tangible fixed assets is 162 million yen.
11. See below for a breakdown of outstanding claims.

(Yen in millions)	
Outstanding claims (before the deduction of outstanding reinsurance claims)	2,458
Outstanding reinsurance claims related to the above claims	808
Net outstanding claims	1,650

12. Total deferred tax assets amount to 174 million yen, while total deferred tax liabilities come to 1 million yen. Deferred tax assets are all deducted from the total amount for a valuation reserve.
A breakdown of deferred tax assets reveals tax loss carried forward of 73 million yen, a reserve for retirement benefits of 37 million yen, unpaid business taxes of 27 million yen and unpaid special local corporate tax of 20 million yen. Deferred tax liabilities resulted mainly from unrealized gains on securities of 1 million yen.
13. Corrections made to the amounts of deferred tax assets and deferred tax liabilities in response to changes in corporate and other tax rates are as follows:
Corporate and other tax rates fell from each fiscal year commencing on or after April 1, 2015 as a result of the promulgation of the Act on Partial Revision of the Income Tax Act, Etc. (Act No. 9 of 2015) on March 31, 2015.
With this change, the legal effective tax rate used for calculating deferred tax assets and deferred tax liabilities related to temporary differences and the like expected for resolution in or after the fiscal year commencing on April 1, 2015 fell from the previous level of 30.78% to 28.85%. Deferred tax liabilities decreased less than 1 million yen as a result of this tax rate change. The tax cut produced no effect on net income.

14. Net assets per share are 776.41 yen. The basis for this calculation is that net assets are 1,543 million yen, net assets accrued from ordinary shares are 1,543 million yen and the number of ordinary shares at the end of the term is 1.988 million.
15. 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.
16. Each amount is rounded down to the nearest whole unit.

2. Statements of income

Item	(Yen in millions)	
	Fiscal Year	2013 (from April 1, 2013 to March 31, 2014)
	Amount	Amount
Ordinary income	104,703	119,822
Underwriting income	96,358	112,468
Net premiums written	92,248	108,994
Investment income on savings premiums	2,761	1,544
Reversal of outstanding claims	1,348	1,929
Investment income	8,339	7,353
Interest and dividend income	3,279	2,710
Gains on sales of securities	100	-
Foreign exchange gains	7,712	6,180
Other investment income	8	7
Transfer of investment income on savings premiums	(2,761)	(1,544)
Other ordinary income	6	0
Ordinary expenses	104,509	119,818
Underwriting expenses	95,447	111,757
Net claims paid	15,010	9,563
Loss adjustment expenses	2,230	1,425
Commissions and brokerage fees	40,411	43,315
Provision of underwriting reserves	37,794	57,453
Investment expenses	7,368	6,481
Losses on sales of securities	2	-
Losses on derivatives	7,336	6,447
Other investment expenses	29	34
Operating, general and administrative expenses	1,289	1,322
Other ordinary expenses	404	257
Interest paid	404	257
Ordinary profit	194	3
Extraordinary losses	0	0
Losses on disposal fixed assets	0	0
Provision of price fluctuation reserves	0	0
Net income before income taxes	194	3
Income taxes	184	0
Deferred income taxes	92	-
Total income taxes	277	0
Net income (loss)	(82)	3

Notes for fiscal 2014

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

(Yen in millions)	
Premiums written:	217,661
Reinsurance premiums ceded:	108,666
Net premiums written:	108,994

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

(Yen in millions)	
Claims paid:	13,287
Reinsurance claims recovered:	3,723
Net claims paid:	9,563

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)	(2,685)
Provision of outstanding reinsurance claims related to the above claims	(756)
Net provision of outstanding claims	(1,929)

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

(Yen in millions)	
Deposits:	28
Call loans:	23
Monetary receivables bought:	15
Securities:	2,642
Total:	2,710

5. Paper profit/loss involved in the losses on derivatives is a loss of 4,024 million yen.

6. Net income per share is 1.53 yen.

The basis for this calculation is such that net income is 3 million yen, net income accrued from common stocks is 3 million yen and the term average number of common stocks amount to 1.988 million.

7. The legal effective tax rate at the end of the term is 30.78%, and the corporate tax burden after applying the tax effect is 8.69%. The difference is explained by the following breakdown: valuation reserve 2,970.25%, the amount of the write-off carried from publicity expenses related to risk reserves (3,009.11%).

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

3. Statements of cash flow

Item	(Yen in millions)		
	Fiscal Year	2013	2014
		(from April 1, 2013 to March 31, 2014)	(from April 1, 2014 to March 31, 2015)
	Amount	Amount	
Cash flow from operating activities			
Net income before income taxes	194	3	
Depreciation	134	97	
Increase (decrease) in outstanding claims	(1,348)	(1,929)	
Increase (decrease) in underwriting reserves	37,794	57,453	
Increase (decrease) in entrusted reserves	4,115	3,769	
Increase (decrease) in reserve for retirement benefits	(4)	14	
Increase (decrease) in reserve for directors' retirement benefits	4	3	
Increase (decrease) in reserve for bonus payments	(0)	1	
Increase (decrease) in reserve for price fluctuation	0	0	
Interest and dividend income	(3,279)	(2,710)	
Losses (gains) on investment in securities	(98)	-	
Foreign exchange losses (gains)	(6,790)	(5,906)	
Losses (gains) on tangible fixed assets	0	0	
Decrease (increase) in other assets (other than investment and financial activities related)	(1,104)	(1,198)	
Increase (decrease) in other liabilities (other than investment and financial activities related)	1,272	99	
Others	404	1,606	
Subtotal	31,294	51,304	
Interest and dividends received	4,088	4,483	
Income taxes paid	(130)	(92)	
Net cash provided by operating activities	35,252	55,694	
Cash flow from investing activities			
Purchase of monetary receivables bought	-	(19,995)	
Purchase of securities	(628,856)	(633,191)	
Proceeds from sales and redemption of securities	585,053	772,089	
Others	28	-	
Total investment assets activities	(43,774)	118,903	
Total operating activities and investment assets activities	(8,522)	174,598	
Acquisition of tangible fixed assets	(0)	(36)	
Others	(25)	(76)	
Net cash provided by investing activities	(43,801)	118,790	
Cash flow in financing activities			
Effect of exchange rate changes on cash and cash equivalents	-	-	
Net increase (decrease) in cash and cash equivalents	(8,548)	174,485	
Cash and cash equivalents at the beginning of the year	36,075	27,526	
Cash and cash equivalents at the end of the year	27,526	202,011	

Notes for fiscal 2014

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, 2014)	(As of March 31, 2015)
Cash and deposits	23,892	34,119
Call loans	14,634	84,898
Monetary receivables bought	-	113,991
Securities	525,161	391,034
Deposits of a depository period over three months	(11,000)	(11,000)
Monetary receivables bought other than cash equivalents	-	(19,997)
Securities other than cash equivalent	(525,161)	(391,034)
Cash and cash equivalents	27,526	202,011

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

Fiscal 2013 (from April 1, 2013 to March 31, 2014)

(Yen in millions)

	Shareholder's equity						Valuation and translation adjustments:		Total net assets		
	Common stock	Retained earnings				Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities		Total valuation and translation adjustments	
		Legal reserve of retained earnings	Other legal reserve of retained earnings		Total retained earnings						
		Special reserves	Special price fluctuation reserves	Retained earnings carried forward							
Balance at the beginning of the period	1,000	1	17	39	567	625	(5)	1,619	13	13	1,633
Changes during the period											
Net income (loss)					(82)	(82)		(82)			(82)
Net changes other than shareholders' equity									(5)	(5)	(5)
Total changes					(82)	(82)		(82)	(5)	(5)	(88)
Balance at the end of the period	1,000	1	17	39	484	542	(5)	1,536	7	7	1,544

Fiscal 2014 (from April 1, 2014 to March 31, 2015)

(Yen in millions)

	Shareholder's equity						Valuation and translation adjustments:		Total net assets		
	Common stock	Retained earnings				Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities		Total valuation and translation adjustments	
		Legal reserve of retained earnings	Other legal reserve of retained earnings		Total retained earnings						
		Special reserves	Special price fluctuation reserves	Retained earnings carried forward							
Balance at the beginning of the period	1,000	1	17	39	484	542	(5)	1,536	7	7	1,544
Changes during the period											
Net income (loss)					3	3		3			3
Net changes other than shareholders' equity									(3)	(3)	(3)
Total changes					3	3		3	(3)	(3)	(0)
Balance at the end of the period	1,000	1	17	39	487	545	(5)	1,539	4	4	1,543

Notes for fiscal 2014

- 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 2013	Increase in fiscal 2014	Decrease in fiscal 2014	Balance as of the end of fiscal 2014
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

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

5. Dividend per share and total assets per employee

(Yen in millions)

Division	Fiscal Year		
	2012	2013	2014
Dividend per share	-	-	-
Net income (loss) per share	2.14 yen	(41.63 yen)	1.53 yen
Dividend propensity	-	-	-
Net assets per share	821.18 yen	776.66 yen	776.41 yen
Total assets per employee	19,881	22,204	22,073

Notes:

- Net income (loss) per share comes from net income (loss) / term average number of shares
- The number of treasury stock is deducted from producing information per share
- The total assets per employee come from the total assets at the end of the term / number of employees at the end of the term.

② Details of assets and liabilities

1. Deposits

Division	(Yen in millions)			
	Year	As of the end of fiscal 2012	As of the end of fiscal 2013	As of the end of fiscal 2014
Deposits		25,938	23,892	34,119
Ordinary deposits		8,908	3,832	559
Time deposits		17,030	20,060	33,560

2. Average balance and trading amount of commodity securities

Not applicable

3. Balance of securities by category and percentage distribution

Division	(Yen in millions)					
	Year	As of the end of fiscal 2012		As of the end of fiscal 2013		As of the end of fiscal 2014
		Percentage distribution (%)		Percentage distribution (%)		Percentage distribution (%)
Government bonds	328,071	68.8	378,735	72.1	181,570	46.4
Municipal bonds	-	-	-	-	2,891	0.7
Corporate bonds	20,065	4.2	4,904	0.9	62,170	15.9
Stocks	-	-	-	-	-	-
Foreign securities	128,842	27.0	141,522	26.9	144,401	36.9
Other securities	-	-	-	-	-	-
Total	476,979	100.0	525,161	100.0	391,034	100.0

4. Yield on securities held

Division	(%)			
	Fiscal Year	2012	2013	2014
Investment assets yield (income yield)				
Public & corporate bonds		0.53	0.27	0.25
Stocks		-	-	-
Foreign securities		1.91	1.71	1.34
Other securities		-	-	-
Total		0.96	0.66	0.59
Assets management yield (realized yield)				
Public & corporate bonds		0.53	0.30	0.25
Stocks		-	-	-
Foreign securities		1.91	1.71	1.34
Other securities		-	-	-
Total		0.96	0.68	0.59
Market-price based overall yield (for reference)				
Public & corporate bonds		0.51	0.25	0.40
Stocks		-	-	-
Foreign securities		1.59	0.94	1.28
Other securities		-	-	-
Total		0.85	0.44	0.67

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 2013

Division	(Yen in millions)						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	246,622	31,744	50,414	41,312	1,052	7,587	378,735
Municipal bonds	-	-	-	-	-	-	-
Corporate bonds	2,302	2,601	-	-	-	-	4,904
Stocks	-	-	-	-	-	-	-
Foreign securities	31,138	89,794	20,589	-	-	-	141,522
Other securities	-	-	-	-	-	-	-
Total	280,063	124,141	71,004	41,312	1,052	7,587	525,161

As of the end of fiscal 2014

Division	(Yen in millions)						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	48,226	54,312	26,830	37,677	5,839	8,685	181,570
Municipal bonds	2,891	-	-	-	-	-	2,891
Corporate bonds	36,031	26,139	-	-	-	-	62,170
Stocks	-	-	-	-	-	-	-
Foreign securities	26,272	104,917	13,211	-	-	-	144,401
Other securities	-	-	-	-	-	-	-
Total	113,421	185,368	40,041	37,677	5,839	8,685	391,034

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. Credits classified in accordance with debtor classification

Not applicable

11. 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 of March 31, 2015.

12. Tangible fixed assets by category

(Yen in millions)

Division	Year	As of the end of fiscal 2012	As of the end of fiscal 2013	As of the end of fiscal 2014
Land		-	-	-
for underwriting		-	-	-
for investment		-	-	-
Buildings		33	31	28
for underwriting		33	31	28
for investment		-	-	-
Construction in progress		-	-	-
for underwriting		-	-	-
for investment		-	-	-
Total of property		33	31	28
for underwriting		33	31	28
for investment		-	-	-
Leased assets		-	-	-
Other tangible fixed assets		84	52	62
Total		117	84	91

13. Unearned claims paid

Not applicable

14. Special account

Not applicable

15. Underwriting funds

(Yen in millions)

Division	Year	As of the end of fiscal 2012	As of the end of fiscal 2013	As of the end of fiscal 2014
Outstanding claims		4,927	3,579	1,650
Underwriting reserves		461,480	499,274	556,727
Risk reserves		352,830	378,041	417,056
Unearned premium reserves		107,140	119,727	139,671
Repayment reserves		1,509	1,505	-
Total		466,407	502,854	558,377

16. Level of underwriting reserves

There is no target contact.

17. Detailed listing of liability reserves

As of the end of fiscal 2013

(Yen in millions)

Division	Balance as of the end of fiscal 2012	Increase in fiscal 2013	Decrease in fiscal 2013	Balance as of the end of fiscal 2013
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Reserve for retirement benefits	120	19	23	116
Reserve for directors' retirement benefits	14	4	0	18
Reserve for bonus payments	21	20	21	20
Reserve for price fluctuation	5	0	-	5
Total	161	44	45	161

As of the end of fiscal 2014

(Yen in millions)

Division	Balance as of the end of fiscal 2013	Increase in fiscal 2014	Decrease in fiscal 2014	Balance as of the end of fiscal 2014
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Reserve for retirement benefits	116	19	5	130
Reserve for directors' retirement benefits	18	3	0	22
Reserve for bonus payments	20	21	20	21
Reserve for price fluctuation	5	0	-	5
Total	161	45	26	180

18. Detailed listing of shareholders' equity

Please refer to the statement of changes in shareholders' equity on page 46.

③ Income and loss details

1. Gains on sales of securities by category

(Yen in millions)				
Division	Fiscal Year	2012	2013	2014
Government bonds		-	100	-
Foreign securities		-	-	-
Total		-	100	-

2. Losses on sales of securities by category

(Yen in millions)				
Division	Fiscal Year	2012	2013	2014
Government bonds		-	2	-
Foreign securities		0	-	-
Total		0	2	-

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	2012	2013	2014
Land		-	-	-
Buildings		-	-	-
Other tangible fixed assets		0	0	0
Total		0	0	0

6. Business expenses (inclusive of loss adjustment)

(Yen in millions)				
Division	Fiscal Year	2012	2013	2014
Personnel expenses		1,031	496	417
Non personnel expenses		4,881	2,773	2,037
Taxes		252	249	293
Commissions and brokerage fees		38,141	40,411	43,315
Total		44,307	43,931	46,063

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 2013

(Yen in millions)					
Type of asset	Acquisition cost	Depreciation in fiscal 2013	Aggregated depreciations	Balance as the end of fiscal 2013	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	101	2	70	31	68.9
for underwriting	101	2	70	31	68.9
for investment	-	-	-	-	-
Other tangible fixed assets	115	32	62	52	54.1
Total	217	34	132	84	61.1
Intangible fixed assets					
Software	562	100	405	156	72.1
Other intangible fixed assets	1	0	0	1	12.7
Total	563	100	405	158	72.0
Grand total	780	134	538	242	68.9

As of the end of fiscal 2014

(Yen in millions)					
Type of asset	Acquisition cost	Depreciation in fiscal 2014	Aggregated depreciations	Balance as the end of fiscal 2014	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	101	2	72	28	71.6
for underwriting	101	2	72	28	71.6
for investment	-	-	-	-	-
Other tangible fixed assets	151	27	89	62	58.8
Total	253	29	162	91	63.9
Intangible fixed assets					
Software	415	67	249	165	60.1
Other intangible fixed assets	1	-	-	1	0.0
Total	416	67	249	167	59.9
Grand total	670	97	411	258	61.4

4 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 7 on the balance sheet (page 42).

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 2013

(Yen in millions)

Division	Type	Acquisition cost	Book value	Difference
Securities whose carrying amount exceeds their cost	Public & corporate bonds	190,481	192,232	1,750
	Stocks	-	-	-
	Foreign securities	121,335	127,001	5,665
	Others	-	-	-
	Subtotal	311,817	319,233	7,415
Securities whose carrying amount does not exceed their cost	Public & corporate bonds	191,429	191,407	(21)
	Stocks	-	-	-
	Foreign securities	14,561	14,520	(40)
	Others	-	-	-
	Subtotal	205,990	205,928	(62)
Total		517,808	525,161	7,353

At the end of fiscal 2014

(Yen in millions)

Division	Type	Acquisition cost	Book value	Difference
Securities whose carrying amount exceeds their cost	Public & corporate bonds	152,926	155,186	2,259
	Stocks	-	-	-
	Foreign securities	127,162	138,778	11,615
	Others	-	-	-
	Subtotal	280,089	293,964	13,874
Securities whose carrying amount does not exceed their cost	Public & corporate bonds	91,516	91,446	(69)
	Stocks	-	-	-
	Foreign securities	5,780	5,623	(157)
	Others	113,991	113,991	-
	Subtotal	211,288	211,061	(226)
Total		491,378	505,026	13,648

Note:

On the balance sheet, commercial paper treated as monetary receivables bought is included in Other.

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

(Yen in millions)

Type	Fiscal 2013			Fiscal 2014		
	Sales price	Total of gains on sale	Total of losses on sale	Sales price	Total of gains on sale	Total of losses on sale
Total	7,541	100	2	-	-	-

3. Money trust

Not applicable

4. Derivative transactions

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

At the end of fiscal 2013

(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	28,819	-	(564)	(564)
Euro	36,703	-	(1,899)	(1,899)
Total			(2,463)	(2,463)

At the end of fiscal 2014

(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	59,455	-	(5,568)	(5,568)
Euro	28,159	-	1,543	1,543
Total			(4,024)	(4,024)

Notes:

- Currency related derivative transactions other than the above are omitted as there is no applicable item.
- Calculating a market price: Foreign exchange rates using forward exchange rate.

- (ii) Derivative transactions to which hedge accounting is applied
Not applicable

CORPORATE DATA (as of March 31, 2015)

Established:	May 30, 1966
Capital:	1 billion yen
Total assets:	640.1 billion yen
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