

Financial Section

Financial Review

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FINANCIAL REVIEW

Business development, results, etc.

The Japanese economy continued its moderate expansion in fiscal 2018, mainly led by an increase in domestic demand such as consumer spending and capital expenditures, despite a temporary impact from earthquakes, heavy rain and other natural disasters. However, a slowdown in the growth of the world economy that had been the driving force behind the economic recovery in Japan began to exert an influence in the second half of the fiscal year under review, as was seen in a decline in exports and a weak note in industrial production.

Premiums written increased 10.2% compared to the previous fiscal year, reflecting an increase in the number of earthquake insurance contracts, reflecting heightened awareness of earthquake risks. Net claims paid and loss adjustment expenses increased sharply from the previous fiscal year, mainly consisting of payouts for the 2018 Northern Osaka and the 2018 Hokkaido Eastern Iburi Earthquake, which occurred in the fiscal year under review.

Looking at investment, investment income fell from the previous fiscal year, given tough conditions for investment assets under the on-going situation of extremely low interest rates, despite our focus primarily on asset liquidity and safety.

In fiscal 2018, which it positioned as the first year under the fifth medium term business plan, JER worked on 10 management items and generally achieved the targets set for those items. Under this medium-term business plan, we are working on building strong, sustainable earthquake reinsurance systems through early recovery of private-sector reserves.

Meanwhile, in investment, as initiatives for profitability improvement while guaranteeing asset liquidity and safety we will develop medium-term portfolio strategies and apply to investment plans in the next fiscal year and thereafter.

Summary of earthquake insurance results

① Net premiums written and net claims paid

Net premiums written, which is calculated by deducting assumed reinsurance premiums from premiums written, came to 118.6 billion yen (up 22.0% year on year).

In the meantime, net claims paid increased sharply to 124.2 billion yen (up 1,292.5% year on year), reflecting factors including the earthquake centered in the 2018 Northern Osaka and the 2018 Hokkaido Eastern Iburi Earthquake.

② Risk reserves and underwriting reserves

JER added a total of 43.4 billion yen, including net commissions written and held of 43.3 billion yen, which was calculated by deducting assumed reinsurance premiums, etc. from net premiums written, and net investment income of 0.1 billion yen, to its risk reserves.

Moreover, JER implemented a reversal of the risk reserves posted for the past fiscal year for the net claims paid of 124.2 billion yen stated above, damage research expenses of 9.8 billion yen, provision for outstanding claims of 9.8 billion yen and advertising and publicity expenses of 0.3 billion yen. As a result, risk reserves at the end of the fiscal year under review came to 203.0 billion yen (down 33.2% year on year).

Underwriting reserves at the end of the fiscal year under review amounted to 416.7 billion yen (down 15.9% year on year) as a result of the addition of unearned premium reserves to the risk reserves stated above.

③ Risk reserves of direct insurance companies

JER added the balance of net premiums written of 3.0 billion yen 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 30.6 billion yen (down 35.8% year on year) after reversal of the risk reserves posted for the past fiscal year, amounting to 20.1 billion yen in total, for claims paid, investment loss and advertising and publicity expenses.

Outline of investment

In investment, JER manages assets with top priority placed on liquidity and safety followed by profitability, in accordance with its investment policy.

As a result, total assets amounted to 468.4 billion yen (down 14.7% year on year), due to insurance claims payouts, etc. arising from the earthquakes occurred during the fiscal year under review. Major items in JER's portfolio included cash and deposits of 211.8 billion yen and securities of 228.2 billion yen.

In terms of profit and loss, amid a continued severe environment for investment, interest and dividend income came to 1.1 billion yen and foreign exchange gain amounted to 1.1 billion yen. Investment income, including gains on sales of securities, was 2.2 billion yen. Meanwhile, derivatives expenses amounted to 1.8 billion yen, and investment expenses, including loss on sales of securities, came to 1.8 billion yen.

JER hedges foreign exchange risks in almost all its purchases of bonds denominated in foreign currencies so that foreign exchange hedging costs are the differences between foreign exchange gains (losses) and derivatives gains (losses).

Profit and loss for the fiscal year under review

Net income for the fiscal year under review came to 1 million yen, as a result of adding and subtracting other items to and from interest and dividend income and subtracting income taxes and residential taxes.

INDICATORS SHOWING THE MAIN RESULTS OVER THE LAST FIVE FISCAL YEARS

Division	Fiscal Year				
	2014	2015	2016	2017	2018
Net premiums written	108,994	121,986	114,114	97,302	118,679
Percentage change over the previous term	18.2%	11.9%	(6.5%)	(14.7%)	22.0%
Net claims paid	9,563	5,589	220,905	8,924	124,276
Percentage change over the previous term	(36.3%)	(41.6%)	3,852.3%	(96.0%)	1,292.5%
Ordinary income	119,822	129,107	289,485	101,288	199,942
Percentage change over the previous term	14.4%	7.7%	124.2%	(65.0%)	97.4%
Ordinary expenses	119,818	129,107	289,487	101,290	199,940
Percentage change over the previous term	14.6%	7.8%	124.2%	(65.0%)	97.4%
Ordinary profit (loss)	3	0	(1)	(1)	1
Percentage change over the previous term	(98.2%)	(98.4%)	(3,537.5%)	-	-
Net income (loss)	3	(0)	1	(0)	1
Percentage change over the previous term	-	(115.6%)	-	(159.8%)	-
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	1,543	1,542	1,542	1,540	1,543
Total assets	640,137	709,408	511,297	549,220	468,425
Underwriting reserves	556,727	627,345	456,745	495,634	416,700
Percentage change over the previous term	11.5%	12.7%	(27.2%)	8.5%	(15.9%)
Of the balance, risk reserves	417,056	464,584	278,846	303,954	203,074
Percentage change over the previous term	10.3%	11.4%	(40.0%)	9.0%	(33.2%)
Loans	-	-	-	-	-
Percentage change over the previous term	-	-	-	-	-
Securities	391,034	401,751	234,580	200,239	228,248
Percentage change over the previous term	(25.5%)	2.7%	(41.6%)	(14.6%)	14.0%
Non-consolidated solvency-margin ratio	354.5%	392.1%	299.1%	379.6%	297.6%
Dividend propensity	-	-	-	-	-
No. of employees	29	28	26	28	29

Note:

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 34.

SUMMARY OF OPERATIONS

1 Indicators relating to insurance underwriting

1. Net premiums written

Division	Fiscal Year		
	2016	2017	2018
Premiums written	247,441	261,556	288,859
Return premiums	4,342	4,316	5,325
Assumed net premiums written (A)	243,099	257,239	283,534
Reinsurance premiums ceded (B)	128,984	159,937	164,855
Net premiums written (A - B)	114,114	97,302	118,679

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.

Item: earthquake

2. Rate of premiums written by domestic and overseas contracts

Division	Fiscal Year		
	2016	2017	2018
Domestic contract	100%	100%	100%

3. Net claims paid

Division	Fiscal Year		
	2016	2017	2018
Assumed net claims paid (A)	388,527	14,786	156,521
Reinsurance claims recovered (B)	167,622	5,861	32,245
Net claims paid (A - B)	220,905	8,924	124,276

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	2016	2017	2018
Net loss ratio		206.0%	11.4%	113.0%
Underwriting expenses		47,409	49,481	53,750
Insurance related operating, general and administrative expenses		734	1,054	1,075
Commissions and brokerage fees		46,675	48,426	52,675
Net expense ratio		41.5%	50.9%	45.3%
Combined ratio		247.5%	62.3%	158.3%

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	2016	2017	2018
Underwriting income		284,934	99,430	197,716
Underwriting expenses		284,200	98,375	196,641
Operating, general and administrative expenses		734	1,054	1,075
Other income and expenses		-	-	-
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	2016	2017	2018
No. of reinsurers that ceded insurance contracts		11	9	9
Rate of top five reinsurers' ceded insurance premiums		89.8%	90.4%	90.5%

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

JER is the only company in Japan that specializes in reinsurance for earthquake insurance. JER attaches top priority to the guarantee of liquidity and safety in earthquake reinsurance payouts because the time and scale of an earthquake are unpredictable, and the liquidation of all investment assets is possible. In investment, JER is striving to maintain and strengthen its capacity for earthquake reinsurance payouts through the guarantee of funds for payments and the expansion of risk reserves.

2. Total assets and investments assets

Division	Year	As of the end of fiscal 2016		As of the end of fiscal 2017		As of the end of fiscal 2018	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Deposits		260,534	51.0	333,194	60.7	211,842	45.2
Call loans		1,040	0.2	90	0.0	141	0.0
Monetary receivables bought		-	-	-	-	9,999	2.1
Money trusts		-	-	-	-	-	-
Securities		234,580	45.9	200,239	36.5	228,248	48.7
Buildings		25	0.0	24	0.0	23	0.0
Total of investments assets		496,181	97.0	533,548	97.1	450,255	96.1
Total assets		511,297	100.0	549,220	100.0	468,425	100.0

4. Asset management yield (realized yield)

Division	Fiscal Year	2016			2017			2018		
		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		7	233,671	0.00	5	300,366	0.00	5	271,529	0.00
Call loans		0	1,471	0.00	0	388	0.00	0	125	0.00
Monetary receivables bought		3	20,157	0.02	-	-	-	0	7,628	0.00
Money trusts		-	-	-	-	-	-	-	-	-
Securities		1,419	294,061	0.48	1,216	215,283	0.57	1,167	217,013	0.54
Public and corporate bonds		662	251,126	0.26	556	179,425	0.31	491	185,171	0.27
Stocks		-	-	-	-	-	-	-	-	-
Foreign securities		757	42,934	1.76	659	35,857	1.84	676	31,842	2.12
Other securities		-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-
Buildings		-	27	-	-	25	-	-	24	-
Derivatives		3,329	-	-	929	-	-	(1,863)	-	-
Others		(3,791)	-	-	(1,404)	-	-	1,116	-	-
Total		968	549,390	0.18	747	516,064	0.14	426	496,322	0.09

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.

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

Division	Fiscal Year	2016		2017		2018	
		Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Deposits		7	0.00	5	0.00	5	0.00
Call loans		0	0.00	0	0.00	0	0.00
Monetary receivables bought		3	0.02	-	-	0	0.00
Money trusts		-	-	-	-	-	-
Securities		1,283	0.44	1,176	0.55	1,101	0.51
Buildings		-	-	-	-	-	-
Total		1,294	0.24	1,181	0.23	1,107	0.22

Note:

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

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

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

(Yen in millions)

Division	Fiscal Year	2016			2017			2018		
		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		7	233,671	0.00	5	300,366	0.00	5	271,529	0.00
Call loans		0	1,471	0.00	0	388	0.00	0	125	0.00
Monetary receivables bought		3	20,157	0.02	-	-	-	0	7,628	0.00
Money trusts		-	-	-	-	-	-	-	-	-
Securities		212	297,783	0.07	(71)	217,797	(0.03)	1,656	218,239	0.76
Public and corporate bonds		(227)	254,512	(0.09)	(63)	181,922	(0.04)	489	187,047	0.26
Stocks		-	-	-	-	-	-	-	-	-
Foreign securities		439	43,270	1.01	(7)	35,874	(0.02)	1,166	31,192	3.74
Other securities		-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-
Buildings		-	27	-	-	25	-	-	24	-
Derivatives		3,329	-	-	929	-	-	(1,863)	-	-
Others		(3,791)	-	-	(1,404)	-	-	1,116	-	-
Total		(239)	553,111	(0.04)	(540)	518,578	(0.10)	914	497,548	0.18

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 2016		As of the end of fiscal 2017		As of the end of fiscal 2018	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Foreign currency denominated							
Foreign public and corporate bonds		14,910	56.4	24,361	70.0	28,903	85.5
Yen denominated							
Foreign public and corporate bonds		11,525	43.6	10,460	30.0	4,915	14.5
Total		26,435	100.0	34,822	100.0	33,818	100.0
Yield on foreign loans & investments							
Investment assets yield (income yield)			1.45%		1.88%		2.17%
Assets management yield (realized yield)			1.76%		1.84%		2.12%
Market-price based overall yield (for reference)			1.01%		(0.02%)		3.74%

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)

(Yen in millions)

Division	Year	As of the end of fiscal 2017	As of the end of fiscal 2018
Total amount of non-consolidated solvency-margin		306,691	203,899
Common stock, etc.		1,539	1,541
Price fluctuation reserves		1	1
Risk reserves		-	-
Catastrophe reserves		303,954	203,074
Reserves for ordinary bad debts		-	-
Unrealized gain/loss on available-for-sale securities / Deferred gain/loss on hedges		1,195	1,532
(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		-	2,250
Others		-	-
Total amount of non-consolidated risk $\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$		161,550	137,011
General underwriting risk (R1)		-	-
Underwriting risk in third-area insurance (R2)		-	-
(B) Anticipated rate of return risk (R3)		-	-
Investment risk (R4)		7,482	6,924
Management risk (R5)		3,167	2,686
Catastrophe risk (R6)		150,900	127,400
(C) Non-consolidated solvency-margin ratio $\frac{(A)}{[(B) \times 1 / 2]} \times 100$		379.6%	297.6%

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	2017 (As of March 31, 2018)
Cash and deposits	333,194	211,842
Deposits	333,194	211,842
Call loans	90	141
Monetary receivables bought	-	9,999
Securities	200,239	228,248
Government bonds	62,581	52,578
Municipal bonds	20,051	13,416
Corporate bonds	82,784	128,435
Foreign securities	34,822	33,818
Tangible fixed assets	125	90
Buildings	24	23
Other tangible fixed assets	101	66
Intangible fixed assets	261	209
Software	259	208
Other intangible fixed assets	1	1
Other assets	15,309	17,892
Reinsurance accounts receivable	14,234	17,408
Accounts receivable	0	3
Uncollected income	309	280
Deposits	46	46
Suspense payments	2	1
Derivatives	715	152
Total assets	549,220	468,425

(LIABILITIES)

Item	(Yen in millions)	
	Fiscal Year	2017 (As of March 31, 2018)
Underwriting funds	497,407	428,289
Outstanding claims	1,773	11,589
Underwriting reserves	495,634	416,700
Entrusted reserves	37,499	23,759
Other liabilities	11,360	12,928
Reinsurance accounts payable	11,180	11,903
Income taxes payable	109	189
Deposits payable	5	5
Accrued amounts payable	61	666
Derivatives	3	163
Reserve for retirement benefits	154	152
Reserve for directors' retirement benefits	9	13
Reserve for bonus payments	21	23
Reserves under the special law	1	1
Reserve for price fluctuation	1	1
Net unrealized gains on available-for-sale securities of earthquake insurance	1,225	1,711
Deferred tax liabilities	0	0
Total liabilities	547,680	446,881

(NET ASSETS)

Item	(Yen in millions)	
	Fiscal Year	2017 (As of March 31, 2018)
Common stock	1,000	1,000
Retained earnings	545	546
Legal reserve of retained earnings	1	1
Other legal reserve of retained earnings	544	545
Special reserves	17	17
Special price fluctuation reserves	39	39
Retained earnings carried forward	487	489
Treasury Stock	(5)	(5)
Total shareholders' equity	1,539	1,541
Net unrealized gains on available-for-sale securities	0	1
Total valuation and translation adjustments	0	1
Total net assets	1,540	1,543
Total liabilities and net assets	549,220	468,425

Notes for fiscal 2018

1. Matters relating to accounting policies are as follows.

- (1) Appraisal standards and method of securities and method of indication are as follows.
 - (i) Of available-for-sale securities, those to which the market price is applicable is appraised according to the market price at term end.
 - (ii) 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.
- (2) The appraisal of derivatives is done on the basis of market price.
- (3) Although depreciation of tangible fixed assets is calculated using the declining balance method, buildings (excluding equipment attached to buildings) that were acquired on or after April 1, 1998 and equipment attached to buildings and structures that were acquired on or after April 1, 2016 were depreciated using the straight-line method.

- (4) 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).
- (5) The conversion of foreign currency assets and liabilities into Japanese currency is processed according to the accounting standards for foreign currency transactions.
- (6) 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.
- (7) For employees' retirement and severance benefits, reserve for retirement benefits 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.
- (8) 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.
- (9) 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.
- (10) To prepare for a loss from price changes of shares and others, reserve for price fluctuation is appropriated according to Article 115, Insurance Business Law.

2. 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 and short-term financial instruments 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, 2019.

(Yen in millions)

	Balance sheet amount	Fair value	Difference
(i) Cash and deposits	211,842	211,842	-
(ii) Call loans	141	141	-
(iii) Monetary receivables bought	9,999	9,999	-
(iv) Securities			
Available-for-sale securities	228,248	228,248	-
Total assets	450,232	450,232	-
(v) Derivatives* to which hedge accounting is not applied	(11)	(11)	-
Derivatives total	(11)	(11)	-

*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.

3. Taxes are included when preparing accounts for consumption tax and other items.
4. 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.
5. The accumulated depreciation of tangible fixed assets is 147 million yen.
6. See below for a breakdown of outstanding claims.

(Yen in millions)	
Outstanding claims (before the deduction of outstanding reinsurance claims)	14,950
Outstanding reinsurance claims related to the above claims	3,361
Net outstanding claims	11,589

7. Total deferred tax assets amount to 533 million yen, while total deferred tax liabilities come to 0 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 426 million yen, a reserve for retirement benefits of 42 million yen, unpaid business taxes of 37 million yen and unpaid special local corporate tax of 15 million yen. Deferred tax liabilities resulted mainly from unrealized gains on securities of 0 million yen.
8. No event that could have a material impact on assets or profits or losses in or after the next fiscal year has arisen since the last day of the fiscal year under review.
9. Net assets per share are 776.01 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.
10. Each amount is rounded down to the nearest whole unit.

2. Statements of income

Item	(Yen in millions)	
	Fiscal Year	2017 (from April 1, 2017 to March 31, 2018)
	Amount	Amount
Ordinary income	101,288	199,942
Underwriting income	99,430	197,716
Net premiums written	97,302	118,679
Investment income on savings premiums	319	103
Reversal of outstanding claims	1,808	-
Reversal of policy reserve	-	78,933
Investment income	1,858	2,212
Interest and dividend income	1,181	1,107
Gains on sales of securities	63	80
Gains on derivatives	929	-
Foreign exchange gains	-	1,124
Other investment income	3	3
Transfer of investment income on savings premiums	(319)	(103)
Other ordinary income	0	13
Ordinary expenses	101,290	199,940
Underwriting expenses	98,375	196,641
Net claims paid	8,924	124,276
Loss adjustment expenses	2,135	9,874
Commissions and brokerage fees	48,426	52,675
Provision of outstanding claims	-	9,815
Provision of underwriting reserves	38,888	-
Investment expenses	1,429	1,890
Loss on sales of securities	22	14
Losses on derivatives	-	1,863
Foreign exchange losses	1,386	-
Other investment expenses	20	12
Operating, general and administrative expenses	1,413	1,409
Other ordinary expenses	71	-
Interest paid	71	-
Ordinary profit (loss)	(1)	1
Extraordinary income	1	-
Reversal of reserve for price fluctuation	1	-
Extraordinary losses	-	0
Provision of price fluctuation reserves	-	0
Net income (loss) before income taxes	(0)	1
Income taxes	0	0
Total income taxes	0	0
Net income (loss)	(0)	1

Notes for fiscal 2018

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

	(Yen in millions)
Premiums written:	283,534
Reinsurance premiums ceded:	164,855
Net premiums written:	118,679

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

	(Yen in millions)
Claims paid:	156,521
Reinsurance claims recovered:	32,245
Net claims paid:	124,276

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)	12,068
Provision of outstanding reinsurance claims related to the above claims	2,252
Net provision of outstanding claims	9,815

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

	(Yen in millions)
Deposits:	5
Call loans:	0
Monetary receivables bought:	0
Securities:	1,101
Total:	1,107

5. Paper profit/loss involved in the gains on derivatives is a loss of 11 million yen.

6. Net income per share is 0.79 yen.

The basis for this calculation is such that net income is 1 million yen, net income accrued from common stocks is 1 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 28.00%, and the corporate tax burden after applying the tax effect is 15.52%. The difference is explained by the following breakdown: valuation reserve 4,906.97%, the amount of the write-off carried from publicity expenses related to risk reserves (4,952.16%).

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

3. Statements of cash flow

Item	(Yen in millions)	
	Fiscal Year	2017 (from April 1, 2017 to March 31, 2018)
	Amount	Amount
Cash flow from operating activities		
Net income before income taxes	(0)	1
Depreciation	115	115
Increase (decrease) in outstanding claims	(1,808)	9,815
Increase (decrease) in underwriting reserves	38,888	(78,933)
Increase (decrease) in entrusted reserves	1,396	(13,740)
Increase (decrease) in reserve for retirement benefits	2	(1)
Increase (decrease) in reserve for directors' retirement benefits	4	4
Increase (decrease) in reserve for bonus payments	(0)	1
Increase (decrease) in reserve for price fluctuation	(1)	0
Interest and dividend income	(1,181)	(1,107)
Losses (gains) on investment in securities	(40)	(66)
Foreign exchange losses (gains)	1,904	(1,110)
Decrease (increase) in other assets (other than investment and financial activities related)	244	(3,176)
Increase (decrease) in other liabilities (other than investment and financial activities related)	1,205	1,327
Others	(1,110)	803
Subtotal	39,620	(86,065)
Interest and dividends received	1,654	1,645
Income taxes paid	(0)	(0)
Net cash provided by operating activities	41,274	(84,419)
Cash flow from investing activities		
Net decrease (increase) in cash and deposits	-	(19,999)
Proceeds from sales and redemption of monetary receivables bought	-	9,999
Purchase of securities	(112,994)	(73,760)
Proceeds from sales and redemption of securities	143,662	46,907
Total investment assets activities	30,667	(36,852)
Total operating activities and investment assets activities	71,941	(121,272)
Acquisition of tangible fixed assets	(117)	-
Others	(114)	(28)
Net cash provided by investing activities	30,435	(36,880)
Cash flow in financing activities		
Effect of exchange rate changes on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	71,709	(121,300)
Cash and cash equivalents at the beginning of the year	247,574	319,284
Cash and cash equivalents at the end of the year	319,284	197,983

Notes for fiscal 2018

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, 2018)	(As of March 31, 2019)
Cash and deposits	333,194	211,842
Call loans	90	141
Monetary receivables bought	-	9,999
Securities	200,239	228,248
Deposits of a depository period over three months	(14,000)	(14,000)
Monetary receivables bought other than cash equivalents	-	(9,999)
Securities other than cash equivalent	(200,239)	(228,248)
Cash and cash equivalents	319,284	197,983

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 2017 (from April 1, 2017 to March 31, 2018)

(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		Retained earnings carried forward						
			Special reserves	Special price fluctuation reserves							
Balance at the beginning of the period	1,000	1	17	39	488	546	(5)	1,540	2	2	1,542
Changes during the period											
Net income (loss)					(0)	(0)		(0)			(0)
Net changes other than shareholders' equity									(1)	(1)	(1)
Total changes					(0)	(0)		(0)	(1)	(1)	(2)
Balance at the end of the period	1,000	1	17	39	487	545	(5)	1,539	0	0	1,540

Fiscal 2018 (from April 1, 2018 to March 31, 2019)

(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		Retained earnings carried forward						
			Special reserves	Special price fluctuation reserves							
Balance at the beginning of the period	1,000	1	17	39	487	545	(5)	1,539	0	0	1,540
Changes during the period											
Net income (loss)					1	1		1			1
Net changes other than shareholders' equity									1	1	1
Total changes					1	1		1	1	1	2
Balance at the end of the period	1,000	1	17	39	489	546	(5)	1,541	1	1	1,543

Notes for fiscal 2018

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

		(Stock)			
		Balance as of the end of fiscal 2017	Increase in fiscal 2018	Decrease in fiscal 2018	Balance as of the end of fiscal 2018
Issued stock	Ordinary stock	2,000,000	-	-	2,000,000
	Total	2,000,000	-	-	2,000,000
Treasury stock	Ordinary stock	11,400	-	-	11,400
	Total	11,400	-	-	11,400

2. 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		
	2016	2017	2018
Dividend per share	-	-	-
Net income (loss) per share	0.57 yen	(0.34 yen)	0.79 yen
Dividend propensity	-	-	-
Net assets per share	775.67 yen	774.54 yen	776.01 yen
Total assets per employee	19,665	19,615	16,152

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

(Yen in millions)

Division	Year	As of the end of fiscal 2016	As of the end of fiscal 2017	As of the end of fiscal 2018
Deposits		260,534	333,194	211,842
Ordinary deposits		236,504	309,164	187,812
Time deposits		24,030	24,030	24,030

2. Average balance and trading amount of commodity securities

Not applicable

3. Balance of securities by category and percentage distribution

(Yen in millions)

Division	Year	As of the end of fiscal 2016		As of the end of fiscal 2017		As of the end of fiscal 2018	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Government bonds		91,419	39.0	62,581	31.3	52,578	23.0
Municipal bonds		24,257	10.3	20,051	10.0	13,416	5.9
Corporate bonds		92,467	39.4	82,784	41.3	128,435	56.3
Stocks		-	-	-	-	-	-
Foreign securities		26,435	11.3	34,822	17.4	33,818	14.8
Other securities		-	-	-	-	-	-
Total		234,580	100.0	200,239	100.0	228,248	100.0

4. Yield on securities held

(%)

Division	Fiscal Year		
	2016	2017	2018
Investment assets yield (income yield)			
Public & corporate bonds	0.26	0.28	0.22
Stocks	-	-	-
Foreign securities	1.45	1.88	2.17
Other securities	-	-	-
Total	0.44	0.55	0.51
Assets management yield (realized yield)			
Public & corporate bonds	0.26	0.31	0.27
Stocks	-	-	-
Foreign securities	1.76	1.84	2.12
Other securities	-	-	-
Total	0.48	0.57	0.54
Market-price based overall yield (for reference)			
Public & corporate bonds	(0.09)	(0.04)	0.26
Stocks	-	-	-
Foreign securities	1.01	(0.02)	3.74
Other securities	-	-	-
Total	0.07	(0.03)	0.76

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 2017

(Yen in millions)

Division	Up to 1 year	1 over up to 3 years	3 over up to 5 years	5 over up to 7 years	7 over up to 10 years	Over 10 years	Total
Government bonds	4,148	37,106	12,069	-	-	9,256	62,581
Municipal bonds	8,834	6,960	2,327	1,928	-	-	20,051
Corporate bonds	12,455	57,829	10,642	1,856	-	-	82,784
Stocks	-	-	-	-	-	-	-
Foreign securities	9,858	17,615	7,348	-	-	-	34,822
Other securities	-	-	-	-	-	-	-
Total	35,297	119,512	32,388	3,785	-	9,256	200,239

As of the end of fiscal 2018

(Yen in millions)

Division	Up to 1 year	1 over up to 3 years	3 over up to 5 years	5 over up to 7 years	7 over up to 10 years	Over 10 years	Total
Government bonds	8,919	29,706	4,749	-	-	9,204	52,578
Municipal bonds	3,975	6,139	2,500	330	202	267	13,416
Corporate bonds	37,575	57,020	22,250	2,261	6,095	3,231	128,435
Stocks	-	-	-	-	-	-	-
Foreign securities	6,276	26,137	1,405	-	-	-	33,818
Other securities	-	-	-	-	-	-	-
Total	56,747	119,003	30,905	2,591	6,297	12,702	228,248

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, 2019.

12. Tangible fixed assets by category

(Yen in millions)

Division	Year	As of the end of fiscal 2016	As of the end of fiscal 2017	As of the end of fiscal 2018
Land		-	-	-
for underwriting		-	-	-
for investment		-	-	-
Buildings		25	24	23
for underwriting		25	24	23
for investment		-	-	-
Construction in progress		-	-	-
for underwriting		-	-	-
for investment		-	-	-
Total of property		25	24	23
for underwriting		25	24	23
for investment		-	-	-
Leased assets		-	-	-
Other tangible fixed assets		17	101	66
Total		43	125	90

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 2016	As of the end of fiscal 2017	As of the end of fiscal 2018
Outstanding claims		3,581	1,773	11,589
Underwriting reserves		456,745	495,634	416,700
Risk reserves		278,846	303,954	203,074
Unearned premium reserves		177,899	191,679	213,625
Total		460,327	497,407	428,289

16. Level of underwriting reserves

There is no target contact.

17. Detailed listing of liability reserves

As of the end of fiscal 2017

(Yen in millions)

Division	Balance as of the end of fiscal 2016	Increase in fiscal 2017	Decrease in fiscal 2017	Balance as of the end of fiscal 2017
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Reserve for retirement benefits	151	14	12	154
Reserve for directors' retirement benefits	5	4	-	9
Reserve for bonus payments	22	21	22	21
Reserve for price fluctuation	2	-	1	1
Total	182	40	36	186

As of the end of fiscal 2018

(Yen in millions)

Division	Balance as of the end of fiscal 2017	Increase in fiscal 2018	Decrease in fiscal 2018	Balance as of the end of fiscal 2018
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Reserve for retirement benefits	154	15	17	152
Reserve for directors' retirement benefits	9	4	-	13
Reserve for bonus payments	21	23	21	23
Reserve for price fluctuation	1	0	-	1
Total	186	43	39	191

18. Detailed listing of shareholders' equity

Please refer to the statement of changes in shareholders' equity on page 40.

③ Income and loss details

1. Gains on sales of securities by category

(Yen in millions)				
Division	Fiscal Year	2016	2017	2018
Government bonds		2	63	80
Foreign securities		144	–	–
Total		147	63	80

2. Losses on sales of securities by category

(Yen in millions)				
Division	Fiscal Year	2016	2017	2018
Government bonds		–	8	1
Foreign securities		10	13	13
Total		10	22	14

3. Losses on valuation of securities

Not applicable

4. Gains on disposal of fixed assets

Not applicable

5. Losses on disposal of fixed assets

Not applicable

6. Business expenses (inclusive of loss adjustment)

(Yen in millions)				
Division	Fiscal Year	2016	2017	2018
Personnel expenses		3,311	651	2,496
Non personnel expenses		11,914	2,633	8,463
Taxes		310	264	323
Commissions and brokerage fees		46,675	48,426	52,675
Total		62,211	51,976	63,958

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 2017

(Yen in millions)					
Type of asset	Acquisition cost	Depreciation in fiscal 2017	Aggregated depreciations	Balance as the end of fiscal 2017	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	85	1	61	24	71.4
for underwriting	85	1	61	24	71.4
for investment	–	–	–	–	–
Other tangible fixed assets	153	33	52	101	34.1
Total	239	34	113	125	47.4
Intangible fixed assets					
Software	504	81	244	259	48.5
Other intangible fixed assets	1	–	–	1	–
Total	505	81	244	261	48.3
Grand total	745	115	358	387	48.0

As of the end of fiscal 2018

(Yen in millions)					
Type of asset	Acquisition cost	Depreciation in fiscal 2018	Aggregated depreciations	Balance as the end of fiscal 2018	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	85	1	62	23	72.9
for underwriting	85	1	62	23	72.9
for investment	–	–	–	–	–
Other tangible fixed assets	151	34	85	66	56.1
Total	237	35	147	90	62.1
Intangible fixed assets					
Software	424	79	216	208	51.0
Other intangible fixed assets	1	–	–	1	–
Total	426	79	216	209	50.8
Grand total	664	115	364	299	54.9

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 2 on the balance sheet (page 36).

2. Securities

(i) Securities held for trading purposes

Not applicable

(ii) Securities to be held to maturity

Not applicable

(iii) Available-for-sale securities

As of the end of fiscal 2017

(Yen in millions)

Division	Type	Acquisition cost	Book value	Difference
Securities whose carrying amount exceeds their cost	Public & corporate bonds	82,837	84,766	1,928
	Stocks	-	-	-
	Foreign securities	500	502	2
	Others	-	-	-
	Subtotal	83,337	85,268	1,931
Securities whose carrying amount does not exceed their cost	Public & corporate bonds	80,703	80,650	(53)
	Stocks	-	-	-
	Foreign securities	36,214	34,320	(1,894)
	Others	-	-	-
	Subtotal	116,918	114,971	(1,947)
Total		200,256	200,239	(16)

As of the end of fiscal 2018

(Yen in millions)

Division	Type	Acquisition cost	Book value	Difference
Securities whose carrying amount exceeds their cost	Public & corporate bonds	112,434	114,323	1,888
	Stocks	-	-	-
	Foreign securities	11,713	11,794	80
	Others	-	-	-
	Subtotal	124,148	126,117	1,969
Securities whose carrying amount does not exceed their cost	Public & corporate bonds	80,120	80,106	(14)
	Stocks	-	-	-
	Foreign securities	22,397	22,024	(372)
	Others	-	-	-
	Subtotal	102,517	102,130	(387)
Total		226,666	228,248	1,582

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

(Yen in millions)

Type	Fiscal 2017			Fiscal 2018		
	Sales price	Total of gains on sale	Total of losses on sale	Sales price	Total of gains on sale	Total of losses on sale
Public & corporate bonds	26,029	63	8	15,044	80	1
Stocks	-	-	-	-	-	-
Foreign securities	2,322	-	13	603	-	13
Others	-	-	-	-	-	-
Total	28,352	63	22	15,647	80	14

3. Money trust

Not applicable

4. Derivative transactions

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

Currency related

As of the end of fiscal 2017

(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	25,414	-	711	711
Total			711	711

As of the end of fiscal 2018

(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	28,292	-	(11)	(11)
Euro	623	-	(0)	(0)
Total			(11)	(11)

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 provided by banks.

(ii) Derivative transactions to which hedge accounting is applied

Not applicable