

Financial Section

Financial Review

Indicators Showing the Main Results over the Last Five Fiscal Years

Indicators Showing Results for the Last Three Fiscal Years

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FINANCIAL REVIEW

The number of earthquake insurance contracts increased as in the previous year, backed by factors such as a higher level of interest in earthquake insurance, while premiums written declined reflecting the effect of lowering the premium rate. In the meantime, the number and amount of earthquake insurance payouts rose compared with the previous year due to insurance payouts for the Niigata Chuetsu offshore earthquake and other earthquakes.

Profits from investments declined from the previous year in the difficult operating environment where medium- and long-term interest rates continued to fall in Japan, and the yen appreciated sharply against the dollar in the second half.

Business expenses remained nearly flat from the previous year's level as a result of our efforts to achieve efficient business operations and reduce costs.

(1) Outline of earthquake insurance results

a. Premiums written and insurance claims paid

Earthquake insurance premiums registered a decrease in the current fiscal year as in the previous year, resulting in net premiums written of 64 billion yen.

Earthquake insurance claims paid amounted to 12.3 billion yen, reflecting the fact that the Niigata Chuetsu offshore earthquake and the Noto Peninsula earthquake occurred in 2007.

b. Underwriting reserves

Risk reserves added amounted to 32.6 billion yen, the total of net premiums written was 30.7 billion yen, given by deducting assumed insurance commissions from net premiums written, and there was a profit of 1.9 billion yen from investments.

Risk reserves at the end of the current term amounted to 433.8 billion yen, reflecting the drawing of 11.2 billion yen from risk reserves in the past year following the payment of ongoing insurance claims, an increase in outstanding claims, as well as advertising and publicity expenses.

Underwriting reserves at the end of the current term amounted to 515.5 billion yen after adding unearned premium reserves and refunded reserves to the risk reserves.

c. Entrusted reserves

Designated entrusted reserves from the earthquake insurance account were 423.9 billion yen for the year, obtained by adding net premiums written and profit from investments of 23.1 billion yen, and drawing advertising / publicity expenses of 500 million yen.

(2) Outline of investments

Although medium- and long-term interest rates rose in June 2007, reflecting the prospect of a policy interest

rate hike by the Bank of Japan, the interest rate level at the end of the current fiscal year was much lower than it was at the end of the previous year. This mainly reflects the emergence of uncertainty over the global economy and the prospect of the BOJ postponing an additional rate hike based on the fact that overseas financial markets became temporarily dysfunctional after August. This was attributable to the subprime mortgage crisis in the United States and the subsequent credit crunch.

In the first half, the yen remained weak in the foreign exchange market owing to the interest rate differential between Japan and overseas markets. At the end of the current fiscal year, however, the exchange rate of the yen against the dollar was 15% higher than it was a year ago, reflecting the financial instability triggered by the subprime mortgage crisis. The exchange rate for the euro was unchanged from the level at the end of the previous year.

In this environment, we refrained from investing in securitized products related to the subprime mortgage and instead invested in assets with the highest priority placed on soundness, followed by profitability. As a result, profits before tax from investments declined 2.5 billion yen from the previous year to 1.9 billion yen in the business account, and they fell 2 billion yen to 2 billion yen in the entrusted reserves account, primarily due to the effect of the stronger yen against the dollar in foreign currency denominated bond investments. Consequently, investment assets at the end of the current fiscal year were 940.8 billion yen.

(3) Current profit and loss

Net income amounted to 4 million yen after calculating interest, dividend income and corporate taxes.

INDICATORS SHOWING THE MAIN RESULTS OVER THE LAST FIVE FISCAL YEARS

(Unit: Million yen)

Division	Fiscal Year	2003	2004	2005	2006	2007
Net premiums written (percentage change over the previous term)		50,896 (7.0%)	58,198 (14.3%)	71,132 (22.2%)	67,981 (△4.4%)	64,040 (△5.8%)
Ordinary incomes (percentage change over the previous term)		66,352 (13.5%)	71,856 (8.3%)	107,868 (50.1%)	90,373 (△16.2%)	81,290 (△10.1%)
Ordinary expenses (percentage change over the previous term)		66,167 (13.8%)	71,758 (8.4%)	107,845 (50.3%)	90,229 (△16.3%)	81,273 (△9.9%)
Ordinary profit (percentage change over the previous term)		184 (△39.3%)	98 (△46.7%)	23 (△76.4%)	143 (521.1%)	16 (△88.5%)
Net income (percentage change over the previous term)		17 (74.2%)	10 (△40.5%)	36 (243.6%)	△16 (△146.4%)	4 (-)
Common stock (sum of shares issued)		1,000 (2 mil. shares)				
Net assets		1,579	1,587	1,605	1,600	1,614
Total assets		761,594	804,333	838,555	908,963	955,968
Underwriting reserves (percentage change over the previous term)		412,968 (5.5%)	415,802 (0.7%)	450,892 (8.4%)	490,901 (8.9%)	515,586 (5.0%)
(of the balance, risk reserve balance) (percentage change over the previous term)		359,772 (5.3%)	355,813 (△1.1%)	378,731 (6.4%)	412,364 (8.9%)	433,841 (5.2%)
Loans (percentage change over the previous term)		- (-)	- (-)	- (-)	- (-)	- (-)
Securities (percentage change over the previous term)		682,285 (4.6%)	734,046 (7.6%)	771,383 (5.1%)	851,739 (10.4%)	895,513 (5.1%)
Solvency-margin ratio		184.3%	182.2%	160.2%	175.3%	185.4%
Dividend propensity		-%	-%	-%	-%	-%
No. of employees		17	18	21	21	24

Note:

Order to specify divisions, provided for in Section 2, Article 132, Insurance Business Law, our solvency-margin ratio is not supposed to be used as a criterion to enable the administrative authorities to trigger an order for improvement.

We conduct no trust business.

INDICATORS SHOWING RESULTS FOR THE LAST THREE FISCAL YEARS

① Indicators showing the main business results

1. Net premiums written

Item: earthquake

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Premiums written		143,493	142,841	142,811
Return premiums		1,440	1,760	3,349
Assumed net premiums written (A)		139,621	139,172	138,086
Reinsurance premiums ceded (B)		68,488	71,190	74,045
Net premiums written (A-B)		71,132	67,981	64,040

Note:

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

2. Underwriting profit

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Underwriting incomes		91,001	72,451	67,320
Underwriting expenses		90,580	71,804	66,860
Operating and general administrative expenses		421	521	459
Other incomes and expenses		-	△126	-
Underwriting profit		-	-	-

Note:

- 1: The above operating, general and administrative expenses are those relating to the underwriting of insurances mentioned in the operating, general and administrative expenses in a statement of profits and losses.
- 2: Other incomes and expenses are those equivalent to corporate taxes mentioned in a statement of earthquake insurance profits and losses.

3. Net claims paid

Item: earthquake

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Assumed net claim paid (A)		24,662	2,240	12,370
Reinsurance claims recovered (B)		-	-	-
Net claims paid (A-B)		24,662	2,240	12,370

Note:

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

② Indicators relating to insurance contracts

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

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Loss ratio		37.9%	3.7%	21.0%
Underwriting expenses		28,982	29,348	29,198
Insurance related operating, general and administrative expenses		(421)	(521)	(459)
Agency commissions and brokerage fees		(28,560)	(28,827)	(28,739)
Net expense ratio		40.7%	43.2%	45.6%
Combined ratio		78.6%	46.9%	66.6%

Note:

- 1: Loss ratio: (Net claims paid + loss adjustment expenses) ÷ net premiums written
- 2: Net expense ratio: (Agency commissions and brokerage fees + Insurance related operating and general administrative expenses) ÷ net premiums written
- 3: Combined ratio: Loss ratio + net expense ratio

2. Rate of premiums written by domestic and overseas contracts

Division	Fiscal Year	2005	2006	2007
Domestic contract		100%	100%	100%

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

	2006	2007
No. of reinsurers that ceded insurance contracts	18	18
Rate of top five reinsurers' ceded insurance premiums	77.7	77.6

Note:

The number of reinsurers that ceded insurance contracts is the number who ceded treaty reinsurance contracts of 10 million or more yen.

There are no notes about unearned claims paid.

There are no notes about the rate of damage occurrence, the expenses ratio and rate of sum total before ceded insurance deduction.

The ratio of ceded insurance premiums by rating does not apply to earthquake insurance.

We pay no contractor dividend.

③ Indicators relating to accounting

1. Amounts of outstanding claims and underwriting reserves

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Outstanding claims		1,104	1,545	178
Underwriting reserves		450,892	490,901	515,586
Total		451,997	492,446	515,765

2. Detailed listing of liability reserves

As of the end of Fiscal 2006

(Unit: Million yen)

Division	Balance as of the end of fiscal 2005	Amount of increase in fiscal 2006	Amount of decrease in fiscal 2006	Balance as of the end of fiscal 2006
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Accrued severance benefits	83	17	3	97
Reserve for directors' retirement allowances	7	4	-	11
Reserve for bonus payment	14	16	14	16
Reserve for price fluctuation	7	0	-	8
Total	113	37	18	132

As of the end of Fiscal 2007

(Unit: Million yen)

Division	Balance as of the end of fiscal 2006	Amount of increase in fiscal 2007	Amount of decrease in fiscal 2007	Balance as of the end of fiscal 2007
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Accrued severance benefits	97	18	21	94
Reserve for directors' retirement allowances	11	4	2	13
Reserve for bonus payment	16	17	16	17
Reserve for price fluctuation	8	0	-	8
Total	132	40	40	133

3. Detailed listing of shareholders' equity

As of the end of Fiscal 2006

(Unit: Million yen)

Division	Balance as of the end of fiscal 2005	Amount of increase in fiscal 2006	Amount of decrease in fiscal 2006	Balance as of the end of fiscal 2006
Common stock	1,000	-	-	1,000
Issued stock	Ordinary stock (2 mil. stock)	1,000	-	(2 mil. stock) 1,000
	Total (2 mil. stock)	1,000	-	(2 mil. stock) 1,000
Legal reserve of retained earnings and voluntary reserves	Legal reserve of retained earnings	1	-	1
	Voluntary reserves			
	Special reserves	17	-	17
	Special price fluctuation reserves	39	-	39
Total	57	-	-	57

Note:

The number of owned shares was 11,400 as of the end of fiscal 2006.

As of the end of Fiscal 2007

(Unit: Million yen)

Division	Balance as of the end of fiscal 2006	Amount of increase in fiscal 2007	Amount of decrease in fiscal 2007	Balance as of the end of fiscal 2007
Common stock	1,000	-	-	1,000
Issued stock	Ordinary stock (2 mil. stock)	1,000	-	(2 mil. stock) 1,000
	Total (2 mil. stock)	1,000	-	(2 mil. stock) 1,000
Legal reserve of retained earnings and voluntary reserves	Legal reserve of retained earnings	1	-	1
	Voluntary reserves			
	Special reserves	17	-	17
	Special price fluctuation reserves	39	-	39
Total	57	-	-	57

Note:

The number of owned shares was 11,400 as of the end of fiscal 2007.

4. Business expenses (inclusive of loss adjustment)

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Personnel expenses		453	343	391
Non personnel expenses		2,512	721	1,397
Taxes		195	186	177
Agency commissions and brokerage fees		28,560	28,827	28,739
Total		31,722	30,079	30,706

Note:

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

5. Profit on sale of securities by category

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Government bonds		92	426	597
Foreign securities		-	-	-
Total		92	426	597

6. Loss on sale of securities by category

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Government bonds		288	246	4
Foreign securities		401	-	66
Total		689	246	70

7. Securities appraisal loss by category

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Government bonds		-	-	-
Foreign securities		-	-	-
Total		-	-	-

8. Depreciation expenses by category

As of the end of Fiscal 2006

(Unit: Million yen)

Type of asset	Acquisition cost	Amount of depreciation in fiscal 2006	Aggregated depreciations	Balance as the end of fiscal 2006	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	92	2	53	39	57.6
(for underwriting)	(92)	(2)	(53)	(39)	(57.6)
(for investment)	(-)	(-)	(-)	(-)	(-)
Others	22	0	19	3	86.5
Total	115	3	73	42	63.3
Intangible fixed assets					
Software	9	2	4	4	51.3
Other intangible fixed assets	0	0	0	0	63.1
Total	9	2	5	4	52.0
Grand total	125	5	78	47	62.4

As of the end of Fiscal 2007

(Unit: Million yen)

Type of asset	Acquisition cost	Amount of depreciation in fiscal 2007	Aggregated depreciations	Balance as the end of fiscal 2007	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	94	2	55	38	59.1
(for underwriting)	(94)	(2)	(55)	(38)	(59.1)
(for investment)	(-)	(-)	(-)	(-)	(-)
Others	75	3	21	53	29.2
Total	169	5	77	91	45.9
Intangible fixed assets					
Software	18	3	7	10	43.0
Other intangible fixed assets	0	0	0	0	74.6
Total	18	3	8	10	43.9
Grand total	188	9	86	102	45.7

9. Loss from disposal of fixed assets

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007
Land		(-)	(-)	(-)
Buildings		(-)	(-)	(0)
Other tangible fixed assets		(-)	(-)	(0)
Total		-	-	0

No mention is made about the level of underwriting reserves because there is no target contract.

Mention about fluctuations of ordinary profit or written loss over the increase in the loss ratio is omitted because insurance claims are offset by the disposition of underwriting reserves.

There are no notes about the loan write-off and profit from property and equipment.

4 Special deposit premium account

Nothing is to be mentioned.

5 Earthquake insurance underwriting reserves by category

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Risk reserve		378,731	412,364	433,841
Unearned premium reserve		69,521	76,245	79,695
Repayment reserve		2,639	2,291	2,050
Total		450,892	490,901	515,586

6 The conditions at the end of the current fiscal year (runoff result) of outstanding claims (estimated amount) at the beginning of the term do not apply to earthquake insurance.

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

8 Investments

1. Investments policy

Because we have to pay a substantial amount of claims promptly in the event of a natural disaster such as a major earthquake, we put in principle the highest priority on safety and liquidity in operating our assets, followed by profitability to increase risk reserves. The risk management division is engaged in monitoring and controlling risks of all kinds, independently of the transactions execution division.

2. Investments in outline

Deposits

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Deposits		38,026	29,986	31,077
(Ordinary deposit)		(10,696)	(4,586)	(6,777)
(Time deposit)		(27,330)	(25,400)	(24,300)

Total assets and investments assets

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007			
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)			
Deposits		38,026	4.5	29,986	3.3	31,077	3.3
Call loans		-	-	-	-	-	-
Monetary receivable bought		1,799	0.2	999	0.1	499	0.0
Money trust		15,528	1.9	13,958	1.5	13,723	1.4
Securities		771,383	92.0	851,739	93.7	895,513	93.7
Buildings		42	0.0	39	0.0	38	0.0
Total of investments assets		826,779	98.6	896,723	98.6	940,851	98.4
Total assets		838,555	100.0	908,963	100.0	955,968	100.0

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

(Unit: Million yen)

Division	Fiscal Year	2005	2006	2007			
		Yield	Yield	Yield			
Deposits		91	0.20	143	0.33	215	0.67
Call loan		0	0.05	-	-	-	-
Monetary receivables bought		4	0.12	2	0.30	7	0.76
Money trust		86	0.57	52	0.38	94	0.69
Securities		10,307	1.40	11,705	1.46	12,894	1.49
Buildings		-	-	-	-	-	-
Total		10,490	1.31	11,904	1.39	13,211	1.45

Note:

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

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

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

Denominator = Acquisition cost or depreciation based average balance

4. Assets management yield (realized yield)

(Unit: Million yen)

Division	Fiscal Year	2006			2007		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		143	43,612	0.33	215	32,094	0.67
Call loan		-	-	-	-	-	-
Bond trading with repurchase agreement		-	-	-	-	-	-
Monetary receivables bought		2	842	0.30	7	921	0.76
Commodity securities		-	-	-	-	-	-
Money trust		265	13,730	1.93	182	13,750	1.33
Securities		11,885	799,894	1.49	13,421	864,185	1.55
Public and corporate bonds		4,874	589,636	0.83	5,875	634,883	0.93
Stocks		-	-	-	-	-	-
Foreign securities		7,005	198,508	3.53	7,187	220,908	3.25
Other securities		5	11,749	0.05	357	8,393	4.26
Loan		-	-	-	-	-	-
Buildings		-	41	-	-	39	-
Financial derivative		△3,425	-	-	△9,501	-	-
Others		65	-	-	47	-	-
Total		8,938	858,121	1.04	4,372	910,991	0.48

Note:

Asset management yield (realized yield): indicator to show the result of managing of assets from the point of contribution to the current profit and loss. The numerator is realized profit and loss while the denominator is an acquisition cost based assets.

Numerator = profit from asset management + investment income on savings premiums - expenses of assets management

Denominator = acquisition cost or writing-off cost based average balance

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

(Unit: Million yen)

Division	Fiscal Year	2006			2007		
		Amount of numerator	Amount of denominator	Yield on working assets (%)	Amount of numerator	Amount of denominator	Yield on working assets (%)
Deposits		143	43,612	0.33	215	32,094	0.67
Call loan		-	-	-	-	-	-
Bond trading with repurchase agreement		-	-	-	-	-	-
Monetary receivables bought		2	842	0.30	7	921	0.76
Commodity securities		-	-	-	-	-	-
Money trust		96	14,128	0.68	△72	13,978	△0.52
Securities		16,588	790,431	2.10	19,955	859,425	2.32
Public and corporate bonds		8,817	583,484	1.51	9,983	632,674	1.58
Stocks		-	-	-	-	-	-
Foreign securities		7,589	195,301	3.89	9,838	218,285	4.51
Other securities		180	11,646	1.55	133	8,465	1.58
Loans		-	-	-	-	-	-
Buildings		-	41	-	-	39	-
Financial derivative		△3,425	-	-	△9,501	-	-
Others		65	-	-	47	-	-
Total		13,470	849,058	1.59	10,650	906,460	1.17

Note:

Market-price based overall yield: indicator showing the efficiency of operation on a market price basis. The numerator reflects realized profit and loss and fluctuations in market price appraisal while the denominator is market-price based assets.

Numerator = (income from operated assets management + investment income on savings premium - expenses for assets management) + (after-tax unrealized gain for the year - after-tax unrealized gain for previous year)* + fluctuation in deferred hedge profit and loss

Denominator = acquisition cost or write-off based average balance + after-tax unrealized gain for previous year of other securities + profit and loss for the previous year related to securities for transaction

*Based on the amount before tax effect deduction

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

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005		As of the end of fiscal 2006		As of the end of fiscal 2007	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Foreign currency denominated							
Foreign public and corporate bonds		167,736	83.2	163,130	76.2	152,411	63.4
Yen denominated							
Foreign public and corporate bonds		33,905	16.8	50,819	23.8	88,003	36.6
Total		201,642	100.0	213,950	100.0	240,414	100.0
Yield on foreign loans & investment							
Investment assets yield (income yield)		3.36%		3.53%		3.28%	
Assets management (realized yield)		3.13%		3.53%		3.25%	
Market-price based overall yield (for reference)		1.13%		3.89%		4.51%	

Note:

1. Of the yield on foreign loans & investments, the investment assets yield was calculated in the same manner as 3., Amount of interest and dividend received and yield on investment assets (income yield) in connection with the assets involving foreign investment.
2. Of the yield on foreign investments, the asset management yield was calculated in the same manner as 4., Asset management yield (realized yield) in connection with the assets involving foreign investment.

7. Balance of securities by category and percentage distribution

(Unit: Million yen)

Division	Year	As of the end of fiscal 2005		As of the end of fiscal 2006		As of the end of fiscal 2007	
		Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)	Percentage distribution (%)		
Government bonds		310,554	40.3	411,753	48.3	449,201	50.2
Municipal bonds		4,476	0.6	4,390	0.5	4,404	0.5
Corporate bonds		239,851	31.1	212,777	25.0	191,835	21.4
Stocks		-	-	-	-	-	-
Foreign securities		201,642	26.1	213,950	25.1	240,414	26.8
Other securities		14,858	1.9	8,869	1.1	9,658	1.1
Loan receivable in securities		-	-	-	-	-	-
Total		771,383	100.0	851,739	100.0	895,513	100.0

8. Yield on securities held

(Unit: %)

Division	Fiscal Year		
	2005	2006	2007
Investment assets yield (income yield)			
Public & corporate bonds	0.78	0.76	0.85
Stocks	-	-	-
Foreign securities	3.36	3.53	3.28
Other securities	0.56	2.06	3.06
Total	1.31	1.46	1.49
Assets management yield (realized yield)			
Public & corporate bond	0.74	0.83	0.93
Stocks	-	-	-
Foreign securities	3.13	3.53	3.25
Other securities	△0.52	0.05	4.26
Total	0.82	1.49	1.55
Market-price based overall yield (for reference)			
Public & Corporate bonds	△1.29	1.51	1.58
Stocks	-	-	-
Foreign securities	1.13	3.89	4.51
Other securities	△0.46	1.55	1.58
Total	△0.98	2.10	2.32

9. Balance Current Maturity of securities by category

As of the end of fiscal 2006

(Unit: Million yen)

Division	Year						Total
	Less than 1 year	1 to less than 3 years	3 to less than 5 years	5 to less than 7 years	7 to less than 10 years	10 years or longer	
Government bonds	48,073	126,365	211,470	-	-	25,843	411,753
Municipal bonds	-	4,312	77	-	-	-	4,390
Corporate bonds	47,939	94,263	70,077	99	397	-	212,777
Stocks	-	-	-	-	-	-	-
Foreign securities	21,464	112,657	61,789	-	18,037	-	213,950
Other securities	-	995	-	-	-	7,874	8,869
Loan receivable in securities	-	-	-	-	-	-	-
Total	117,478	338,594	343,414	99	18,435	33,717	851,739

As of the end of fiscal 2007

(Unit: Million yen)

Division	Year						Total
	Up to 1 year	1 over up to 3 years	3 over up to 5 years	5 over up to 7 years	7 over up to 10 years	Over 10 years	
Government bonds	134,967	159,353	127,555	-	3,842	23,482	449,201
Municipal bonds	1,825	2,578	-	-	-	-	4,404
Corporate bonds	51,575	90,625	47,724	309	1,600	-	191,835
Stocks	-	-	-	-	-	-	-
Foreign securities	33,041	134,039	45,141	-	28,192	-	240,414
Other securities	-	-	-	-	-	9,658	9,658
Loan receivable in securities	-	-	-	-	-	-	-
Total	221,410	386,596	220,421	309	33,634	33,140	895,513

10. Tangible fixed assets by breakdown

(Unit: Million yen)

Division	Year		
	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Land	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Buildings	42	39	38
(for underwriting)	(42)	(39)	(38)
(for investment)	(-)	(-)	(-)
Construction in progress	-	-	-
(for underwriting)	(-)	(-)	(-)
(for investment)	(-)	(-)	(-)
Total of property	42	39	38
(for underwriting)	(42)	(39)	(38)
(for investment)	(-)	(-)	(-)
Other tangible fixed assets	2	3	53
Total	45	42	91

There are no notes with respect to the following 11 items:

1. Commodity securities
2. Average balance and sales amount of commodity securities
3. Amount of stocks held by type of business
4. Balance current maturity of loan by remaining life
5. Balance of loans by type of collateral secured
6. Balance and percentage distribution of loan by designated use
7. Balance of loan by industry and its ratio to the total
8. Balance of loan by debtor size and its ratio to the total
9. Amount of loan & investment to public works (on a basis of newly undertaken loan)
10. Housing-related loan
11. Loan interests

ACCOUNTING CONCEPTS

1. Financial statements

① Balance sheets

(ASSETS)

Item	(Unit: Million yen)			
	2006		2007	
	(As of March 31, 2007)		(As of March 31, 2008)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Cash & deposits	29,986	3.3	31,077	3.3
Deposits	29,986		31,077	
Monetary receivable bought	999	0.1	499	0.1
Money trust	13,958	1.5	13,723	1.4
Securities	851,739	93.7	895,513	93.7
Government bonds	411,753		449,201	
Municipal bonds	4,390		4,404	
Corporate bonds	212,777		191,835	
Foreign securities	213,950		240,414	
Other securities	8,869		9,658	
Tangible fixed assets	42	0.0	91	0.0
Buildings	39		38	
Other tangible fixed assets	3		53	
Intangible fixed assets	4	0.0	10	0.0
Software	4		10	
Other intangible fixed assets	0		0	
Other assets	12,155	1.3	14,993	1.6
Reinsurance balance receivable	8,205		7,620	
Accounts receivable	292		464	
Uncollected income	3,348		3,500	
Deposits	51		51	
Suspense payment	96		160	
Financial derivative	161		3,195	
Deferred tax assets	76	0.0	59	0.0
Total assets	908,963	100.0	955,968	100.0

(LIABILITIES)

Item	(Unit: Million yen)			
	2006		2007	
	(As of March 31, 2007)		(As of March 31, 2008)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Underwriting funds	492,446	54.2	515,765	54.0
Outstanding claims	1,545		178	
Underwriting reserves	490,901		515,586	
Entrusted reserves	401,383	44.2	423,983	44.4
Other liabilities	17,940	2.0	12,749	1.3
Reinsurance balance payable	5,457		5,456	
Corporate taxes payable	195		82	
Deposits payable	2		2	
Accrued amounts payable	756		403	
Financial derivative	11,528		6,804	
Accrued severance benefits	97	0.0	94	0.0
Reserves for directors' retirement benefit	11	0.0	13	0.0
Reserves for bonus payment	16	0.0	17	0.0
Price fluctuation reserves	8	0.0	8	0.0
Net unrealized gains on other securities of earthquake insurance	△4,540	△0.5	1,722	0.2
Total liabilities	907,363	99.8	954,353	99.8

(NET ASSETS)

Item	(Unit: Million yen)			
	2006		2007	
	(As of March 31, 2007)		(As of March 31, 2008)	
Fiscal Year	Amount	Percentage distribution	Amount	Percentage distribution
Common stock	1,000	0.1	1,000	0.1
Retained earnings	600	0.1	604	0.1
Legal reserve of retained earnings	1		1	
Other legal reserve of retained earnings	599		603	
Special reserves	17		17	
Special price fluctuation reserves	39		39	
Retained earnings brought forward	542		546	
Treasury Stock	△5	△0.0	△5	△0.0
Total shareholders' equity	1,594	0.2	1,598	0.2
Net unrealized holding gain on securities	5	0.0	15	0.0
Total valuation and translation adjustments	5	0.0	15	0.0
Total net assets	1,600	0.2	1,614	0.2
Total liabilities and net assets	908,963	100.0	955,968	100.0

1. Appraisal standards and method of securities, and method of indication

- (1) Of other securities, those to which the market price is applicable is appraised according to the market price at term end.
- (2) Of other securities, those to which the market price is not applicable is appraised based on cost or write-off cost price using the moving-average method.
- (3) With respect to the unrealized gain of assets corresponding to the underwriting reserves and entrusted reserves of earthquake insurance, the amount before tax effect deduction is shown as an Net unrealized gains on other securities of earthquake insurance in Liabilities, according to the pertinent Enforcement Rules of Insurance Business Act. For other unrealized gains, the amount after tax effect deduction is processed entirely according to the direct capital injection method and indicated in Shareholders' Equity. The calculation of the sales price is based on the moving average method.

2. Appraisal standards and method of money trust

- (1) In money trust exclusively operated centering on securities, the appraisal of securities operated as trust assets is done on the basis of market price.
- (2) In money trust exclusively operated with a view to holding securities which is not intended to be operated or held to maturity, the appraisal of securities operated as trust assets is done in the same manner as other securities.

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

4. Although depreciation of tangible fixed assets is calculated using the declining balance method, buildings (excluding equipment attached to buildings) that were acquired on and after April 1, 1998 were depreciated using the straight-line method.

5. Changes in accounting policies

In accordance with the corporate tax law revision, we have changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to the one based on the revised corporate tax law in the current fiscal year. The impact of this change on earnings is minor.

(Additional information)

For those tangible fixed assets acquired on and before March 31, 2007 that had already been depreciated to the depreciable amount, the difference between the residual book value and the memorandum value is depreciated evenly for five years in accordance with the revised corporate tax law. The impact of this change on earnings is minor.

6. Software for in-house use that is recorded as an intangible fixed asset is amortized using the straight-line method.

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

8. Writing standards of reserves

(1) Reserve for bad debts

Reserves for bad debts are written as follows against losses from bad debts in accordance with the self-appraisal standard of assets and depreciation and reserve standards.

In connection with claims against debtors who have gone bankrupt legally and formally, including bankruptcy, special liquidation or disposition by suspension of business at a clearing house, or debtors who are effectively bankrupt, the rest of any of the claims deducting an estimated amount of disposable mortgage and a deductible amount by guarantee was appropriated for such reserves.

In connection with the other claims, the rate of bad debts calculated according to past bad debts and other factors is multiplied by the amount of claims to appropriate for reserves.

In addition, all claims are written after the finance department appraises the assets, and the result is audited by the management department independent of the finance department to appropriate the appraisal for reserves.

There are no assets in the current term that are to be appropriated for reserves, and no reserve is required.

- (2) Reserves for employees' retirement
For employees' retirement and severance benefits, reserves is appropriated according to the retirement allowance liabilities at the end of the term and the estimated amount of pension assets. The retirement allowance liabilities is calculated using a simple method on the basis of the allowance to be supplied at the end of the term for any employee who retires for his/her own reasons.
- (3) Reserves for directors' retirement benefit
For reserves for directors' retirement benefits, the benefits to be paid at the end of the term are recorded according to the relevant in-house rules.
- (4) Accrued bonuses for employees
Accrued bonuses for employees' bonus is calculated according to the standards of estimated bonus payable.
- (5) Reserves for price fluctuation
To prepare for a loss from price changes of shares and others, reserves are appropriated according to Article 115, Insurance Business Law.
9. Taxes are excluded when preparing accounts for consumption tax and other items. However, taxes are included when recording loss adjustment expenses and operating, general and administrative expenses. Consumption taxes and other items for assets that are not subject to deductions are recorded as suspense payments and written down by an equal amount over five years.
10. The risk reserves contained in the underwriting reserves have been deposited according to the instructions for the calculation of liability reserves by accumulating the amounts resulting from subtracting an amount equivalent to corporate taxes from the net premiums written and profit from operating the assets.
11. Financial lease transactions other than those in which the ownership of the leased item is deemed to be transferred to the leaseholder are processed according to the method equivalent to that of ordinary lease transactions.
12. The accumulated depreciation of tangible fixed assets is 77 million yen.
13. Total deferred tax assets amount to 78 million yen, while total deferred tax liabilities come to 13 million yen. The amount deducted from deferred tax assets as a valuation reserve is 5 million yen. The breakdown of deferred tax assets reveals unpaid business taxes of 29 million yen, a retirement benefit reserve of 34 million yen and a bonus reserve of 6 million yen. The deferred tax liabilities result primarily from an unrealized gain of 9 million yen on securities.
14. In addition to the equipment mentioned in B/S, some computers are used on a lease contract.
15. Net assets per share are 812.01 yen. The basis for this calculation is that net assets are 1,614 million yen, net assets accrued from ordinary shares are 1,614 million yen and the number of ordinary shares at the end of the term is 1.988 million.
16. The amounts are indicated by rounding down any amount not reaching the unit as mentioned.

② Statements of income

(Unit: Million yen)

Item	Fiscal Year	
	2006 (from April 1, 2006 to March 31, 2007)	2007 (from April 1, 2007 to March 31, 2008)
	Amount	Amount
Ordinary incomes	90,373	81,290
Underwriting incomes	72,451	67,320
Net premiums written	67,981	64,040
Reversal of outstanding claims	-	1,366
Investment income on savings premium, etc	4,469	1,912
Investment income	17,920	13,970
Interest and dividend income	11,851	13,116
Profit from operating monetary trust	265	190
Realized gain on sale of securities	426	597
Financial derivative gain	-	1,890
Foreign exchange gain	9,779	-
Profit from other operations	66	86
Transfer of profit from Investment income on savings premiums	△4,469	△1,912
Other ordinary incomes	1	0
Ordinary expenses	90,229	81,273
Underwriting expenses	71,804	66,860
Net claims paid	2,240	12,370
Loss adjustment expenses	287	1,065
Agency commissions and brokerage fees	28,827	28,739
Provision for outstanding claims	440	-
Provision for underwriting reserves	40,008	24,685
Investment expenses	13,452	11,509
Loss from operating monetary trust	-	7
Realized loss on sale of securities	246	70
Financial derivative cost	13,205	-
Foreign exchange loss	-	11,392
Other operation cost	0	39
Operating, general and administrative expenses	964	901
Other ordinary expenses	4,008	2,001
Interest paid	4,008	2,001
Other ordinary expenses	-	0
Ordinary profit	143	16
Extraordinary losses	0	0
Loss on disposal fixed assets	-	0
Provision for price fluctuation reserve	0	0
Income before taxes	143	16
Income taxes – current	158	0
Income taxes – deferred	2	11
Net income	△16	4

Notes for fiscal 2007

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

Premiums written:	138,086 (million yen)
Reinsurance premiums ceded:	74,045 (million yen)
Net premiums written:	64,040 (million yen)

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

Interest on deposits:	215 (million yen)
Interest on monetary receivable bought:	7 (million yen)
Interest on securities:	12,894 (million yen)
Total:	13,116 (million yen)

3. Paper profit/loss involved in the financial derivative expenses is a loss of 3,608 million yen.

4. The net income per share is 2.21 yen.

The basis for this calculation is such that the net income is 4 million yen, the net income accrued from ordinary shares is 4 million yen and the term average No. of ordinary shares amount to 1.988 million.

5. The legal effective tax rate at the end of the term is 36.21%, and the corporate tax burden after applying the tax effect is 72.88%. The difference is explained by the following breakdown: the change in valuation reserves is 32.22%, the amount of the write-off carried from publicity expenses related to risk reserves is △462.84%, the profit surplus from operating unearned premium deposits is △212.92%, and the tax loss carried forward is △675.75%.

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

③ Statements of cash flow

(Unit: Million yen)

Item	Fiscal Year	
	2006 (from April 1, 2006 to March 31, 2007)	2007 (from April 1, 2007 to March 31, 2008)
	Amount	Amount
I. Cash flow from operating activities		
Net profit before income taxes	143	16
Depreciation	5	9
Increase in outstanding claims	440	△1,366
Increase in underwriting reserves	40,008	24,685
Increase in entrusted reserves	23,993	22,600
Increase in reserves for employees' retirement and severance benefits	13	△3
Increase in directors' retirement benefit reserves	4	2
Increase in accrued bonuses for employees	1	1
Increase in reserve for price fluctuation	0	0
Interest and dividend income	△11,851	△13,116
Gain or loss on investment in securities	△180	△527
Foreign exchange gain or loss	△7,113	13,726
Gain or loss on tangible fixed assets	-	0
Increase in other assets (other than investment and financial activities related)	102	348
Increase in other liabilities (other than investment and financial activities related)	121	△353
Others	1,068	△7,764
Subtotal	46,757	38,258
Interest and dividends received	11,295	12,695
Income taxes paid	△51	△107
Net cash provided by operating activities	58,001	50,846
II. Cash flow from investing activities		
Net increase in deposits at bank	1,930	1,100
Acquisition cost of monetary receivables bought	△499	-
Proceeds from the sales or maturity of monetary receivables	1,498	-
Expenses for increase in monetary trust	-	△20
Proceeds from sales of money trust	1,400	-
Purchase of securities	△512,329	△848,698
Proceeds from sales and redemption of securities	444,088	798,528
II ① Subtotal	△63,912	△49,090
(I+II ①)	(△5,910)	(1,756)
Acquisition of tangible fixed assets	△0	△55
Others	△0	△9
Net cash used in investing activities	△63,913	△49,155
III. Cash flow in financing activities		
-		
IV. Effect of exchange rate changes on cash and cash equivalents		
-		
V. Net change in cash and equivalents		
△5,911		
VI. Cash and cash equivalents at the beginning of the year		
11,496		
VII. Cash and cash equivalents at the end of the year		
5,585		

Notes:

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

	(Unit: Million yen)	
	(As of March 31, 2007)	(As of March 31, 2008)
Cash & deposits	29,986	31,077
Monetary receivables bought	999	499
Securities	851,739	895,513
Deposits of a depository period of three months or longer	△25,400	△24,300
Securities other than cash equivalent	△851,739	△895,513
Cash and cash equivalents	5,585	7,276

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

For fiscal 2006 (from April 1, 2006 to March 31, 2007)

(Unit: Million yen)

	Shareholders' equity											
	Capital stock	Capital surplus			Legal earned reserve	Earned surplus			Total earned surplus	Treasury stock	Total shareholders' equity	
		Capital surplus	Other capital reserve	Total capital surplus		Special reserves	Special price fluctuation reserves	Earned surplus carried forward				
Balance as of March 31, 2006	1,000				1	17	39	559	617	△5	1,611	
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income								△16	△16		△16	
Net amount of changes in items other than owners' equity during the term												
Total change during the term								△16	△16		△16	
Balance as of March 31, 2007	1000				1	17	39	542	600	△5	1,594	
		Valuation and translation adjustments										
		Net unrealized gains on other securities	Deferred gains or losses on hedges	Land revaluation surplus		Total valuation and translation adjustments		Stock subscription rights		Total net assets		
Balance as of March 31, 2006			△5			△5				1,605		
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income											△16	
Net amount of changes in items other than owners' equity during the term			11					11			11	
Total change during the term			11					11			△5	
Balance as of March 31, 2007			5					5			1,600	

Notes:

1. The number of shares issued as at the end of fiscal 2006 is 2 million shares of common stock.
2. The number of treasury stock at the end of fiscal 2006 is 11,400 shares of common stock.

For fiscal 2007 (from April 1, 2007 to March 31, 2008)

(Unit: Million yen)

	Shareholders' equity											
	Capital stock	Capital surplus			Legal earned reserve	Earned surplus			Total earned surplus	Treasury stock	Total shareholders' equity	
		Capital surplus	Other capital reserve	Total capital surplus		Special reserves	Special price fluctuation reserves	Earned surplus carried forward				
Balance as of March 31, 2007	1,000				1	17	39	542	600	△5	1,594	
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income								4	4		4	
Net amount of changes in items other than owners' equity during the term												
Total change during the term								4	4		4	
Balance as of March 31, 2008	1000				1	17	39	546	604	△5	1,598	
		Valuation and translation adjustments										
		Net unrealized gains on other securities	Deferred gains or losses on hedges	Land revaluation surplus		Total valuation and translation adjustments		Stock subscription rights		Total net assets		
Balance as of March 31, 2007			5			5				1,600		
Amount of change during the term												
Issuance of new shares												
Dividends from surplus												
Net income											4	
Net amount of changes in items other than owners' equity during the term			9					9			9	
Total change during the term			9					9			14	
Balance as of March 31, 2008			15					15			1,614	

Notes:

1. The number of shares issued as at the end of fiscal 2007 is 2 million shares of common stock.
2. The number of treasury stock at the end of fiscal 2007 is 11,400 shares of common stock.

⑤ Dividend per stock and total assets per employee

(Unit: Million yen)

Division	Fiscal Year		
	2005	2006	2007
Dividend per stock	-	-	-
Net income per stock	18.23 yen	△8.47 yen	2.21 yen
Dividend propensity	-	-	-
Net assets per stock	807.42 yen	804.80 yen	812.01 yen
Total assets per employee	39,931	43,283	39,832

Notes:

1. Net income per share comes from net income / term average No. of stocks
2. The number of treasury stock is deducted from producing information per stock
3. The total assets per employee come from the total assets at the end of the term / No. of employees at the end of the term.

2. Risk management credits

There are no notes about the following five items:

- (1) Currently in bankruptcy
- (2) Delinquent in payments
- (3) Payments more than three months in arrears
- (4) Favorable loan revisions completed
- (5) Total of risk management credit

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

No notes required.

4. Credits obligations based on debtor classification

There are no notes about the following four items:

- (1) Bankrupt or bankrupt for all intents and purposes
- (2) On verge of bankruptcy
- (3) Financial status needs careful monitoring
- (4) Financial status normal

5. Conditions of solvency-margin ratio

Division	(Unit: Million yen)			
	Year	As of the end of fiscal 2005	As of the end of fiscal 2006	As of the end of fiscal 2007
Total of solvency-margin		375,606	411,687	436,505
Total of stockholders' equity		1,611	1,594	1,598
Price fluctuation reserve		7	8	8
Risk reserve		-	-	-
Catastrophe reserves		378,731	412,364	433,841
Reversal for ordinary bad debts		-	-	-
Variance of estimate for other securities (excluded deductions for Tax Consequences) unrealized gain / loss on securities available for sale	(A)	△4,743	△2,279	1,057
Unrealized gain and loss included land holdings		-	-	-
Funding instruments with a debt-like nature		-	-	-
Items deductible		-	-	-
Others		-	-	-
Total risk		468,880	469,506	470,696
$\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$				
General underwriting risk (R1)		-	-	-
Underwriting risk in third-area insurance (R2)		-	-	-
Anticipated Rate of Return Risk (R3)	(B)	-	-	-
Investment risk (R4)		7,676	8,290	9,457
Management risk (R5)		9,193	9,206	9,229
Catastrophe risk (R6)		452,010	452,010	452,010
Solvency-Margin ratio	(C)	160.2%	175.3%	185.4%
$[(A) / \{(B) \times 1 / 2\}] \times 100$				

Notes:

1. The amounts and figures above are calculated based on the provisions of Article 86 and Article 87 of the Enforcement Rules of the Insurance Business Act and the Ministry of Finance Official Notification No.50 in 1996. "Total of stockholders' equity (other than estimated outflow to the outside, deferred assets and net unrealized gains on other securities)" was presented as "Total of net assets (other than estimated outflow to the outside, deferred assets and net unrealized gains on other securities)" before fiscal 2007.
2. The method of calculating the solvency margin was changed at the end of fiscal year 2007, in association with the amendment of the Enforcement Rules of Insurance Business Act. Therefore, figures to fiscal 2006 and those at the end of the fiscal year under review are calculated based on different standards.

Solvency-margin ratio

The non-life insurance company deposit reserves in case that they pay insurance money for any insurance accident that occurred or refund depository insurance at maturity. It is also necessary for them to maintain a satisfactory ability to make payments or solvency even in case of unusual, unforeseeable risk, including a huge disaster or sharp drop in price of such assets as owned by them.

The rate of "Non-life insurance company's ability to make payments by owned assets and reserves (A in the above table) over any risk unforeseeable (B in the above table)" is indicated as the solvency-margin ratio (C in the above table) which is calculated according to the pertinent rules, including the Insurance Business Law.

[Unforeseeable risk] (Total of risks): Sum of 1~5

1. **General underwriting risk:** risk associated with an insurance accident rate that is higher than normally predictable (other than the risk associated with a huge disaster).
2. **Anticipated ratio of Return Risk:** risk that might arise when actual yields from operation are lower than original at the time of calculating premiums of a depository insurance
3. **Investment risk:** management risk that might arise when the value of assets owned including securities changes in an unforeseeable manner.
4. **Management risk:** risk that might arise on business management in an unforeseeable manner, other than 1~3 and 5.
5. **Catastrophe risk:** risk that might arise with a huge disaster (such as the Great Kanto Earthquake) which is normally unforeseeable.

[Capability of payment by non-life insurance company owned capital and reserves] (Total of solvency-margin)

The total of capital owned by a non-life insurance company, reserves (price fluctuation reserve, catastrophe reserve, securities and part of latent profit from land, and so on)

The solvency-margin ratio is one of the indicators used when the administrative authorities check insurance companies to determine the soundness of management for supervisory purposes. When the rate is 200% or more, the insurance company is deemed satisfactory in terms of its ability to make insurance and other payouts.

© JER has entered into a reinsurance contract with the government of Japan for earthquake insurance in accordance with Law concerning Earthquake Insurance. The law stipulates in addition that the government takes responsibility for support and for lending funds for the payment of insurance money. Because this is a form of special business, JER's solvency-margin ratio is not usable as a figure to enable the administrative authorities to trigger an order for improvement, irrespective of the above solvency-margin ratio, as provided for in Section 4, Article 3, Order to specify the division stated in Section 2, Article 132, Insurance Business Law.

Note: The article is as follows.

[In the event that an insurance company has entered into a reinsurance contract with the government as stated in Section 1, Article 3, Law concerning Earthquake Insurance (law No. 73, 1966), any order to be issued according to the listed division in Section 1 of the Article applicable to the insurance company shall be issued in accordance with the list of inapplicable division.]

6. Information on market prices (acquisition cost or contract cost, market price and appraisal profit and loss) and others

① Securities

1. Other securities with market price

At the end of fiscal 2006 (Unit: Million yen)

Division	Type	Acquisition cost	Book value	Difference
Securities with acquisition cost higher than that posted on the balance sheet	Public & corporate bonds	197,594	198,763	1,169
	Stocks	-	-	-
	Foreign securities	156,809	171,806	14,996
	Others	2,800	2,921	121
	Subtotal	357,203	373,492	16,288
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	433,535	430,156	△3,378
	Stocks	-	-	-
	Foreign securities	42,603	42,143	△460
	Others	5,997	5,947	△50
	Subtotal	482,136	478,247	△3,888
Total		839,340	851,739	12,399

At the end of fiscal 2007

(Unit: Million yen)

Division	Type	Acquisition cost	Book value	Difference
Securities with acquisition cost higher than that posted on the balance sheet	Public & corporate bonds	392,773	396,684	3,910
	Stocks	-	-	-
	Foreign securities	91,443	101,414	9,971
	Others	-	-	-
	Subtotal	484,217	498,098	13,881
Securities with acquisition cost not higher than that posted on the balance sheet	Public & corporate bonds	250,768	248,756	△2,012
	Stocks	-	-	-
	Foreign securities	145,511	139,000	△6,511
	Others	9,810	9,658	△152
	Subtotal	406,090	397,414	△8,675
Total		890,307	895,513	5,206

2. Other securities sold at the term

(Unit: Million yen)

Type	Fiscal 2006			Fiscal 2007		
	Sales price	Total of profit on sale	Total of loss on sale	Sales price	Total of profit on sale	Total of loss on sale
Total	67,531	426	246	120,027	597	△70

There are no notes with respect to the following items:

1. Securities held for trading purposes
2. Securities to be held until maturity and with market price
3. Securities sold at the term which were to be held until maturity
4. Main contents of securities without market price and the amounts posted on the balance sheet.

② Money trust

1. Money trust for investment

(Unit: Million yen)

Type	As of end of fiscal 2006		As of end of fiscal 2007	
	Amount posted on the balance sheet	Appraisal difference contained in profit/loss	Amount posted on the balance sheet	Appraisal difference contained in profit/loss
Money trust	10,000	-	10,000	-

2. Money trust for maturity

Nothing to be mentioned.

3. Other money trusts with any other purpose than operation and maturity

(Unit: Million yen)

Type	As of the end of fiscal 2006			As of the end of fiscal 2007		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Money trust	3,730	3,958	228	3,750	3,723	△26

③ Information on transactions involving derivatives

1. On the conditions of transactions

With a view to hedging risks as a result of possible changes in the foreign exchange of assets in foreign currency, JER deals in foreign exchange forward contracts and currency option transactions. In addition, we conduct over-the-counter securities option transactions to reduce interest fluctuation risks in connection with securities.

The derivative transactions we engage in have market risks associated with market fluctuations. Most of them are done, however, to hedge the as-

sets in kind, and losses from the transaction in question never arise on their own. In some cases, we use options transactions for securities scheduled to be purchased. But risks are limited because we put a quantitative limit on such transactions.

Because we deal with highly reputable financial institutions, we believe that there is little credit risk such as non-fulfillment of a contract.

Our derivatives transactions are checked by the Risk Management Division, independent of the Transactions Execution Division, and the results of the checks are regularly reported to the board of managing directors.

2. On market prices for transactions

A contract amount in a derivative transaction is simply a nominal contract amount or an assumed principal by calculation in such a transaction. The contract amount as such represents no market risk or credit risk.

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

(a) Currency related

(Unit: Million yen)

Type	As of end of fiscal 2006			As of end of fiscal 2007				
	Contract amount	Market price	Appraisal profit and loss	Contract amount	Market price	Appraisal profit and loss		
	1 year or longer ones			1 year or longer ones				
Transactions other than market transactions								
Forward foreign exchange contracts								
Currency used								
US dollar	56,592	25,889	60,440	△3,848	56,500	28,861	54,546	1,954
Euro	76,380	33,086	83,738	△7,358	70,987	26,247	76,370	△5,383
Canadian dollar	3,037	3,037	3,197	△160	3,037	1,211	3,216	△179
Total				△11,366				△3,608

Note: Calculating a market price

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