

Financial Section

Financial Review

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FINANCIAL REVIEW

Business development, results, etc.

The Japanese economy continued its moderate expansion in fiscal 2017 with benefits brought to the export sector by the sustained growth of overseas economies, in addition to support from the extremely relaxed financial policies of the Bank of Japan.

Premiums written increased from the previous fiscal year under the effects of a premium rate revision that was implemented in January 2017. However, net premiums written excluding reinsurance premiums ceded decreased because reinsurance premiums ceded to the government grew as a result of the revision of the reinsurance scheme for earthquake insurance in April 2017. Net claims paid and loss adjustment expenses decreased from the previous fiscal year, reflecting a gradual reduction in insurance payouts for the Kumamoto Earthquakes.

Looking at asset management, investment income fell from the previous fiscal year as the situation of extremely low interest rates continued and the redemption of high-yield bonds advanced under tough conditions for managing new assets.

JER worked on 29 management items in fiscal 2017, which it positioned as the final year under the fourth medium-term business plan "Strengthening Arrangements for Earthquake Reinsurance Payouts." Overall, JER achieved the targets set for those items in the fiscal year under review.

As key measures, JER studied ways of improving credit risk management systems and revised new system foundations, in addition to working to achieve appropriate and realistic additional contribution ratios in the earthquake insurance system.

Summary of earthquake insurance results

① Net premiums written and net claims paid

Premiums written rose from the previous fiscal year, but reinsurance premiums ceded to the government grew as a result of the revision of the reinsurance scheme for earthquake insurance in April 2017. As a result, net premiums written decreased to 97.3 billion yen (down 14.7% year on year).

In the meantime, net claims paid fell to 8.9 billion yen (down 96.0% year on year), reflecting factors including the Kumamoto earthquakes.

② Risk reserves and underwriting reserves

JER added a total of 34.6 billion yen, including net premiums written and held of 34.3 billion yen, calculated by deducting assumed reinsurance commissions from net premiums written, and investment income of 0.3 billion yen, to its risk reserves (down 33.4% year on year).

Furthermore, JER returned the provision for outstanding claims of 1.8 billion yen to the risk reserves, and withdrew the net claims paid of 8.9 billion yen stated above, damage research expenses of 2.1 billion yen, and advertising and publicity expenses of 0.3 billion yen from the risk reserves posted for the past year. As a result, risk reserves at the end of the fiscal year under review came to 303.9 billion yen (up 9.0% year on year).

Underwriting reserves at the end of the fiscal year under review amounted to 495.6 billion yen (up 8.5% 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 a total of 3.1 billion yen (down 30.8% year on year), including net premiums written and investment income, 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 47.7 billion yen (up 1.8% year on year) after withdrawing advertising and publicity expenses of 2.3 billion yen.

Outline of investments

Conditions for extremely low interest rates remained stable in Japan under the policy of quantitative and qualitative monetary easing with yield curve control advanced by the Bank of Japan. Investment conditions for JER remained severe with continued negative interest rates on short- and medium-term bonds, which are JER's main investment targets.

Looking at exchange rates, an interest rate hike in the United States was a factor in the appreciation of the U.S. dollar. However, the yen gradually strengthened against the U.S. dollar as U.S. political pressure for correcting the trade imbalance and long-term interest rates in the United States calmed down. The yen weakened against the euro in response to the monetary tightening policy announced by the European Central Bank with the sustained recovery of the European economy in the background.

In these circumstances, we invested in assets with top priority placed on safety and liquidity, followed by profitability. As a result, pretax profits from investments amounted to 0.3 billion yen in the business account and 71.2 million yen in the entrusted reserves account. Investment assets came to 533.5 billion yen at the end of the fiscal year under review.

Profit and loss for the fiscal year under review

As a result of adding and subtracting other items to and from interest and dividend income and subtracting income taxes and residential taxes, net loss for the fiscal year under review came to 0.6 million yen.

INDICATORS SHOWING THE MAIN RESULTS OVER THE LAST FIVE FISCAL YEARS

		(Yen in millions)				
Division	Fiscal Year	2013	2014	2015	2016	2017
Net premiums written		92,248	108,994	121,986	114,114	97,302
Percentage change over the previous term		(0.8%)	18.2%	11.9%	(6.5%)	(14.7%)
Net claims paid		15,010	9,563	5,589	220,905	8,924
Percentage change over the previous term		(52.5%)	(36.3%)	(41.6%)	3,852.3%	(96.0%)
Ordinary income		104,703	119,822	129,107	289,485	101,288
Percentage change over the previous term		(5.1%)	14.4%	7.7%	124.2%	(65.0%)
Ordinary expenses		104,509	119,818	129,107	289,487	101,290
Percentage change over the previous term		(5.1%)	14.6%	7.8%	124.2%	(65.0%)
Ordinary profit (loss)		194	3	0	(1)	(1)
Percentage change over the previous term		0.3%	(98.2%)	(98.4%)	(3,537.5%)	-
Net income (loss)		(82)	3	(0)	1	(0)
Percentage change over the previous term		(2,045.2%)	-	(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		1,544	1,543	1,542	1,542	1,540
Total assets		577,305	640,137	709,408	511,297	549,220
Underwriting reserves		499,274	556,727	627,345	456,745	495,634
Percentage change over the previous term		8.2%	11.5%	12.7%	(27.2%)	8.5%
Of the balance, risk reserves		378,041	417,056	464,584	278,846	303,954
Percentage change over the previous term		7.1%	10.3%	11.4%	(40.0%)	9.0%
Loans		-	-	-	-	-
Percentage change over the previous term		-	-	-	-	-
Securities		525,161	391,034	401,751	234,580	200,239
Percentage change over the previous term		10.1%	(25.5%)	2.7%	(41.6%)	(14.6%)
Non-consolidated solvency-margin ratio		344.9%	354.5%	392.1%	299.1%	379.6%
Dividend propensity		-	-	-	-	-
No. of employees		26	29	28	26	28

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

		(Yen in millions)		
Division	Fiscal Year	2015	2016	2017
Premiums written		245,353	247,441	261,556
Return premiums		6,708	4,342	4,316
Assumed net premiums written (A)		238,645	243,099	257,239
Reinsurance premiums ceded (B)		116,659	128,984	159,937
Net premiums written (A - B)		121,986	114,114	97,302

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	2015	2016	2017
Domestic contract		100%	100%	100%

3. Net claims paid

		(Yen in millions)		
Division	Fiscal Year	2015	2016	2017
Assumed net claims paid (A)		8,214	388,527	14,786
Reinsurance claims recovered (B)		2,625	167,622	5,861
Net claims paid (A - B)		5,589	220,905	8,924

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	2015	2016	2017
Net loss ratio		5.3%	206.0%	11.4%
Underwriting expenses		46,606	47,409	49,481
Insurance related operating, general and administrative expenses		725	734	1,054
Commissions and brokerage fees		45,880	46,675	48,426
Net expense ratio		38.2%	41.5%	50.9%
Combined ratio		43.5%	247.5%	62.3%

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	2015	2016	2017
Underwriting income		123,681	284,934	99,430
Underwriting expenses		122,956	284,200	98,375
Operating and general administrative expenses		725	734	1,054
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	2015	2016	2017
No. of reinsurers that ceded insurance contracts		10	11	9
Rate of top five reinsurers' ceded insurance premiums		91.5%	89.8%	90.4%

Note:

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

9. Ratio of ceded insurance premiums by rating

Not applicable

10. Contractor dividend

Not applicable

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

Not applicable to earthquake insurance.

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

Not applicable to earthquake insurance.

② Investments

1. Investments policy

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 asset management, 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 2015		As of the end of fiscal 2016		As of the end of fiscal 2017	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Deposits		189,215	26.7	260,534	51.0	333,194	60.7
Call loans		4,668	0.7	1,040	0.2	90	0.0
Monetary receivables bought		94,596	13.3	-	-	-	-
Money trusts		-	-	-	-	-	-
Securities		401,751	56.6	234,580	45.9	200,239	36.5
Buildings		27	0.0	25	0.0	24	0.0
Total of investments assets		690,258	97.3	496,181	97.0	533,548	97.1
Total assets		709,408	100.0	511,297	100.0	549,220	100.0

4. Asset management yield (realized yield)

Division	Fiscal Year	2015			2016			2017		
		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		34	60,181	0.06	7	233,671	0.00	5	300,366	0.00
Call loans		8	38,187	0.02	0	1,471	0.00	0	388	0.00
Monetary receivables bought		144	184,504	0.08	3	20,157	0.02	-	-	-
Money trusts		-	-	-	-	-	-	-	-	-
Securities		2,475	368,634	0.67	1,419	294,061	0.48	1,216	215,283	0.57
Public and corporate bonds		818	250,382	0.33	662	251,126	0.26	556	179,425	0.31
Stocks		-	-	-	-	-	-	-	-	-
Foreign securities		1,657	118,251	1.40	757	42,934	1.76	659	35,857	1.84
Other securities		-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-
Buildings		-	28	-	-	27	-	-	25	-
Derivatives		3,954	-	-	3,329	-	-	929	-	-
Others		(4,494)	-	-	(3,791)	-	-	(1,404)	-	-
Total		2,124	651,536	0.33	968	549,390	0.18	747	516,064	0.14

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	2015		2016		2017	
		Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Deposits		34	0.06	7	0.00	5	0.00
Call loans		8	0.02	0	0.00	0	0.00
Monetary receivables bought		144	0.08	3	0.02	-	-
Money trusts		-	-	-	-	-	-
Securities		2,280	0.62	1,283	0.44	1,176	0.55
Buildings		-	-	-	-	-	-
Total		2,468	0.38	1,294	0.24	1,181	0.23

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	2015			2016			2017		
		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		34	60,181	0.06	7	233,671	0.00	5	300,366	0.00
Call loans		8	38,187	0.02	0	1,471	0.00	0	388	0.00
Monetary receivables bought		144	184,504	0.08	3	20,157	0.02	-	-	-
Money trusts		-	-	-	-	-	-	-	-	-
Securities		2,800	372,030	0.75	212	297,783	0.07	(71)	217,797	(0.03)
Public and corporate bonds		2,014	252,572	0.80	(227)	254,512	(0.09)	(63)	181,922	(0.04)
Stocks		-	-	-	-	-	-	-	-	-
Foreign securities		786	119,458	0.66	439	43,270	1.01	(7)	35,874	(0.02)
Other securities		-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-
Buildings		-	28	-	-	27	-	-	25	-
Derivatives		3,954	-	-	3,329	-	-	929	-	-
Others		(4,494)	-	-	(3,791)	-	-	(1,404)	-	-
Total		2,449	654,932	0.37	(239)	553,111	(0.04)	(540)	518,578	(0.10)

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 2015		As of the end of fiscal 2016		As of the end of fiscal 2017	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Foreign currency denominated							
Foreign public and corporate bonds		76,404	69.8	14,910	56.4	24,361	70.0
Yen denominated							
Foreign public and corporate bonds		33,118	30.2	11,525	43.6	10,460	30.0
Total		109,523	100.0	26,435	100.0	34,822	100.0
Yield on foreign loans & investments							
Investment assets yield (income yield)			1.39%		1.45%		1.88%
Assets management (realized yield)			1.40%		1.76%		1.84%
Market-price based overall yield (for reference)			0.66%		1.01%		(0.02%)

Note:

Of the yield on foreign loans & investments, the investment assets yield was calculated in the same manner as 3., Amount of interest and dividend received and yield on investment assets (income yield) in connection with the assets involving foreign 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 2016	As of the end of fiscal 2017
Total amount of non-consolidated solvency-margin		282,607	306,691
Common stock, etc.		1,540	1,539
Price fluctuation reserves		2	1
Risk reserves		-	-
Catastrophe reserves		278,846	303,954
Reserves for ordinary bad debts		-	-
Unrealized gain/loss on available-for-sale securities / Deferred gain/loss on hedges		2,218	1,195
(A) Unrealized gain and loss included land holdings		-	-
Surplus such as premium reserves		-	-
Funding instruments with a debt-like nature		-	-
Surplus such as premium reserves and funding instruments with a debt-like nature that are not included in the margin		-	-
Items deductible		-	-
Others		-	-
Total amount of non-consolidated risk $\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$		188,948	161,550
General underwriting risk (R1)		-	-
Underwriting risk in third-area insurance (R2)		-	-
(B) Anticipated rate of return risk (R3)		-	-
Investment risk (R4)		7,343	7,482
Management risk (R5)		3,704	3,167
Catastrophe risk (R6)		177,900	150,900
(C) Non-consolidated solvency-margin ratio $\frac{(A)}{[(B) \times 1 / 2]} \times 100$		299.1%	379.6%

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	
	2016 (As of March 31, 2017)	2017 (As of March 31, 2018)
Cash and deposits	260,534	333,194
Deposits	260,534	333,194
Call loans	1,040	90
Securities	234,580	200,239
Government bonds	91,419	62,581
Municipal bonds	24,257	20,051
Corporate bonds	92,467	82,784
Foreign securities	26,435	34,822
Tangible fixed assets	43	125
Buildings	25	24
Other tangible fixed assets	17	101
Intangible fixed assets	227	261
Software	173	259
Software in progress	52	-
Other intangible fixed assets	1	1
Other assets	14,870	15,309
Reinsurance accounts receivable	14,464	14,234
Accounts receivable	-	0
Uncollected income	261	309
Deposits	46	46
Suspense payments	17	2
Derivatives	80	715
Total assets	511,297	549,220

(LIABILITIES)

Item	(Yen in millions)	
	Fiscal Year	
	2016 (As of March 31, 2017)	2017 (As of March 31, 2018)
Underwriting funds	460,327	497,407
Outstanding claims	3,581	1,773
Underwriting reserves	456,745	495,634
Entrusted reserves	36,103	37,499
Other liabilities	10,630	11,360
Reinsurance accounts payable	9,709	11,180
Income taxes payable	144	109
Deposits payable	3	5
Accrued amounts payable	328	61
Derivatives	444	3
Reserve for retirement benefits	151	154
Reserve for directors' retirement benefits	5	9
Reserve for bonus payments	22	21
Reserves under the special law	2	1
Reserve for price fluctuation	2	1
Net unrealized gains on available-for-sale securities of earthquake insurance	2,511	1,225
Deferred tax liabilities	0	0
Total liabilities	509,755	547,680

(NET ASSETS)

Item	(Yen in millions)	
	Fiscal Year	
	2016 (As of March 31, 2017)	2017 (As of March 31, 2018)
Common stock	1,000	1,000
Retained earnings	546	545
Legal reserve of retained earnings	1	1
Other legal reserve of retained earnings	545	544
Special reserves	17	17
Special price fluctuation reserves	39	39
Retained earnings carried forward	488	487
Treasury Stock	(5)	(5)
Total shareholders' equity	1,540	1,539
Net unrealized gains on available-for-sale securities	2	0
Total valuation and translation adjustments	2	0
Total net assets	1,542	1,540
Total liabilities and net assets	511,297	549,220

Notes for fiscal 2017

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, 2018.

(Yen in millions)

	Balance sheet amount	Fair value	Difference
(i) Cash and deposits	333,194	333,194	-
(ii) Call loans	90	90	-
(iii) Securities			
Available-for-sale securities	200,239	200,239	-
Total assets	533,524	533,524	-
(iv) Derivatives* to which hedge accounting is not applied	711	711	-
Derivatives total	711	711	-

*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) 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.

(iv) 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 113 million yen.
6. See below for a breakdown of outstanding claims.

(Yen in millions)	
Outstanding claims (before the deduction of outstanding reinsurance claims)	2,881
Outstanding reinsurance claims related to the above claims	1,108
Net outstanding claims	1,773

7. Total deferred tax assets amount to 441 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 358 million yen, a reserve for retirement benefits of 43 million yen, unpaid business taxes of 21 million yen and unpaid special local corporate tax of 8 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 774.54 yen. The basis for this calculation is that net assets are 1,540 million yen, net assets accrued from ordinary shares are 1,540 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	
	2016 (from April 1, 2016 to March 31, 2017)	2017 (from April 1, 2017 to March 31, 2018)
	Amount	Amount
Ordinary income	289,485	101,288
Underwriting income	284,934	99,430
Net premiums written	114,114	97,302
Investment income on savings premiums	220	319
Reversal of outstanding claims	-	1,808
Reversal of policy reserve	170,599	-
Investment income	4,550	1,858
Interest and dividend income	1,294	1,181
Gains on sales of securities	147	63
Gains on derivatives	3,329	929
Other investment income	0	3
Transfer of investment income on savings premiums	(220)	(319)
Other ordinary income	0	0
Ordinary expenses	289,487	101,290
Underwriting expenses	284,200	98,375
Net claims paid	220,905	8,924
Loss adjustment expenses	14,190	2,135
Commissions and brokerage fees	46,675	48,426
Provision of outstanding claims	2,429	-
Provision of underwriting reserves	-	38,888
Investment expenses	3,803	1,429
Loss on sales of securities	10	22
Foreign exchange losses	3,773	1,386
Other investment expenses	19	20
Operating, general and administrative expenses	1,345	1,413
Other ordinary expenses	138	71
Interest paid	138	71
Ordinary profit (loss)	(1)	(1)
Extraordinary income	3	1
Reversal of reserve for price fluctuation	3	1
Net income (loss) before income taxes	1	(0)
Income taxes	0	0
Total income taxes	0	0
Net income (loss)	1	(0)

Notes for fiscal 2017

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

	(Yen in millions)
Premiums written:	257,239
Reinsurance premiums ceded:	159,937
Net premiums written:	97,302

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

	(Yen in millions)
Claims paid:	14,786
Reinsurance claims recovered:	5,861
Net claims paid:	8,924

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

	(Yen in millions)
Provision of outstanding claims (before the deduction of outstanding reinsurance claims)	(2,990)
Provision of outstanding reinsurance claims related to the above claims	(1,182)
Net provision of outstanding claims	(1,808)

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

	(Yen in millions)
Deposits:	5
Call loans:	0
Securities:	1,176
Total:	1,181

5. Paper profit/loss involved in the gains on derivatives is a profit of 711 million yen.

6. Net loss per share is 0.34 yen.

The basis for this calculation is such that net loss is 0 million yen, net loss accrued from common stocks is 0 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 28.24%, and the corporate tax burden after applying the tax effect is (73.59%). The difference is explained by the following breakdown: valuation reserve (23,162.17%), the amount of the write-off carried from publicity expenses related to risk reserves 23,213.07%.

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

3. Statements of cash flow

Item	(Yen in millions)	
	Fiscal Year	2016 (from April 1, 2016 to March 31, 2017)
	Amount	Amount
Cash flow from operating activities		
Net income before income taxes	1	(0)
Depreciation	88	115
Increase (decrease) in outstanding claims	2,429	(1,808)
Increase (decrease) in underwriting reserves	(170,599)	38,888
Increase (decrease) in entrusted reserves	(30,999)	1,396
Increase (decrease) in reserve for retirement benefits	5	2
Increase (decrease) in reserve for directors' retirement benefits	(3)	4
Increase (decrease) in reserve for bonus payments	0	(0)
Increase (decrease) in reserve for price fluctuation	(3)	(1)
Interest and dividend income	(1,294)	(1,181)
Losses (gains) on investment in securities	(136)	(40)
Foreign exchange losses (gains)	3,865	1,904
Decrease (increase) in other assets (other than investment and financial activities related)	(2,079)	244
Increase (decrease) in other liabilities (other than investment and financial activities related)	1,862	1,205
Others	5,603	(1,110)
Subtotal	(191,258)	39,620
Interest and dividends received	3,009	1,654
Income taxes paid	(0)	(0)
Net cash provided by operating activities	(188,249)	41,274
Cash flow from investing activities		
Net decrease (increase) in cash and deposits	(3,000)	-
Proceeds from sales and redemption of monetary receivables bought	71,597	-
Purchase of securities	(21,306)	(112,994)
Proceeds from sales and redemption of securities	182,791	143,662
Total investment assets activities	230,082	30,667
Total operating activities and investment assets activities	41,833	71,941
Acquisition of tangible fixed assets	(0)	(117)
Others	(140)	(114)
Net cash provided by investing activities	229,941	30,435
Cash flow in financing activities		
Effect of exchange rate changes on cash and cash equivalents		
	-	-
Net increase (decrease) in cash and cash equivalents	41,692	71,709
Cash and cash equivalents at the beginning of the year	205,882	247,574
Cash and cash equivalents at the end of the year	247,574	319,284

Notes for fiscal 2017

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, 2017)	(As of March 31, 2018)
Cash and deposits	260,534	333,194
Call loans	1,040	90
Securities	234,580	200,239
Deposits of a depository period over three months	(14,000)	(14,000)
Securities other than cash equivalent	(234,580)	(200,239)
Cash and cash equivalents	247,574	319,284

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 2016 (from April 1, 2016 to March 31, 2017)

(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	544	(5)	1,539	3	3	1,542
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)	0
Balance at the end of the period	1,000	1	17	39	488	546	(5)	1,540	2	2	1,542

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

Notes for fiscal 2017

- 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 2016	Increase in fiscal 2017	Decrease in fiscal 2017	Balance as of the end of fiscal 2017
Issued stock	Ordinary stock	2,000,000	-	-	2,000,000
	Total	2,000,000	-	-	2,000,000
Treasury stock	Ordinary stock	11,400	-	-	11,400
	Total	11,400	-	-	11,400

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

5. Dividend per share and total assets per employee

(Yen in millions)

Division	Fiscal Year		
	2015	2016	2017
Dividend per share	-	-	-
Net income (loss) per share	(0.23 yen)	0.57 yen	(0.34 yen)
Dividend propensity	-	-	-
Net assets per share	775.61 yen	775.67 yen	774.54 yen
Total assets per employee	24,462	19,665	19,615

Notes:

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

② Details of assets and liabilities

1. Deposits

Division	Year	As of the end of fiscal 2015	As of the end of fiscal 2016	As of the end of fiscal 2017
Deposits		189,215	260,534	333,194
Ordinary deposits		155,655	236,504	309,164
Time deposits		33,560	24,030	24,030

2. Average balance and trading amount of commodity securities

Not applicable

3. Balance of securities by category and percentage distribution

Division	Year	As of the end of fiscal 2015		As of the end of fiscal 2016		As of the end of fiscal 2017	
		Amount	Percentage distribution (%)	Amount	Percentage distribution (%)	Amount	Percentage distribution (%)
Government bonds		93,829	23.4	91,419	39.0	62,581	31.3
Municipal bonds		43,526	10.8	24,257	10.3	20,051	10.0
Corporate bonds		154,871	38.5	92,467	39.4	82,784	41.3
Stocks		-	-	-	-	-	-
Foreign securities		109,523	27.3	26,435	11.3	34,822	17.4
Other securities		-	-	-	-	-	-
Total		401,751	100.0	234,580	100.0	200,239	100.0

4. Yield on securities held

Division	Fiscal Year		
	2015	2016	2017
Investment assets yield (income yield)			
Public & corporate bonds	0.25	0.26	0.28
Stocks	-	-	-
Foreign securities	1.39	1.45	1.88
Other securities	-	-	-
Total	0.62	0.44	0.55
Assets management yield (realized yield)			
Public & corporate bonds	0.33	0.26	0.31
Stocks	-	-	-
Foreign securities	1.40	1.76	1.84
Other securities	-	-	-
Total	0.67	0.48	0.57
Market-price based overall yield (for reference)			
Public & corporate bonds	0.80	(0.09)	(0.04)
Stocks	-	-	-
Foreign securities	0.66	1.01	(0.02)
Other securities	-	-	-
Total	0.75	0.07	(0.03)

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 2016

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	12,575	26,395	37,458	5,835	-	9,155	91,419
Municipal bonds	18,951	4,406	898	-	-	-	24,257
Corporate bonds	85,766	6,701	-	-	-	-	92,467
Stocks	-	-	-	-	-	-	-
Foreign securities	8,797	15,838	1,800	-	-	-	26,435
Other securities	-	-	-	-	-	-	-
Total	126,090	53,341	40,157	5,835	-	9,155	234,580

As of the end of fiscal 2017

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

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, 2018.

12. Tangible fixed assets by category

(Yen in millions)

Division	Year	As of the end of fiscal 2015	As of the end of fiscal 2016	As of the end of fiscal 2017
Land		-	-	-
for underwriting		-	-	-
for investment		-	-	-
Buildings		27	25	24
for underwriting		27	25	24
for investment		-	-	-
Construction in progress		-	-	-
for underwriting		-	-	-
for investment		-	-	-
Total of property		27	25	24
for underwriting		27	25	24
for investment		-	-	-
Leased assets		-	-	-
Other tangible fixed assets		39	17	101
Total		66	43	125

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 2015	As of the end of fiscal 2016	As of the end of fiscal 2017
Outstanding claims		1,152	3,581	1,773
Underwriting reserves		627,345	456,745	495,634
Risk reserves		464,584	278,846	303,954
Unearned premium reserves		162,760	177,899	191,679
Total		628,497	460,327	497,407

16. Level of underwriting reserves

There is no target contact.

17. Detailed listing of liability reserves

As of the end of fiscal 2016

(Yen in millions)

Division	Balance as of the end of fiscal 2015	Increase in fiscal 2016	Decrease in fiscal 2016	Balance as of the end of fiscal 2016
Reserve for ordinary bad debts	-	-	-	-
Reserve for individual bad debts	-	-	-	-
Reserve for specific foreign securities	-	-	-	-
Reserve for retirement benefits	145	23	17	151
Reserve for directors' retirement benefits	8	4	7	5
Reserve for bonus payments	21	22	21	22
Reserve for price fluctuation	6	-	3	2
Total	182	49	50	182

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

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	2015	2016	2017
Government bonds		181	2	63
Foreign securities		12	144	–
Total		194	147	63

2. Losses on sales of securities by category

(Yen in millions)				
Division	Fiscal Year	2015	2016	2017
Government bonds		–	–	8
Foreign securities		–	10	13
Total		–	10	22

3. Losses on valuation of securities

Not applicable

4. Gains on disposal of fixed assets

Not applicable

5. Losses on disposal of fixed assets

(Yen in millions)				
Division	Fiscal Year	2015	2016	2017
Land		–	–	–
Buildings		–	–	–
Other tangible fixed assets		0	–	–
Total		0	–	–

6. Business expenses (inclusive of loss adjustment)

(Yen in millions)				
Division	Fiscal Year	2015	2016	2017
Personnel expenses		404	3,311	651
Non personnel expenses		1,527	11,914	2,633
Taxes		331	310	264
Commissions and brokerage fees		45,880	46,675	48,426
Total		48,144	62,211	51,976

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 2016

(Yen in millions)					
Type of asset	Acquisition cost	Depreciation in fiscal 2016	Aggregated depreciations	Balance as the end of fiscal 2016	Rate of aggregated depreciations %
Tangible fixed assets					
Buildings	85	1	59	25	69.8
for underwriting	85	1	59	25	69.8
for investment	–	–	–	–	–
Other tangible fixed assets	142	22	125	17	87.7
Total	228	23	185	43	81.0
Intangible fixed assets					
Software	382	64	208	173	54.6
Software in progress	52	–	–	52	–
Other intangible fixed assets	1	–	–	1	–
Total	436	64	208	227	47.8
Grand total	665	88	393	271	59.2

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

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 2016

(Yen in millions)

Division	Type	Acquisition cost	Book value	Difference
Securities whose carrying amount exceeds their cost	Public & corporate bonds	186,891	189,396	2,505
	Stocks	-	-	-
	Foreign securities	20,503	21,275	772
	Others	-	-	-
	Subtotal	207,394	210,672	3,278
Securities whose carrying amount does not exceed their cost	Public & corporate bonds	18,757	18,747	(9)
	Stocks	-	-	-
	Foreign securities	5,252	5,159	(92)
	Others	-	-	-
	Subtotal	24,009	23,907	(101)
Total		231,404	234,580	3,176

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)

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

(Yen in millions)

Type	Fiscal 2016			Fiscal 2017		
	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	3,504	2	-	26,029	63	8
Stocks	-	-	-	-	-	-
Foreign securities	42,893	144	10	2,322	-	13
Others	-	-	-	-	-	-
Total	46,397	147	10	28,352	63	22

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 2016

(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	14,388	-	(363)	(363)
Total			(363)	(363)

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

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