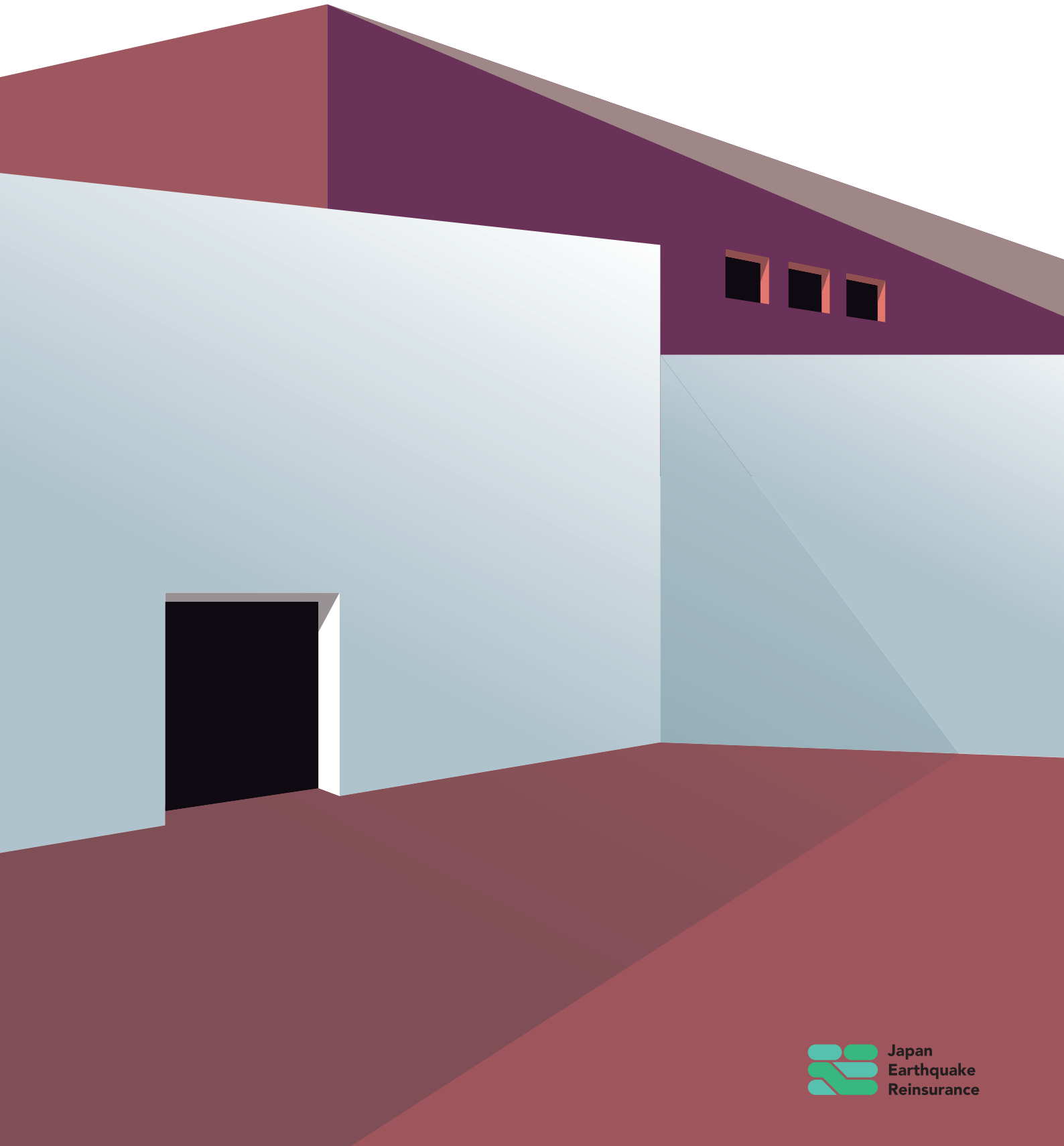
2025 Annual Report

Introduction to Earthquake Reinsurance in Japan



Japan Earthquake Reinsurance

Japan Earthquake Reinsurance

Management philosophy

JER will aim to be a respected company that contributes to the sustainable development of a prosperous and safe society through the appropriate management of the earthquake insurance system.

Management policy

Based on our initiative and spirit of challenge,
We will establish a fair and highly transparent management system.
We will also respond promptly and decisively to changes in the social environment.

We will prepare the reinsurance payment system to enable prompt and proper actions after a large earthquake.

We focus on liquidity and safety in asset management.

Basic Policy on Sustainability

JER will work towards the realization of a sustainable society by providing security to society with the strength of an earthquake insurance specialist.

1. Contribution to society
   JER will increase society's resilience to earthquakes and sustainability through its business activities.
2. DE&I (Diversity, Equity and Inclusion)
   JER aims to allow employees to grow and perform to their full potential by being fair-handed and providing an environment in which employees can focus on realizing a sustainable society while respecting each other.
3. Contribution to environment and local communities
   JER will seek to reduce environmental impacts in its business activities and actively engage in environmental conservation activities and activities that contribute to local communities.
4. Governance
   On the premise of compliance with laws and regulations and fairness, JER will exercise management based on prompt and appropriate judgments that reflect an understanding of risks.
5. Response to changes
   JER will respond to changes through the active utilization of digital technologies.

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MESSAGE FROM CEO

Chairman:
Kazuhiko Ishihara

CEO:
Keisuke Otsuka

I would like to express my sincerest gratitude to all our stakeholders for their continued support.
Since the establishment of the earthquake reinsurance scheme, jointly operated by the government and non-life insurance companies, in 1966, JER, the only reinsurance company in Japan that conducts reinsurance transactions between the public and private sectors in accordance with the Act on Earthquake Insurance, has adopted "JER will aim to be a trusted company that contributes to the sustainable development of a prosperous and safe society through the appropriate management of the earthquake insurance system" as its management philosophy and has worked to realize this philosophy.
Earthquake insurance plays a vital role in supporting people affected by earthquakes as they rebuild their lives. A reinsurance framework developed by the government, non-life insurance companies and JER is operated through the joint efforts of the private and public sectors to ensure earthquake insurance claims are paid quickly and reliably.
Through the payment of reinsurance claims, JER has been supporting the stability of the lives of disaster victims in the aftermath of earthquakes across the nation, including the Great Hanshin-Awaji Earthquake in 1995 and the Great East Japan Earthquake in 2011.
It is estimated that the probability of a major Nankai Trough earthquake occurring within the next 30 years is 80%, and it is said that a major earthquake could happen anytime and anywhere, including directly beneath the Tokyo Metropolitan Area. It is also necessary to prepare for weather disasters, which are becoming increasingly severe and frequent, and complex disasters in which earthquakes occur at the same time as pandemics, cyberattacks, and other emergencies.
Amid this situation, JER started its Seventh Medium-Term Management Plan in FY2024. Initiatives under the plan include the development of a sustainable earthquake insurance system, the improvement of the operation system toward an asset size of one trillion yen, the development of a setup for the prompt and appropriate payment of claims after a massive earthquake and the improvement of society's resilience through disaster prevention and mitigation activities and increasing people's familiarity with earthquake insurance.
To strengthen the management foundation that supports the execution of these measures, JER is also focusing on the realization of human resource-oriented management, advances in response to ERM, governance and the SDGs accompanying growth and the improvement of productivity, etc. through the use of digital technology.
Fully recognizing our social responsibilities and mission, we will continue contributing to the development of the earthquake insurance system and the realization of a safe and secure society through the earthquake reinsurance business, aiming to earn greater trust from our stakeholders.
As such, we sincerely appreciate your continued support.

July 2025

大塚 慶介

Keisuke Otsuka, CEO
Japan Earthquake Reinsurance Co., Ltd.

JAPAN EARTHQUAKE REINSURANCE CO., LTD.

PROFILE

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

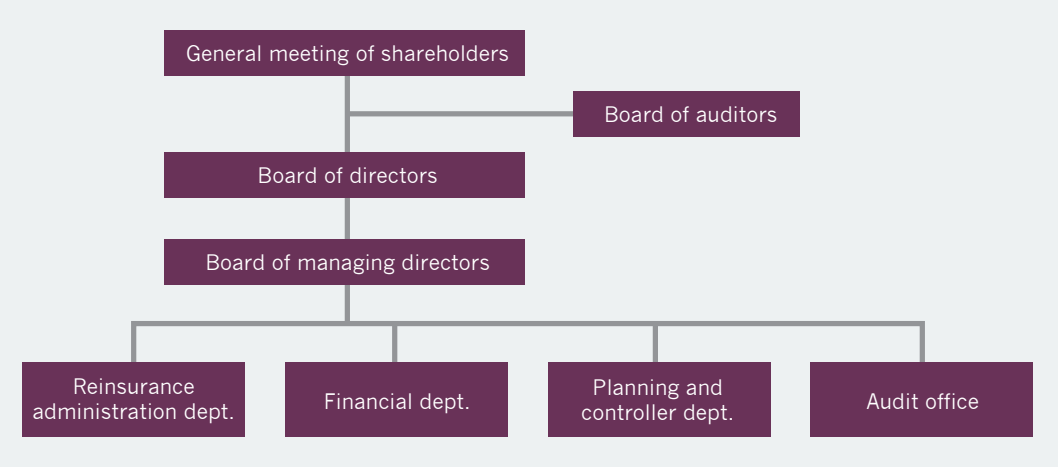
Earthquake insurance on dwelling risks depends on this reinsurance system (which is a safety net, as it were), in which the government, non-life insurance companies and JER participate to ensure that insurance claims can be paid to policyholders without fail.

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

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

ORGANIZATION

(As of April 1, 2025)



SHAREHOLDERS

(As of March 31, 2025)

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

BOARD MEMBERS (FULL-TIME)

(As of July 1, 2025)

Post	Name
Chairman (representative director)	Kazuhiko Ishihara
Chief Executive Officer (representative director)	Keisuke Otsuka
Managing director (representative director)	Satoshi Takayama
Managing director (representative director)	Koki Umeda
Corporate auditor	Jinichi Sakamoto

MANAGEMENT INFORMATION

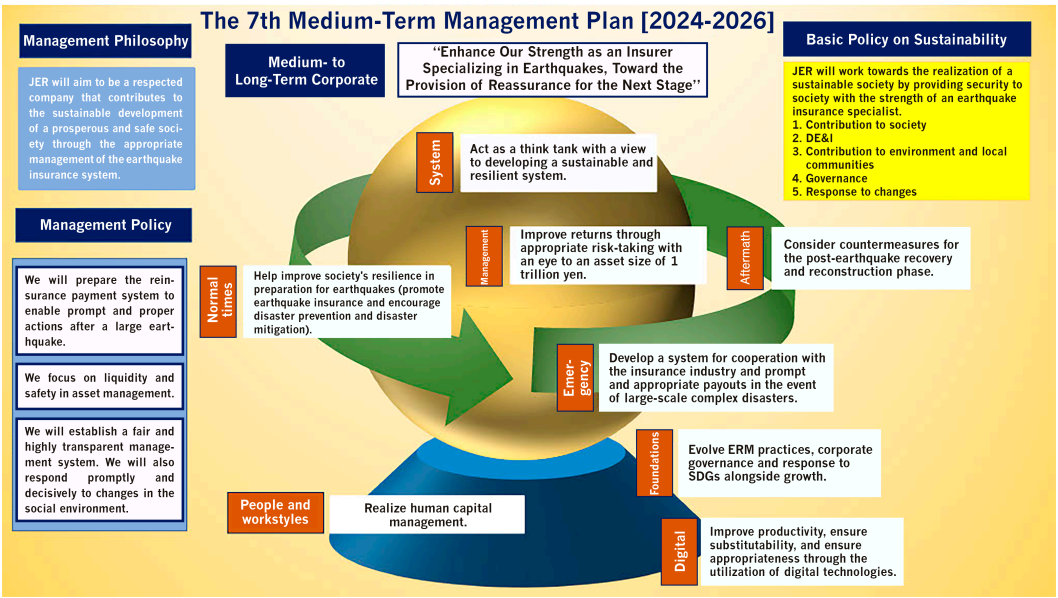
JER's 7th Medium-Term Management Plan kicked off in FY2024 and JER is now implementing initiatives to realize its medium- to long-term corporate vision "Moving into the next stage of security with the strength of an earthquake insurance specialist."

[Medium- to long-term corporate vision]

MOVING INTO THE NEXT STAGE OF SECURITY WITH THE STRENGTH OF AN EARTHQUAKE INSURANCE SPECIALIST.

Under its 7th Medium-Term Management Plan, JER has formulated and is implementing key measures in each of the following categories, in light of changes and challenges in JER's operating environment such as expansion of threats due to the increasing frequency and severity of natural disasters, thorough implementation of a customer orientation approach and compliance, falling birthrate and aging population, changing values, and rapid evolution of digital technology.

[System] Act as a think tank with a view to developing a sustainable and resilient system.
[Management] Improve returns through appropriate risk-taking with an eye to an asset size of 1 trillion yen.
[Normal times] Help improve society's resilience in preparation for earthquakes (promote earthquake insurance and encourage disaster prevention and disaster mitigation).
[Emergency situation] Develop a system for cooperation with the insurance industry and prompt and appropriate payouts in the event of large-scale complex disasters.
[Aftermath] Consider countermeasures for the post-earthquake recovery and reconstruction phase.
[People and workstyles] Realize human capital management.
[Foundations] Evolve ERM practices, corporate governance and response to SDGs alongside growth.
[Digital] Improve productivity, ensure substitutability, and ensure appropriateness through the utilization of digital technologies.

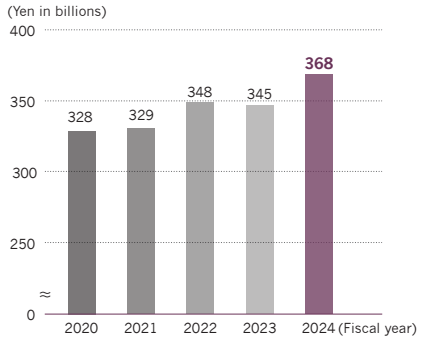


FINANCIAL HIGHLIGHTS

Premiums Written

368 bn

Premiums written = Gross premiums written – Cancellation refunds, other refunds



Underwriting Profit, Ordinary Profit, Net Income

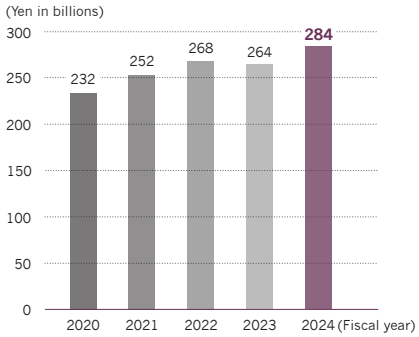
No underwriting profit was written.

All underwriting profits and investment income generated shall be set aside in an underwriting reserve for future major earthquakes in accordance with the Law on Earthquake Insurance.

Net Premiums Written

284 bn

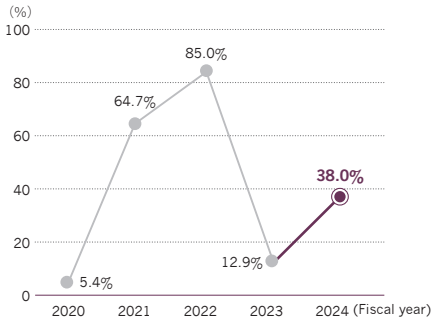
Net premiums written = Premiums written – Reinsurance premiums ceded



Net Loss Ratio

38.0%

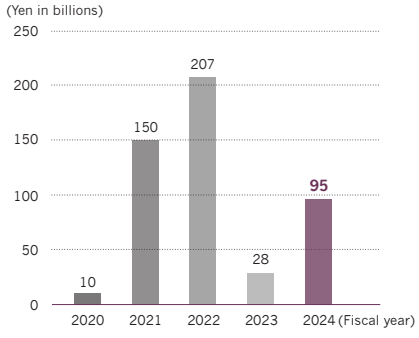
Net loss ratio = (Net claims paid + Loss adjustment expenses) ÷ Net premiums written



Net Claims Paid

95 bn

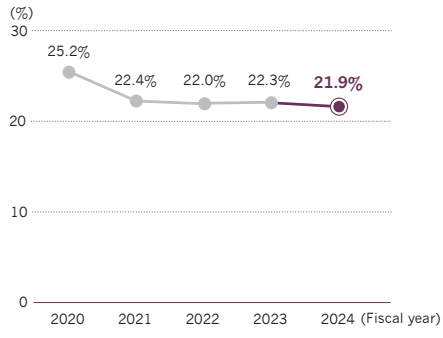
Net claims paid = Claims paid – Reinsurance claims recovered



Net Expense Ratio

21.9%

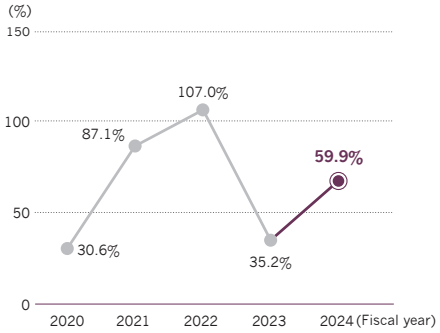
Net expense ratio = Underwriting expenses ÷ Net premiums written



Combined Ratio

59.9%

Combined ratio = Net loss ratio + Net expense ratio



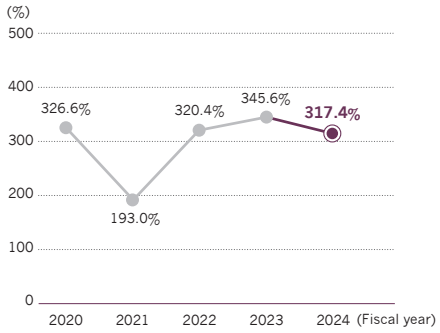
Non-consolidated Solvency Margin Ratio

317.4%

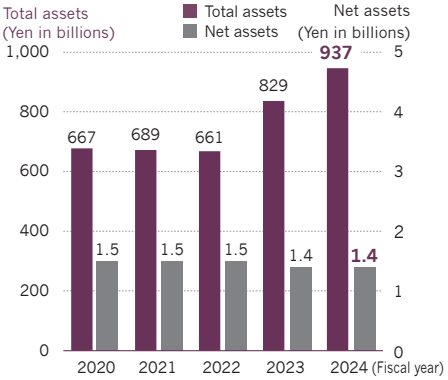
The solvency margin ratio is an indicator that shows the ratio of the solvency margin of capital and reserves against risks that exceed normal expectations, such as the occurrence of a major disaster or a significant drop in the price of assets held by the company.

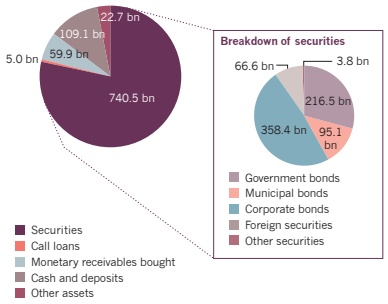
The solvency margin ratio is one of the indicators used by administrative authorities to judge the soundness of an insurance company's management, and if the ratio is 200% or higher, the company is considered to have "adequate solvency to pay insurance claims.

However, since JER has a special business structure based on the "Law Concerning Earthquake Insurance," the solvency margin ratio is not used as a numerical value for the administrative authority's criteria for issuing an improvement order, etc.



Total Assets, Net Assets





Financial Highlights in Last 5 Fiscal Years

(Yen in millions)

	2020	2021	2022	2023	2024
Net premiums written Rate of change	232,822 80.1%	252,468 8.4%	268,987 6.5%	264,288 (1.7%)	284,093 7.5%
Net claims paid Rate of change	10,187 (61.2%)	150,088 1,373.2%	207,758 38.4%	28,092 (86.5%)	95,737 240.8%
Ordinary income Rate of change	234,352 69.3%	254,971 8.8%	413,488 62.2%	270,125 (34.7%)	350,878 29.9%
Ordinary expenses Rate of change	234,351 69.3%	254,970 8.8%	413,487 62.2%	270,124 (34.7%)	350,877 29.9%
Ordinary profit (loss) Rate of change	0 —	1 63.3%	0 (44.3%)	0 19.9%	1 77.6%
Net income (loss) Rate of change	0 —	1 351.4%	0 (83.9%)	0 61.3%	1 174.5%
Net loss ratio	5.4%	64.7%	85.0%	12.9%	38.0%
Net expense ratio	25.2%	22.4%	22.0%	22.3%	21.9%
Interest and dividend income Rate of change	752 (13.8%)	594 (21.0%)	778 30.9%	1,375 76.8%	3,535 157.0%
Income yield	0.13%	0.10%	0.13%	0.19%	0.42%
Realized yield	0.09%	0.14%	0.09%	0.02%	0.13%
Common stock Number of shares outstanding	1,000 2 mil. shares	1,000 2 mil. shares	1,000 2 mil. shares	1,000 2 mil. shares	1,000 2 mil. shares
Net assets	1,538	1,529	1,501	1,491	1,448
Total assets	667,273	689,022	661,059	829,925	937,437
Underwriting reserves Rate of change	513,374 10.1%	520,665 1.4%	643,330 23.6%	749,633 16.5%	927,215 23.7%
Of which, risk reserves Rate of change	239,829 7.6%	231,150 (3.6%)	333,368 44.2%	430,982 29.3%	591,077 37.1%
Loans Rate of change	— —	— —	— —	— —	— —
Securities Rate of change	365,834 46.0%	457,705 25.1%	452,280 (1.2%)	574,140 26.9%	740,548 29.0%
Non-consolidated solvency margin ratio	326.6%	193.0%	320.4%	345.6%	317.4%
Net assets per share	773.77 yen	769.30 yen	755.24 yen	750.23 yen	728.57 yen
Net income (loss) per share	0.17 yen	0.75 yen	0.12 yen	0.20 yen	0.54 yen
Dividend propensity	—	—	—	—	—
Number of employees	28	30	30	31	30

Our solvency margin ratio is not to be used as a figure for the criteria for triggering improvement orders, etc. issued by administrative authorities.

EARTHQUAKE INSURANCE IN JAPAN

ESTABLISHING THE EARTHQUAKE INSURANCE SYSTEM

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

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

MECHANISM OF THE EARTHQUAKE INSURANCE SYSTEM

Earthquake insurance is arranged as an optional rider to fire insurance which covers buildings for residential use and/or personal property. Earthquake insurance cannot be purchased on its own. If you conclude a fire insurance contract without earthquake insurance, you are required to seal the earthquake insurance check column of the fire insurance contract application form.

If you have entered into a fire insurance contract without earthquake insurance, you will be able to purchase earthquake insurance while your fire insurance contract is valid. In some areas, however, if an announcement warning of an earthquake has been made, you may not be able to purchase earthquake insurance.

Insurance Coverage

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

Fire insurance* does not cover

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

Insurable interests

Buildings for residential use and/or personal property

None of the following is insurable:
A building used as a plant or office, and not used for dwelling purposes, precious metals, gems or antiques valued at 300,000 yen or more per piece, currency, securities (checks, share certificates, gift certificates), certificates of deposit, revenue stamps, postal stamps, automobiles and certain other items.

Term insured

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

Amount insured

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

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

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

Payment of insurance claims

Under the Earthquake Insurance, insurance claims are paid out when the policyholder's residential building and/or personal property have sustained total loss, large half loss, small half loss or partial loss.

(Table 1)

Insurable objects	Degree of loss	Amount of insurance claim paid
Residential buildings, personal property	Total loss	100% of amount insured (up to the current price* of the insurable objects)
	Large half loss	60% of amount insured (up to 60% of the current price of the insurable objects)
	Small half loss	30% of amount insured (up to 30% of the current price of the insurable objects)
	Partial loss	5% of amount insured (up to 5% of the current price of the insurable objects)

Note: If the degree of damage is judged to be less than a partial loss, insurance claims will not be paid.

Cases when no insurance claim is payable:

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

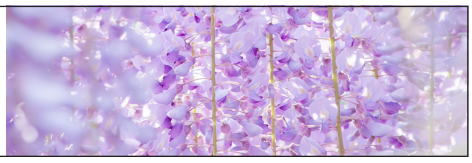
* *Current price*
The current price is such that the amount of depreciation according to the service year is deducted from the price of a new building.

Authorization criteria of losses

Major loss assessment standards by degree of loss are as follows.
(Table 2)

	Residential building		Personal property
Degree of loss	Amount of loss of major structural parts	Area of floor burnt down or washed away (partial loss applies when the residential building is flooded above floor level)	Degree of loss of or damage to the personal property
Total loss	50% or more of the current price of the residential building	70% or more of the total floor area of the residential building	80% or more of the current price of the personal property
Large half loss	From 40% to less than 50% of the current price of the residential building	From 50% to less than 70% of the total floor area of the residential building	From 60% to less than 80% of the current price of the personal property
Small half loss	From 20% to less than 40% of the current price of the residential building	From 20% to less than 50% of the total floor area of the residential building	From 30% to less than 60% of the current price of the personal property
Partial loss	From 3% to less than 20% of the current price of the residential building	The residential building was damaged but the damage is not as much as total, large half, small half or partial loss, although it was flooded above the floor level or above 45 cm from the ground level.	From 10% to less than 30% of the current price of the personal property

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



Limit of total amount of insurance claims to be paid

Limit of total amount of insurance claims to be paid* is limited to 12,000 billion yen as revised in April 1, 2021 per earthquake, etc. In the event the total amount of insurance claims payable exceeds the limit, law allows insurance claims per contract to be reduced.

Premium rate

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

Premium rate = Risk premium rate + Loading rate

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

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

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* *Limit of total amount of insurance claims to be paid*
The Law concerning Earthquake Insurance stipulates that the limit to the total insurance claims payable by the government and private insurance company per earthquake, etc.. For details, see page 18 Insurance liabilities held by JER, non-life insurance companies and the government.

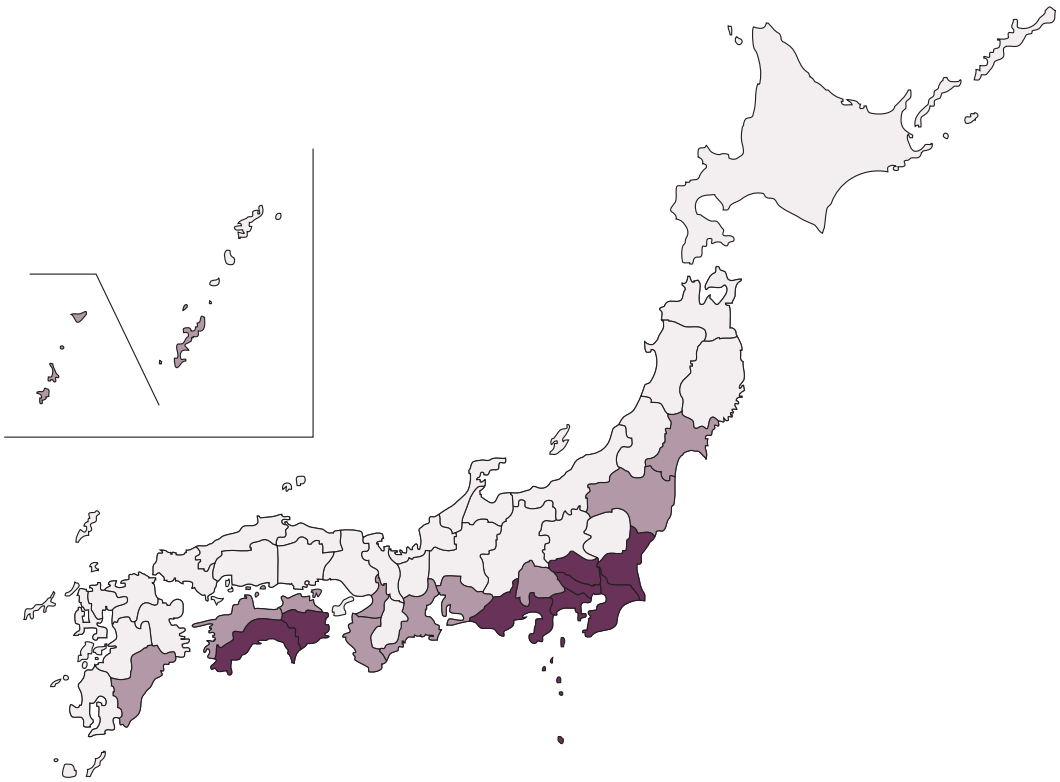
** *General Insurance Rating Organization of Japan*
An organization established in accordance with the Law concerning General Insurance Rating Organizations, which aims to provide a fair basis premium rate applicable to non-life insurance.

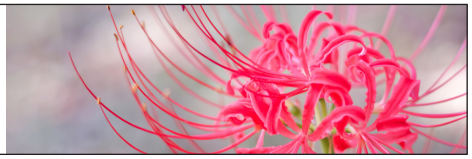
*** *The Headquarters for Earthquake Research Promotion*
Following on the lessons learned from the Great Hanshin-Awaji Earthquake Disaster, the Special Measure Law on Earthquake Disaster Prevention was enacted to develop a system to facilitate research and study on earthquakes, and based on this Law,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

Basic rate (applicable to buildings and personal property)
Examples of premiums

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

Location classification	Prefecture	Non wooden	Wooden
1	Hokkai-do, Aomori-ken, Iwate-ken, Akita-ken, Yamagata-ken, Tochigi-ken, Gunma-ken, Niigata-ken, Toyama-ken, Ishikawa-ken, Fukui-ken, Nagano-ken, Gifu-ken, Shiga-ken, Kyoto-fu, Hyogo-ken, Nara-ken, Tottori-ken, Shimane-ken, Okayama-ken, Hiroshima-ken, Yamaguchi-ken, Fukuoka-ken, Saga-ken, Nagasaki-ken, Kumamoto-ken, Oita-ken, Kagoshima-ken	7,300	11,200
2	Miyagi-ken, Fukushima-ken, Yamanashi-ken, Aichi-ken, Mie-ken, Osaka-fu, Wakayama-ken, Kagawa-ken, Ehime-ken, Miyazaki-ken, Okinawa-ken	11,600	19,500
3	Ibaraki-ken, Tokushima-ken, Kochi-ken	23,000	41,100
	Saitama-ken	26,500	
	Chiba-ken, Tokyo-to, Kanagawa-ken, Shizuoka-ken	27,500	





Discount rate

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

• Discounts cannot be claimed more than once.

(a) Seismic isolated building* discount

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

Discount rate	50%

(b) Earthquake-resistance class discount rate**

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

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

(c) Earthquake-resistance diagnosis discount

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

Discount rate	10%

(d) Building age discount rate

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

Discount rate	10%

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

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

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

Earthquake-Resistance Class 2
Class suggesting that the building will not topple or collapse against a force 1.25 times stronger than the force of an earthquake that occurs very rarely

Earthquake-Resistance Class 1
Class suggesting that the building will not topple or collapse against that force of earthquake that occurs very rarely

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

Premium rate of a long-term contract

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

Contract period	2 years	3 years	4 years	5 years
Coefficient	1.90	2.85	3.75	4.70

An example of insurance premiums calculated

A non wooden residential building constructed in January 2000 in Ibaraki-ken:
Fire insurance (principal contract) amount insured: Building 20 million yen; personal property 10 million yen
Period of insurance: One year

1. Setting the amount insured of earthquake insurance: In this case, the proportion insured (*) will be 50%.
   Residential building: 20 million yen x 50% = 10 million yen
   Personal property: 10 million yen x 50% = 5 million yen
2. Confirming the premium rate applicable: Ibaraki-ken, non wooden
   → 2.30 (premium per 1,000 yen insurance)
3. Confirming the discount rate applicable: Building constructed in and after June 1981
   → 10%

Earthquake insurance premium on residential building = Earthquake amount insured 10,000 (1,000 yen) x Earthquake insurance premium rate 2.30 x (100% − Discount rate 10%) (2.07) = 20,700 (yen)

Earthquake insurance premium on personal property = Earthquake amount insured 5,000 (1,000 yen) x Earthquake insurance premium rate 2.30 x (100% − Discount rate 10%) (2.07) = 10,350 (yen)

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

Income tax credit system for earthquake insurance

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

REINSURANCE OF EARTHQUAKE INSURANCE

MECHANISM OF REINSURANCE

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

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

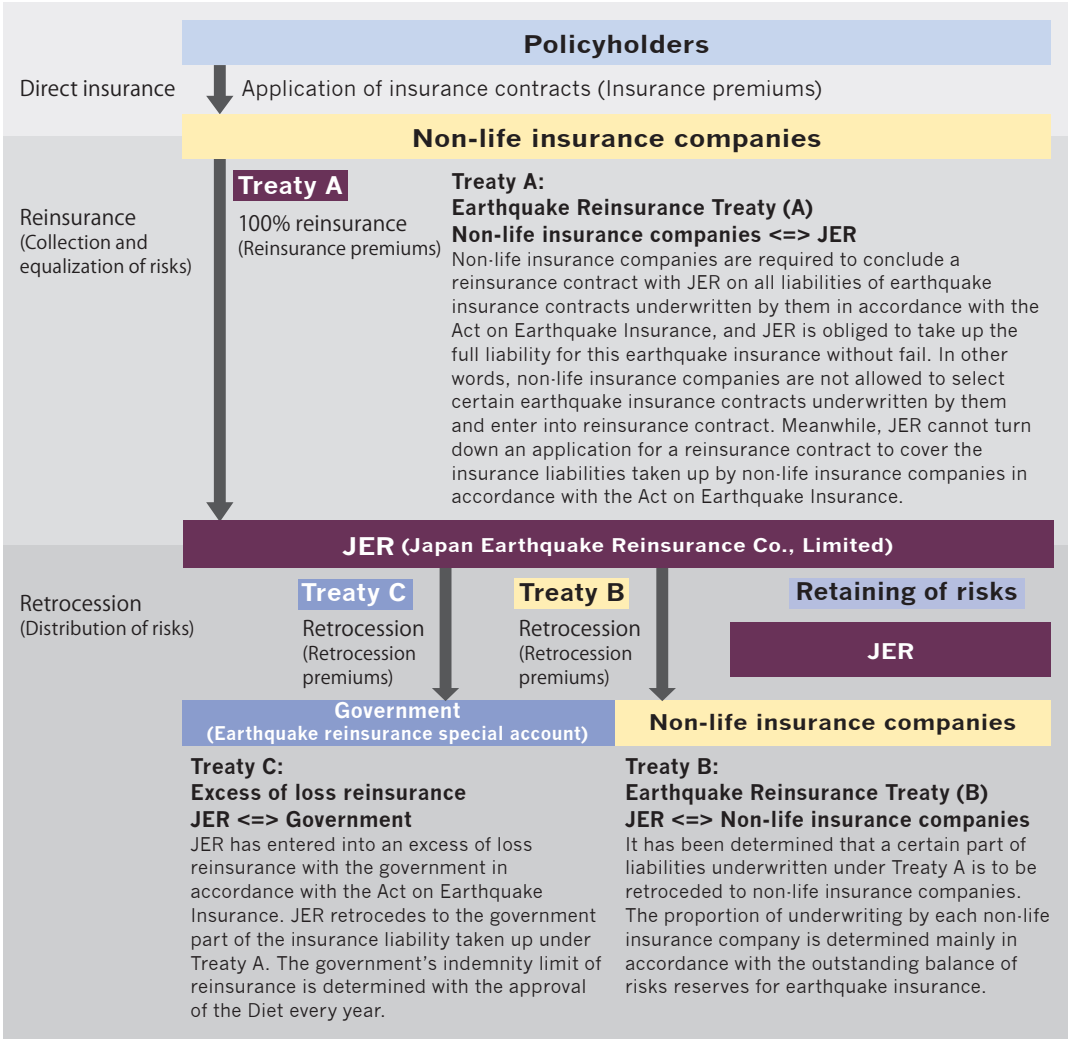
MECHANISM OF PAYMENT OF INSURANCE CLAIMS

The policyholder claims insurance money to the non-life insurance company when the policyholder suffers a certain loss or damage as a result of an earthquake, etc., and the company will pay insurance claim to the policyholder.
The non-insurance company which paid an insurance claim to the policyholder will claim the full amount from JER through reinsurance. JER will pay the reinsurance claim in full to the non-life insurance company.
This means that the amount of reinsurance claim paid by JER is the same as the amount of the insurance claim paid to the policyholder by the non-life insurance company.
When a major earthquake occurs, a non-life insurance company must make a large amount of money ready so that it can pay a large number of insurance claims. To avoid problems in paying insurance claims, the government has set forth a ministerial ordinance that covers the payment of reinsurance claims pertaining to earthquake insurance based on a rough estimate, and promptly pays reinsurance claims based on a rough estimate (makes a provisional payment) through JER.

FLOWCHART OF REINSURANCE

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

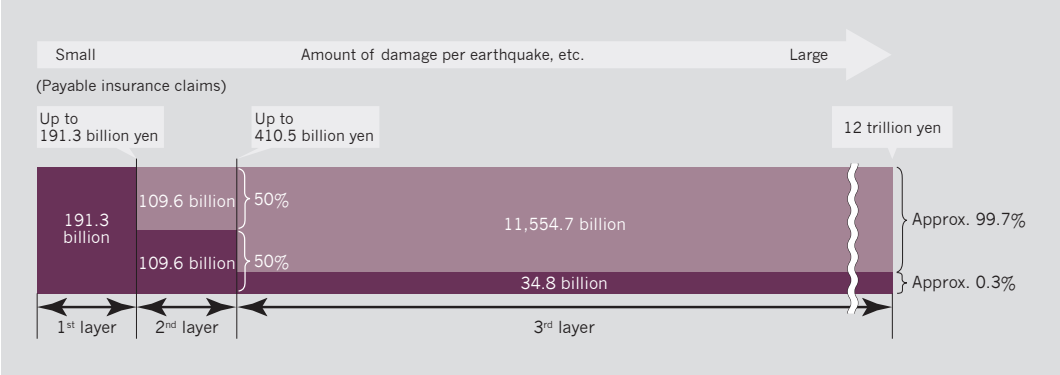
JER first reinsures earthquake insurance contracts that were underwritten by non-life insurance companies, and then divides the risks evenly. After excluding the risks held by JER, JER implements retrocession against the government and non-life insurance companies in accordance with the burden of risks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



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

The limit of the total amount of insurance claims to be paid per earthquake, etc. is set in advance. This system is designed so that, even in the event of an earthquake as devastating as the Great Kanto Earthquake, insurance claims can be paid without problems. The current limit of total amount of insurance claims to be paid is set at 12.0 trillion yen. This is the reinsurance scheme that shows how JER, non-life insurance companies and the government share and limit insurance liabilities within the limit of the total amount of insurance claims to be paid per earthquake.

Reinsurance scheme (applicable to earthquake, etc. that take place after April 2, 2025)



Liability limit

JER and non-life insurance companies	335.7 billion yen
The government	11,664.3 billion yen

JER and non-life insurance companies pay insurance claims up to 191.3 billion yen (1st layer) per earthquake, etc. The government and others (non-life insurance companies and JER) share equally insurance claims for the portion exceeding 191.3 billion yen, up to 410.5 billion yen (2nd layer). The government pays a majority of insurance claims (approximately 99.7%) for the portion exceeding 410.5 billion yen (3rd layer).

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

Examples of insurance claims to be paid by JER, non-life insurance companies and the government

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

(Unit: billion yen)

Claims paid / A person of burden	Portion up to 191.3 billion yen	Portion over 191.3 billion yen, and up to 410.5 billion yen	Portion over 410.5 billion yen, and up to 2,000 billion yen	Total
JER and Non-life insurance companies	191.3	109.6	About 4.8	About 305.7
The government	—	109.6	About 1,584.7	About 1,694.3
Total	191.3	219.2	1,589.5	2,000.0

The balance of risk reserves at JER and non-life insurance companies and the government liability reserves at the end of fiscal 2024

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

JER and Non-life insurance companies	601.4 billion yen
The government	2,205.8 billion yen
Total	2,807.2 billion yen

Note 1: The risk reserves by the non-life insurance companies include the amount equivalent to deferred tax assets due to tax effect accounting.
2: Government reserves will be finalized when the settlement for fiscal 2024 is approved by the Diet.

STATISTICS

Reinsurance claims paid in fiscal 2024

Reinsurance claims paid in fiscal 2024 amounted to 100 billion yen, including reinsurance claims paid to cover the 2024 Noto Peninsula earthquake. In terms of numbers, 117,709 claims were paid (on the basis of insurance policies). See below for claims paid for major earthquakes, etc.

Earthquake (Region name)	Date of occurrence	Magnitude	No. of policies	Reinsurance claims paid (million yen)
1. The 2024 Noto Peninsula	January 1, 2024	7.6	92,687	84,616
2. Hyuganada	August 8, 2024	7.1	7,756	4,417
3. Fukushima-ken-oki	March 16, 2022	7.4	5,302	4,090
4. Bungo-Suido	April 17, 2024	6.6	3,536	2,008
5. Iwate-ken Engan Hokubu	April 2, 2024	6.0	954	634
Other earthquakes	—	—	7,474	4,269
Total	—	—	117,709	100,036

The percentage of households purchasing earthquake insurance in areas at risk of major earthquakes

Earthquake (Region name)	No. of households (A) (1,000 households)	No. of policies (B) (1,000 policies)	Percentage of households with insurance (B/A) (%)	Probability that an earthquake could occur within the next 30 years
Great Kanto	23,777	8,411	35.4	Nearly 0%–6%
Tokyo metropolitan	20,009	7,192	35.9	About 70%
Nankai trough	49,211	17,818	36.2	About 80%

Note 1: JER prepared the number of households and the number of policies, assuming that major prefectures were stricken.

2: The probability that an earthquake could occur within the next 30 years is based on the 2025 version of the National Seismic Hazard Maps for Japan of the Headquarters for Earthquake Research Promotion of the Japanese government. The probability of a Great Kanto Earthquake is that of a magnitude 8 earthquake along the Sagami Trough. The probability of an inland earthquake in Tokyo metropolitan area is that of a magnitude 7 earthquake to be caused by a sinking plate along the Sagami Trough.

Top 20 Earthquakes as to Reinsurance Claims Paid

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

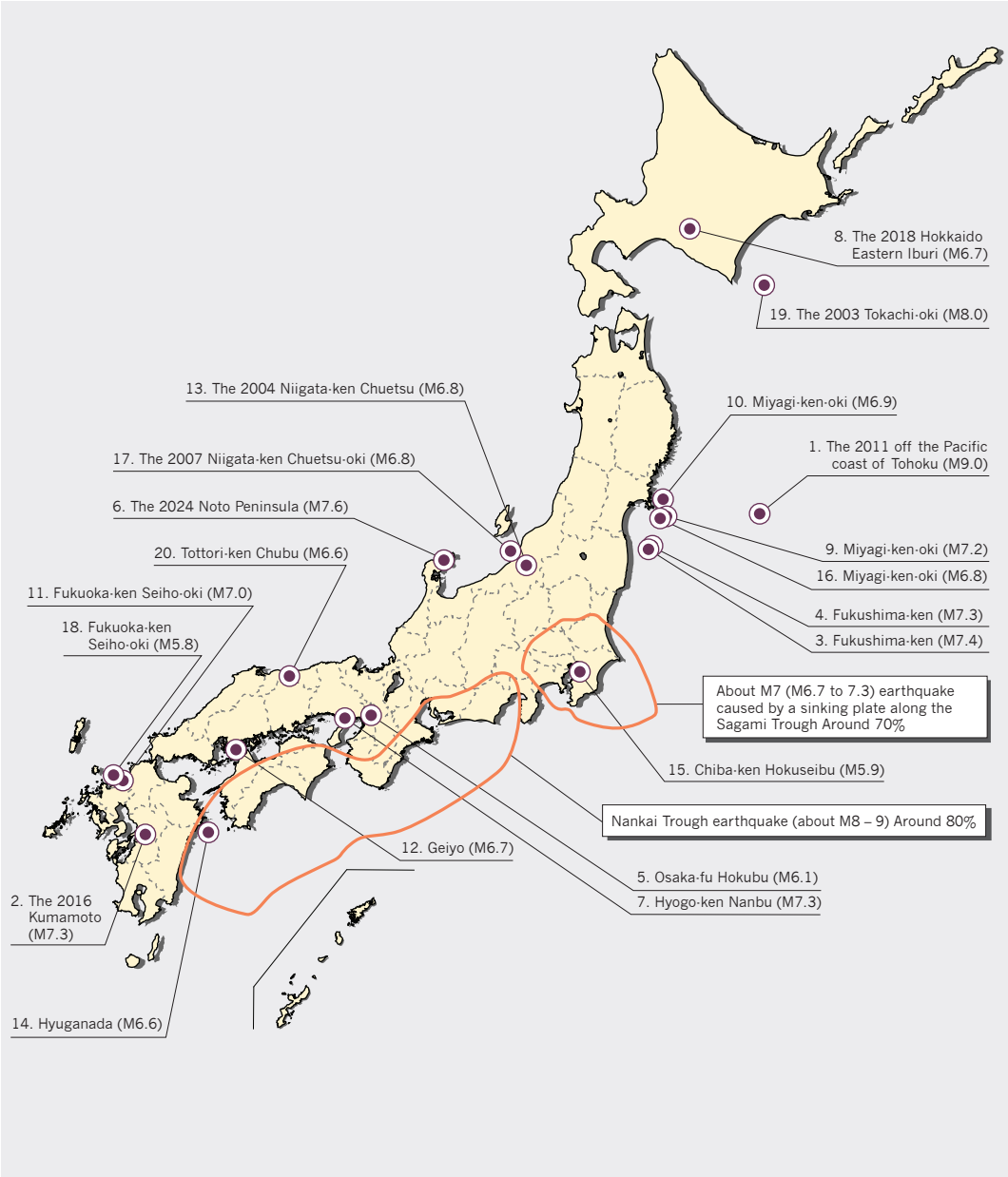
(As of March 31, 2025)

Earthquake (Region name)	Date of occurrence	Magnitude	No. of policies	Reinsurance claims paid (million yen)
1. The 2011 off the Pacific coast of Tohoku	March 11, 2011	9.0	826,474	1,289,681
2. The 2016 Kumamoto	April 14, 2016	7.3	215,883	391,345
3. Fukushima-ken-oki	March 16, 2022	7.4	339,169	278,274
4. Fukushima-ken-oki	February 13, 2021	7.3	246,788	251,424
5. Osaka-fu Hokubu	June 18, 2018	6.1	159,968	125,161
6. The 2024 Noto Peninsula	January 1, 2024	7.6	113,575	104,208
7. The 1995 Hyogo-ken Nanbu	January 17, 1995	7.3	65,427	78,346
8. The 2018 Hokkaido Eastern Iburi	September 6, 2018	6.7	74,372	53,866
9. Miyagi-ken-oki	April 7, 2011	7.2	31,019	32,415
10. Miyagi-ken-oki	March 20, 2021	6.9	23,600	18,975
11. Fukuoka-ken Seiho-oki	March 20, 2005	7.0	22,066	16,973
12. The 2001 Geiyo	March 24, 2001	6.7	24,453	16,942
13. The 2004 Niigata-ken Chuetsu	October 23, 2004	6.8	12,610	14,898
14. Hyuganada	January 22, 2022	6.6	22,517	13,378
15. Chiba-ken Hokuseibu	October 7, 2021	5.9	18,981	12,615
16. Miyagi-ken-oki	May 1, 2021	6.8	11,377	8,312
17. The 2007 Niigata-ken Chuetsu-oki	July 16, 2007	6.8	7,873	8,251
18. Fukuoka-ken Seiho-oki	April 20, 2005	5.8	11,338	6,430
19. The 2003 Tokachi-oki	September 26, 2003	8.0	10,553	5,990
20. Tottori-ken Chubu	October 21, 2016	6.6	7,280	5,626

Note: Earthquakes with government liability coverage for the earthquakes listed above are as follows, depending on the reinsurance scheme in force at the time of the earthquake.

Earthquake (Region name)	Government paid (million yen)	Earthquake (Region name)	Government paid (million yen)
1. The 2011 off the Pacific coast of Tohoku	587,340	4. Fukushima-ken-oki (February 13, 2021)	130,910
2. The 2016 Kumamoto	138,022	5. Osaka-fu Hokubu	18,380
3. Fukushima-ken-oki (March 16, 2022)	82,244	6. The 1995 Hyogo-ken Nanbu	6,173

Below are the epicenters and magnitudes of the top 20 earthquakes for which we paid reinsurance claims in the past. The number attached to the name of the earthquake is in order of payment amount.
As a reference, the epicenter area and the probability that an earthquake with a magnitude of about 7 in southern Kanto, the Nankai Trough earthquake could occur within the next 30 years announced by the Headquarters for Earthquake Research Promotion of the government are also included.*



* The epicenter areas for the Sagami Trough and the Nankai Trough in the above diagram are shown as the possible largest areas.

SUSTAINABILITY

JER has maintained its management philosophy, “JER will aim to be a respected company that contributes to the sustainable development of a prosperous and safe society through the appropriate management of the earthquake insurance system,” and it has been working toward the realization of a sustainable society through its business activities. To respond to the adoption of the Sustainable Development Goals (SDGs) at a United Nations summit in September 2015, JER is currently prioritizing the achievement of eight goals that are deeply related to its business.

THE BASIC POLICY ON SUSTAINABILITY

JER established its Basic Policy on Sustainability as a set of common guidelines for incorporating sustainability-oriented perspectives in all of its business activities.

JER has positioned this policy, its management philosophy and its management policy as important policies, and it has indicated its basic concept and direction for sustainably improving corporate value while promoting a harmonious relationship with society and the environment from a long-term perspective.

Basic Policy on Sustainability

JER will work towards the realization of a sustainable society by providing security to society with the strength of an earthquake insurance specialist.

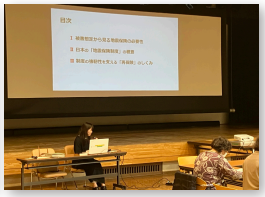
1. Contribution to society
   JER will increase society’s resilience to earthquakes and sustainability through its business activities.
2. DE&I (Diversity, Equity and Inclusion)
   JER aims to allow employees to grow and perform to their full potential by being fair-handed and providing an environment in which employees can focus on realizing a sustainable society while respecting each other.
3. Contribution to environment and local communities
   JER will seek to reduce environmental impacts in its business activities and actively engage in environmental conservation activities and activities that contribute to local communities.
4. Governance
   On the premise of compliance with laws and regulations and fairness, JER will exercise management based on prompt and appropriate judgments that reflect an understanding of risks.
5. Response to changes
   JER will respond to changes through the active utilization of digital technologies.

Initiatives to Promote and Expand Earthquake Insurance and Raise Awareness of Disaster Prevention and Disaster Mitigation

Sending Lecturers to Seminars and Workshops

In FY2024, JER sent instructors to provide lecture on earthquake insurance to the Disaster Prevention Advisor Study Group in Omiya Ward, Saitama City, the Saitama-shi Sakuragi Community Center, the headquarter training of the Japan Association of Consumer Affairs Specialists and the Citizens' Disaster Prevention and Community Development School in Kokubunji City.
It also provided a lecture at a seminar hosted by the Taiwan Residential Earthquake Insurance Fund which operates an earthquake insurance business in Taiwan which is located, like Japan, on the boundary between oceanic and continental plates in a region where earthquakes occur frequently. During the seminar, JER explained the background behind the establishment of Japan's earthquake insurance system, outlined the system and the process of its evolution process and explained the relationship between the reinsurance system and the government, the new efforts to use technology to investigate damage, and other information.





Participation In The Cabinet Office's "Disaster Preparedness Collaboration Project"

JER expressed its support for the Disaster Preparedness Collaboration Project being promoted by the Cabinet Office, which plays a major role in the government's disaster preparedness initiatives. In this context, it is working on promoting a better understanding of earthquake insurance and greater awareness of disaster preparedness through its websites, etc., encouraging all employees to acquire disaster prevention expert qualifications, practice how to get home in the wake of an earthquake, and build emergency stockpiles in their own homes, and promoting earthquake insurance and raising aware ness of disaster prevention through IR dialogue with investees and lectures.
This Collaboration Project sees 2023, which marks the 100th anniversary of the Great Kanto Earthquake, as an important opportunity to further strengthen Japan's national preparedness for a potential megaquake such as a Tokyo Inland Earthquake or a Nankai Trough Earthquake. Private companies and organizations that have many contact points with the general public through their business activities will take part in wide-reaching-awareness raising activities as part of their routine business activities, with the aim of raising disaster prevention awareness among the general public, families and businesses and promoting disaster preparedness.

Participating In Disaster Prevention Events All Over Japan

JER participated in exhibits at the Togoshi-Ginza City Disaster Prevention Festival held on the Togoshi-Ginza Shopping Street, the Bosai Kokutai 2024 in Kumamoto organized by the Cabinet Office and others, the Aichi Disaster Prevention Festival hosted by the Aichi Prefectural Government and the 2025 Hyogo Safety Day Gathering organized by the Hyogo Prefectural Government. At these events, JER displayed posters and distributed pamphlets to convey the importance of having earthquake insurance and of daily activities to be prepared for earthquakes to local communities.

Sending Employees To Universities To Lecture

JER sends employees to universities to lecture about earthquake insurance to promote people's understanding of the earthquake insurance scheme. In FY2024, JER lecturers provided lectures to students enrolled in courses related to non-life insurance at six universities: Hokkaido University, Tohoku University, Nagoya University, Osaka University, Hiroshima University and Kyushu University. They provided an overview of the earthquake insurance scheme, reinsurance mechanisms, and the roles of the government, non-life insurance companies and JER in earthquake insurance using charts.

ESG Investment

Recognizing the highly public nature of being an earthquake reinsurance company, JER is working to stably manage assets and solve social issues. In March 2025, JER announced its adoption of "Asset Owner Principles" as part of its efforts to fulfill its responsibilities as an asset owner.

In selecting the companies that it invests in, JER comprehensively assesses the companies, including the consideration of their ESG practices (non-financial information), particularly their handling of environmental and social issues, in addition to the consideration of their financial information. Through a constructive dialogue with the companies that it invests in, JER encourages the companies to take specific measures, including earthquake countermeasures and measures to address climate change, and it asks for their understanding of and support for the promotion of earthquake insurance. In FY2024, JER asked the companies that it invests in to display earthquake countermeasure awareness posters in their facilities, held

Dialogue on ESG with Norihiko Fukuda, Mayor of Kawasaki City

a dialogue with the mayor of Kawasaki City on ESG topics and participated in exhibitions at disaster preparedness events hosted by local governments, including Hyogo and Aichi Prefectures.

The table on the right shows the number of investments made by JER in SDG bonds (bonds compliant with the International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Guidelines and Climate Transition Finance Handbook whose proceeds are used for projects that will contribute to the achievement of the SDGs).

Investments (number of investments) in SDG bonds	FY2022	FY2023	FY2024
Green Bonds	7	19	20
Social Bonds	5	11	19
Sustainability Bonds	7	10	8
Sustainability Linked Bonds	2	5	4
Transition Bonds	–	1	2
Total	21	46	53

Responding to Climate Change

Guided by its Environmental Policy, JER is promoting environmental conservation activities leveraging its environmental management system. It identified (1) the appropriate use of electricity, (2) the appropriate use of paper, and (3) the appropriate disposal of waste as priority management items and is pursuing a number of measures to reduce its environmental impact in the conduct of its business activities. With the introduction of a desk sharing system in FY2023, JER has been further accelerating its ongoing initiatives to digitalize its operations and transition to paperless operations, and it has been focused on efforts to reduce energy use and conserve and recycle resources by reducing the amount of copy paper used, implementing electricity-saving measures, and implementing green purchasing.

In addition, JER introduced MIRAI fuel cell vehicles (FCVs) from Toyota Motor Corporation as a fleet vehicle. MIRAI is called the ultimate eco-car because it runs on a motor powered by electricity generated by a chemical reaction between hydrogen and oxygen in a fuel cell and, therefore, does not emit CO_2, which is a major cause of global warming.

JER began measuring greenhouse gas emissions in FY2021 in order to understand the environmental impact of its business activities. We will continue our efforts to realize a low-carbon society by curbing and reducing greenhouse gas emissions. We will also contribute to achieving the goals of the SDGs through our environmental conservation activities.

Promoting Diversity, Equity And Inclusion

JER acts to enable employees with diverse values to have job satisfaction and fully demonstrate their capabilities.

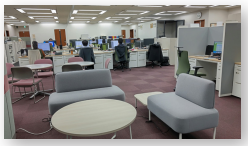
Catering for diverse workstyles

JER is implementing the following initiatives to develop an environment that allows diverse workstyles without any constraints.

- Increasing working hour flexibility for all employees through initiatives such as remote working, shift in working start and end time, hourly paid leave and taking leave during working hours (so called “Stepping out”).
- Making hybrid working easier for all employees through measures such as the loan of thin client terminals and smart phones and the introduction of chat tools.

Hot desking

JER introduced hot desking at its offices to effectively use office space that was vacant due to the promotion of remote working and to increase communication between employees when they come into the office. It also introduced web conferencing booths to facilitate information exchange with employees working remotely.



Work interval

JER establishes a work interval of at least 11 hours, in principle, between working end and start times to ensure employees have time for a life outside work and time to sleep.

Promoting women’s active participation

JER formulated a general employer action plan under the Act on the Promotion of Female Participation and Career Advancement in the Workplace in April 2021 and has been implementing the plan.
In FY2022, JER appointed its first female line managers. As of the end of FY2024, 25.0% of JER’s managers are women. In July 2022, JER achieved the highest, three-star, Eruboshi certification program rating. The Eruboshi certification is given by the Minister of Health, Labour and Welfare to companies with excellent conditions for the promotion of women.

Initiatives Under The Act On Advancement Of Measures To Support Raising Next-Generation Children

In April 2025, JER formulated a general business owner action plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and started relevant initiatives with the goal of creating an environment where all employees are able work with ease and fully demonstrate their abilities.

Encouraging Male Employees To Take Childcare Leave

In FY2023, JER introduced special paid leave equivalent in duration to paternity leave to encourage male employees to take childcare leave. Three male employees have taken this leave to date, so 100% of the eligible people have used the system. JER also supports childcare by male employees through the utilization of remote work.

Diversity education

JER continuously provides in-house training to instil diversity awareness among its officers and employees. JER sought to instill diversity awareness by providing Ikuboss training for managers and diversity training for all employees and by providing them with opportunities to reflect on their training.

Contributing to Local Communities and Society

Volunteer activities

JER participates in Hanasaku Machikado Volunteers in Chuo-ku and plants and grows plants in a flowerbed in front of the head office. JER contributes to the creation of beautiful, clean streets with flowers and greenery.

JER has a volunteer leave system that enables employees to take a month of leave maximum to conduct social contribution activities.

All officers and employees acquiring disaster prevention expert qualifications

All officers and employees acquired disaster prevention expert qualifications to develop personnel who are conversant in disaster prevention and crisis management and thereby enhance its ability to handle contingencies as an earthquake reinsurance company and to contribute to improving society's disaster prevention capabilities as an entity engaging in local disaster prevention. Going forward, JER's officers and employees will continue leveraging the knowledge they gained through the acquisition of disaster prevention expert qualifications to promote earthquake insurance and implement disaster prevention and disaster mitigation initiatives.

Financial Section

Financial Statements

1. Balance Sheets
2. Statements of Income
3. Statements of Cash Flow
4. Statement of Changes in Shareholders' Equity

FINANCIAL STATEMENTS

1. Balance Sheets

(ASSETS)

(Yen in millions)

Item \ Fiscal Year	2023 (As of March 31, 2024)	2024 (As of March 31, 2025)
	Amount	Amount
Cash and deposits	**153,633**	**109,109**
Deposits	153,633	109,109
Call loans	**708**	**5,027**
Monetary receivables bought	**79,998**	**59,963**
Securities	**574,140**	**740,548**
Government bonds	29,641	216,500
Municipal bonds	134,567	95,179
Corporate bonds	356,557	358,434
Foreign securities	50,236	66,600
Other securities	3,136	3,832
Tangible fixed assets	**152**	**106**
Buildings	26	24
Other tangible fixed assets	126	81
Intangible fixed assets	**246**	**196**
Software	245	196
Other intangible fixed assets	1	0
Other assets	**21,045**	**22,487**
Reinsurance accounts receivable	20,460	20,548
Accounts receivable	26	28
Uncollected income	505	1,073
Deposits	45	45
Suspense payments	6	35
Derivatives	–	755
Total assets	**829,925**	**937,437**

(LIABILITIES)

(Yen in millions)

Item \ Fiscal Year	2023 (As of March 31, 2024)	2024 (As of March 31, 2025)
	Amount	Amount
Underwriting funds	**817,165**	**931,625**
Outstanding claims	67,531	4,410
Underwriting reserves	749,633	927,215
Entrusted reserves	**9,425**	**8,941**
Other liabilities	**7,436**	**6,809**
Reinsurance accounts payable	5,453	5,607
Income taxes payable	354	415
Deposits payable	6	4
Accrued amounts payable	616	343
Derivatives	1,004	439
Reserve for retirement benefits	**158**	**172**
Reserve for directors' retirement benefits	**14**	**8**
Reserve for bonus payments	**28**	**31**
Reserves under the special law	**1**	**1**
Reserve for price fluctuation	1	1
Net unrealized gains on available-for-sale securities of earthquake insurance	**(5,795)**	**(11,601)**
Total liabilities	**828,433**	**935,989**

(NET ASSETS)

(Yen in millions)

Item \ Fiscal Year	2023 (As of March 31, 2024)	2024 (As of March 31, 2025)
	Amount	Amount
Common stock	**1,000**	**1,000**
Retained earnings	**548**	**549**
Legal reserve of retained earnings	1	1
Other legal reserve of retained earnings	547	548
Special reserves	17	17
Special price fluctuation reserves	39	39
Retained earnings carried forward	490	491
Treasury Stock	**(5)**	**(5)**
Total shareholders' equity	**1,542**	**1,543**
Net unrealized gains on available-for-sale securities	**(50)**	**(94)**
Total valuation and translation adjustments	**(50)**	**(94)**
Total net assets	**1,491**	**1,448**
Total liabilities and net assets	**829,925**	**937,437**

Notes for fiscal 2024

1. Matters relating to accounting policies are as follows.

(1) Appraisal standards and method of securities and method of indication are as follows.

(i) Available-for-sale securities are 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. However, for foreign currency-denominated bonds, the translation difference related to market value fluctuations in foreign currencies are treated as valuation difference, and differences other listed above are treated as foreign exchange gains or losses. 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.

(11) Reinsurance transactions are based on provisions of earthquake reinsurance treaty concluded with non-life insurance companies and excess of loss reinsurance with the government. Premiums written is recorded when reports on earthquake reinsurance premiums are received from non-life insurance companies, and insurance premiums recognized to have been ceded to non-life insurance companies and the government are recorded as reinsurance premiums ceded.
Moreover, claims paid are recorded when statements of earthquake reinsurance claims are received from non-life insurance companies, and insurance claims recognized to be recoverable by non-life insurance companies and the government are recorded as reinsurance claims recovered.

(12) The total amount of outstanding claims reported by non-life insurance companies is recorded as outstanding claims.
The portion of outstanding claims equivalent to the portion covered by reinsurance in accordance with Article 73, Paragraph 3 of the Insurance Business Act is not recorded.

2. Financial instruments, fair value of financial instruments, and breakdown by input revel.

(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 value of financial instruments and breakdown by input revel
The following table presents the amounts shown on the balance sheet and fair value breakdown by input level as of March 31, 2025. Cash and deposits, call loans, and monetary receivables are omitted because they are settled in a short period of time and their fair values are similar to their book values.
The fair value of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used

in the fair value calculation:

Level 1: Fair value measured by the market price of the asset or liability in active markets among the observable inputs

Level 2: Fair value measured by the observable inputs other than the Level 1 inputs

Level 3: Fair value measured by unobservable inputs

If multiple inputs are used with a significant impact on the fair value measurement, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input.

Financial instruments recorded at fair value on the balance sheet

(Yen in millions)

Category	Balance sheet amount			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities	–	740,548	–	740,548
Government bonds	–	216,500	–	216,500
Municipal bonds	–	95,179	–	95,179
Corporate bonds	–	358,434	–	358,434
Foreign securities	–	66,600	–	66,600
Other securities	–	3,832	–	3,832
Derivatives (*)				
Derivatives not subject to hedge accounting	–	315	–	315
Foreign currency	–	315	–	315

(*) Derivative assets and liabilities arising from derivative transactions included in Other assets and Other liabilities are presented on a net basis. Net debts are shown in parentheses.

Note 1: Description of the valuation techniques and inputs used in the fair value measurement

Securities

Government bonds, municipal bonds, corporate bonds and foreign securities are valued using market prices. The market prices are not considered to be market prices on active markets and are categorized within Level 2.

The investment trusts whose market prices are not available do not have any important restrictions on withdrawal or repurchase requests (considered to be risk) for which market participants may request payment. The NAV of the investment trusts is thus deemed to be the fair value and they are categorized within Level 2.

Derivatives

Since derivative transactions are OTC transactions and no published market prices are available, the fair value is measured using discounted cash flow analysis according to the type of transaction and the remaining maturity. The main inputs used in the valuation technique are interest rates and exchange rates. Fair value that can be measured without using unobservable inputs or that has little impact is categorized within level 2.

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. The risk reserves are reversed to reflect net claims paid, loss adjustment expenses, etc.

5. The accumulated depreciation of tangible fixed assets is 222 million yen and the advanced depreciation of tangible fixed assets is 2 million yen.

6. See below for a breakdown of outstanding claims.

(Yen in millions)

Outstanding claims (before the deduction of outstanding reinsurance claims)	5,686
Outstanding reinsurance claims related to the above claims	1,275
Net outstanding claims	4,410

7. Total deferred tax assets amount to 2,659 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 2,454 million yen, unpaid business taxes of 90 million yen, a reserve for retirement benefits of 50 million yen and unpaid special business tax of 25 million yen.

8. Modifications to the amounts of deferred tax assets and deferred tax liabilities due to changes of corporate taxation rates are as follows.
The Act for Partial Amendment to the Income Tax Act, etc. (Act No. 13 of 2025) was promulgated on March 31, 2025, and the Special Defense Corporation Tax will be levied starting from the fiscal year beginning April 1, 2026. Because of this change, JER will change the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities with respect to temporary differences that are expected to be eliminated starting from the fiscal year beginning April 1, 2026, from 28.00% that was previously used to 28.93%. The said change of the effective statutory tax rate will have no effect on the financial statements.

9. 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.

10. Net assets per share are 728.57 yen. The basis for this calculation is that net assets are 1,448 million yen, net assets accrued from ordinary shares are 1,448 million yen and the number of ordinary shares at the end of the term is 1.988 million.

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

2. Statements of Income

(Yen in millions)

Item \ Fiscal Year	2023 (from April 1, 2023 to March 31, 2024) Amount	2024 (from April 1, 2024 to March 31, 2025) Amount
Ordinary income	**270,125**	**350,878**
Underwriting income	**264,053**	**347,881**
Net premiums written	264,288	284,093
Investment income on savings premiums	(234)	667
Reversal of outstanding claims	–	63,121
Investment income	**6,046**	**2,978**
Interest and dividend income	1,375	3,535
Gains on sales of securities	357	93
Foreign exchange gains	4,076	–
Other investment income	2	16
Transfer of investment income on savings premiums	234	(667)
Other ordinary income	**24**	**18**
Ordinary expenses	**270,124**	**350,877**
Underwriting expenses	**262,411**	**346,190**
Net claims paid	28,092	95,737
Loss adjustment expenses	5,891	12,326
Commissions and brokerage fees	57,414	60,544
Provision of outstanding claims	64,708	–
Provision of underwriting reserves	106,303	177,581
Investment expenses	**5,656**	**2,586**
Losses on sales of securities	10	66
Losses on derivatives	5,624	1,204
Foreign exchange losses	–	1,292
Other investment expenses	21	23
Operating, general and administrative expenses	**2,056**	**2,100**
Other ordinary expenses	**0**	–
Interest expenses	0	–
Ordinary income (loss)	**0**	**1**
Extraordinary losses	**0**	**0**
Provision of reserves under the special law	0	0
Provision of reserve for price fluctuation	0	0
Net income (loss) before income taxes	**0**	**1**
Income taxes	**0**	**0**
Total income taxes	**0**	**0**
Net income (loss)	**0**	**1**

Notes for fiscal 2024

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

(Yen in millions)

Premiums written:	368,104
Reinsurance premiums ceded:	84,011
Net premiums written:	284,093

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

(Yen in millions)

Claims paid:	100,036
Reinsurance claims recovered:	4,298
Net claims paid:	95,737

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)	(63,531)
Provision of outstanding reinsurance claims related to the above claims	(410)
Net provision of outstanding claims	(63,121)

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

(Yen in millions)

Deposits:	91
Call loans:	3
Monetary receivables bought:	168
Securities:	3,273
Total:	3,535

5. Paper profit/loss involved in the losses on derivatives is a profit of 315 million yen.

6. Net income per share is 0.54 yen.
The basis for this calculation is such that net income is 1 million yen, net income accrued from common stocks is 1 million yen and the term average number of common stocks amount to 1.988 million.

7. The effective statutory tax rate at the end of the term is 28.00% and the corporate tax burden after applying the tax effect is 21.33%. The difference is explained by the following breakdown: expiration of statute of limitations for losses carried forward of 6,330.51%, non-deductible amount in transfer to taxable contingency reserves of 6,011.12%, exclusion from gross revenue in reversal of taxable contingency reserves related to publicity expenses of (8,837.68%) and changes in valuation reserve of (3,544.36%).

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

3. Statements of Cash Flow

(Yen in millions)

Item \ Fiscal Year	2023 (from April 1, 2023 to March 31, 2024)	2024 (from April 1, 2024 to March 31, 2025)
	Amount	Amount
Cash flow from operating activities		
Net income (loss) before income taxes	0	1
Depreciation	150	121
Increase (decrease) in outstanding claims	64,708	(63,121)
Increase (decrease) in underwriting reserves	106,303	177,581
Increase (decrease) in entrusted reserves	(481)	(484)
Increase (decrease) in reserve for retirement benefits	16	14
Increase (decrease) in reserve for directors' retirement benefits	2	(5)
Increase (decrease) in reserve for bonus payments	4	2
Increase (decrease) in reserve for price fluctuation	0	0
Interest and dividend income	(1,375)	(3,535)
Losses (gains) on investment in securities	(347)	(27)
Foreign exchange losses (gains)	(3,536)	2,657
Decrease (increase) in other assets (other than investment and financial activities related)	(2,258)	(119)
Increase (decrease) in other liabilities (other than investment and financial activities related)	77	(121)
Others	(650)	(1,259)
Subtotal	162,613	111,704
Interest and dividends received	1,635	2,850
Income taxes paid	(0)	(0)
Net cash provided by operating activities	164,249	114,554
Cash flow from investing activities		
Net increase (decrease) in deposits	(990)	18,990
Purchase of monetary receivables bought	(29,998)	(14,980)
Proceeds from sales and redemption of monetary receivables bought	29,998	29,989
Purchase of securities	(207,711)	(325,671)
Proceeds from sales and redemption of securities	88,216	150,895
Total investment assets activities	(120,484)	(140,777)
Total operating activities and investment assets activities	43,765	(26,223)
Acquisition of tangible fixed assets	(12)	(0)
Others	(26)	(24)
Net cash provided by investing activities	(120,522)	(140,802)
Cash flow in financing activities	**–**	**–**
Effect of exchange rate changes on cash and cash equivalents	**–**	**–**
Net increase (decrease) in cash and cash equivalents	**43,726**	**(26,248)**
Cash and cash equivalents at the beginning of the year	**90,594**	**134,321**
Cash and cash equivalents at the end of the year	**134,321**	**108,072**

Notes for fiscal 2024

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, 2024)	(As of March 31, 2025)
Cash and deposits	153,633	109,109
Call loans	708	5,027
Monetary receivables bought	79,998	59,963
Securities	574,140	740,548
Deposits of a depository period over three months	(80,020)	(61,030)
Monetary receivables bought other than cash equivalents	(19,999)	(4,996)
Securities other than cash equivalent	(574,140)	(740,548)
Cash and cash equivalents	134,321	108,072

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 2023 (from April 1, 2023 to March 31, 2024)

(Yen in millions)

	Shareholder's equity								Valuation and translation adjustments		Total net assets
	Common stock	Retained earnings					Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Total valuation and translation adjustments	
		Legal reserve of retained earnings	Other legal reserve of retained earnings			Total retained earnings					
			Special reserves	Special price fluctuation reserves	Retained earnings carried forward						
Balance at the beginning of the period	1,000	1	17	39	490	547	(5)	1,542	(40)	(40)	1,501
Changes during the period											
Net income (loss)					0	0		0			0
Net changes other than shareholders' equity									(10)	(10)	(10)
Total changes					0	0		0	(10)	(10)	(9)
Balance at the end of the period	1,000	1	17	39	490	548	(5)	1,542	(50)	(50)	1,491

Fiscal 2024 (from April 1, 2024 to March 31, 2025)

(Yen in millions)

	Shareholder's equity								Valuation and translation adjustments		Total net assets
	Common stock	Retained earnings					Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Total valuation and translation adjustments	
		Legal reserve of retained earnings	Other legal reserve of retained earnings			Total retained earnings					
			Special reserves	Special price fluctuation reserves	Retained earnings carried forward						
Balance at the beginning of the period	1,000	1	17	39	490	548	(5)	1,542	(50)	(50)	1,491
Changes during the period											
Net income (loss)					1	1		1			1
Net changes other than shareholders' equity									(44)	(44)	(44)
Total changes					1	1		1	(44)	(44)	(43)
Balance at the end of the period	1,000	1	17	39	491	549	(5)	1,543	(94)	(94)	1,448

Notes for fiscal 2024

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

(Stock)

		Balance as of the end of fiscal 2023	Increase in fiscal 2024	Decrease in fiscal 2024	Balance as of the end of fiscal 2024
Issued stock	Ordinary stock	2,000,000	–	–	2,000,000
	Total	2,000,000	–	–	2,000,000
Treasury stock	Ordinary stock	11,400	–	–	11,400
	Total	11,400	–	–	11,400

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

CORPORATE DATA (as of March 31, 2025)

Established:	May 30, 1966
Capital:	1 billion yen
Total assets:	937.4 billion yen
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Japan Earthquake Reinsurance