

MESSAGE FROM THE PRESIDENT



Chairman:
Yoshihiko Murase

President:
Masamichi Irie

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

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

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

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

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

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

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

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

We hope that we can rely on your continued support.

July 2015

Masamichi Irie
President
Japan Earthquake Reinsurance Co., Ltd.