

Financial Section

Financial Statements

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FINANCIAL STATEMENTS

1. Balance Sheets

(ASSETS)

| Item | Fiscal Year | (Yen in millions) | |
|------------------------------------|-------------|--------------------------------|--------------------------------|
| | | 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)

| Item | Fiscal Year | (Yen in millions) | |
|--|-------------|--------------------------------|--------------------------------|
| | | 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)

| Item | Fiscal Year | (Yen in millions) | |
|--|-------------|--------------------------------|--------------------------------|
| | | 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 level.

- (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 level

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) | 2024 (from April 1, 2024 to March 31, 2025) |
| | | Amount | 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

- 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 |

- 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 |

- 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) |

- 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 |

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

- 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.

- 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%).

- 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