

J A P A N P & I C L U B
A N N U A L R E P O R T
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LEAP FORWARD 2023

Your First Club, Our Best Service

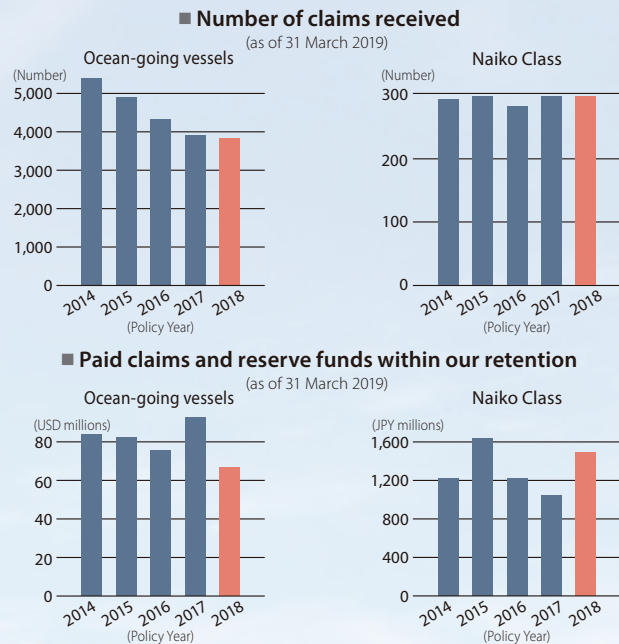
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Highlights

Trends of claims : continued decrease for ocean-going vessels and stability for Naiko Class

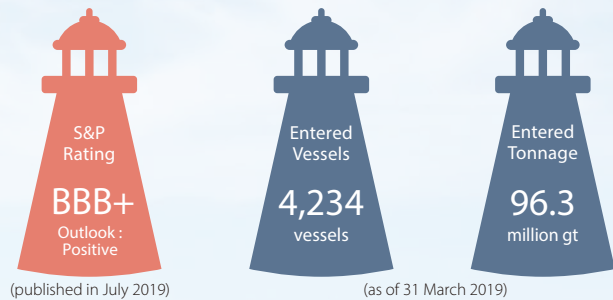
For ocean-going vessels, the number of claims received decreased slightly over the five years to 2018 policy year, and there was one incident exceeding USD10 million in 2018 policy year. For Naiko Class, there was no significant difference in the number of claims received annually over the five years to 2018 policy year, while the total for paid claims and reserve funds in the 2018 policy year was increased.



Rating and Entered Tonnage remains firm

S&P Global Ratings affirms “BBB+” credit ratings of the Association with their outlook revised from “Stable” to “Positive”.

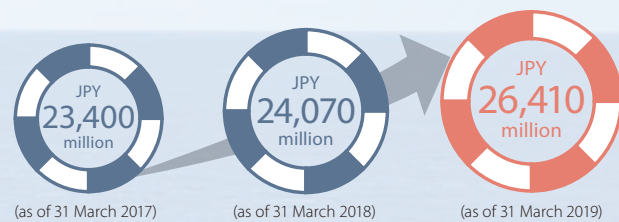
Entered Tonnage for the 2019 policy year has also remained at about the same level as for the 2018 policy year.



The reserve amount increased by 9.5% compared with 2017

The Association faces many risks, and keeping an appropriate reserve amount enables us to charge a stable and competitive premium and maintain our insurance service level.

For the 2018 financial year, the Association set the percentage of the supplementary call payable for the 2017 policy year 40% as scheduled and the reserve amount increased by 9.5%, or JPY26,410 million.



Balanced finances

The Association holds an appropriate amount of investment assets to offset with foreign currency exchange risk caused by liabilities in foreign currency (reserve for outstanding claims) and keeps good balance between incurred losses/expenses and earned premiums.

■ Combined Ratio

Years ended 31 March	2015	2016	2017	2018	2019
Including currency movements in claim reserves	95.9%	87.8%	83.7%	89.8%	95.0%
Excluding currency movements in claim reserves	73.6%	99.4%	84.4%	100.5%	85.7%

Statement of Chairman



Yukikazu Myochin, Chairman

I am Yukikazu Myochin, newly elected as Chairman of the Association, at the Ordinary General Meeting of Members and the Board of Directors Meeting on 18 July 2019. It is my pleasure to introduce the Association's Annual Report 2019.

The global economy in business year 2018 continued to grow. This was led by the US, whose economic growth accelerated due to increases in financial expenditure, personal consumption and capital investment, following tax reductions under the Trump administration. There were, however, some unstable elements, such as the slowing down of personal consumption in China and exports in Europe. The Japanese economy remained resilient in the global economic recovery, despite the impact of natural disasters such as earthquakes and heavy rainfalls.

With regard to the shipping industry, the demand for marine transport gradually increased in reaction to the global economic recovery. The balance between supply and demand in the dry bulk and container ships sectors showed recovery trends. However, the business environment remains challenging and the industry has not seen full recovery yet. In addition, the trade friction between the US and China needs to be closely followed, and the response to the stricter environmental regulations for ship fuels, which will come into effect in January 2020, is a major issue.

The P&I insurance market has seen less claims recently than previous years. The International Group of P&I Clubs (IG) has gradually reduced reinsurance rates, and the Association has supported Members in their challenging business environment, by reducing supplementary calls and postponing a general increase in premiums. On the other hand, there is concern at a gradual increase in claims since 2017 for all IG Clubs including the Association, and in claims amounts as well, due to an increase in ship size and environmental awareness.

The Association will celebrate its 70th anniversary in 2020. Back in 1950 when the Association was established, the Association had only 132 Members, 630 entered ships and a total tonnage of 1.9 million dwt. At the end of March 2019, we had as many as 3,221 Members, 4,234 entered vessels and a total tonnage of 96.3 million gt. We enjoy our status as the only IG Club based in Asia. We always appreciate our Members' support and cooperation, especially when, as has happened in the past, they had to bear the burden of a rapid deterioration in the loss ratio caused by the occurrence of some major accidents. We would like to take this opportunity to thank our Members for their continued support and cooperation, as without this we could not have expanded our business to this extent in this increasingly competitive P&I insurance market.

Last year, the Association developed four Medium-Term Business Objectives - "From the Members' viewpoint", "Improve the quality of services", "Regain trust and support" and "Overseas strategy and sales development", and also our First Action Plan. This Plan sets out how we can achieve our objectives by 2023. We will continue to provide a meticulous and high quality service and aim to exceed Members' expectations in order to regain market share domestically and increase the number of high quality contracts in the international market.

Looking towards the 70th anniversary, we will get back to basics and continue to strive so that our Members can rely on us even further. We would appreciate our Members' continued support.

18 July 2019

Yukikazu Myochin, Chairman

Statement of Director General



Hiroshi Sugiura, Director General

We are pleased to present the Annual Report 2019. We would like to take this opportunity to express our sincere appreciation to our Members for their kind support and cooperation.

The Association has specialised in dealing with P&I accidents for almost 70 years since its establishment in 1950. The need for P&I insurance has diversified in recent years as the shipping industry has undergone structural and qualitative changes related especially to offshore business developments and stricter environmental regulations. We must respond to this change in need swiftly and properly.

Under the banner "Leap forward 2023 - Your First Club, Our Best Service", in July 2018 the Association published our new Medium-Term Business Objectives and the First Action Plan, which set out how we would achieve our objectives. We started the process by reviewing all aspects of our business, including the insurance services we provide and our organisational structure. We are going back to basics as "the Association created by shipowners for shipowners", with the aim of becoming the Members' first-choice Club.

Our Medium-Term Business Objectives are "From the Members' viewpoint", "Improve the quality of services", "Regain trust and support" and "Overseas strategy and sales development", and their ultimate aim is to regain market share domestically and increase the number of high quality contracts in the international market. The First Action Plan runs for two years until the end of business year 2019. In 2018, the first year of the Objectives and Action Plan, the Association reviewed various issues that had not previously been dealt with.

The International Group of P&I Clubs (IG) has seen an increase of pool claims (claims in excess of each Club's retention of USD10 million, and so shared in the IG

reinsurance pool) since 2017 policy year. Claims were rather high in 2018 policy year. As for the Association, although the number of claims decreased in 2017 and 2018 policy year, the amounts of some claims were high, and close attention therefore should be paid to the development of these claims.

Despite concern over the development of some claims, the Association was able to apply a nil general increase to all classes of entries at the 2019 renewal, considering the relatively good loss records over the previous five and a half years and the continuously competitive business environment for Members.

As a result of the above, total operating income for business year 2018 was JPY19,130 million, an increase of JPY1,930 million compared to the previous year. This is mainly due to foreign exchange fluctuations and an increase in net premiums written caused by a decrease in reinsurance premiums ceded. Operating costs and expenses totaled JPY16,650 million, an increase of JPY1,130 million on the previous year, despite a decrease in net claims paid. This is mainly because of an increase in provision for outstanding claims and provision for catastrophe reserve caused by foreign exchange fluctuations. The Ordinary surplus increased by JPY800 million to JPY2,480 million. Surplus after income taxes was JPY1,780 million. The Reserve amount increased by JPY2,340 million to JPY26,410 million. We continued to maintain a credit rating of "BBB+" while S&P Global Ratings revised their outlook on the Association from "Stable" to "Positive" due to strengthened capital.

In order for the support and cooperation shown by Members to continue to flourish, it is important to be the Association that Members put their faith in. We are working to improve our quality of service in all areas including legal advice, claims handling, and loss prevention activities.

For example, in 2018, we held in-house study sessions to ensure the sharing of knowledge and expertise of experienced claims handlers, and seminars with overseas lawyers to gain the latest information on claim handling. We also reformed our internal systems in order to share information between departments, so that we can respond promptly and accurately to inquiries from Members. One example is the IG Committee which enables us to update Members on IG-related information. We believe that all these efforts will improve our service quality. Furthermore, we have been reviewing our insurance products by focusing more than ever on providing the products that meet our Members' needs at more reasonable premiums.

In 2019, the final year of the First Action Plan, we are strengthening the base to achieve the Medium-Term Business Objectives and to leap forward in our anniversary year 2020. We will continue to work closely with the Members to try to exceed their expectations.

We would appreciate our Members' continued efforts to prevent and reduce accidents through safe operation as well as their further support and cooperation.

18 July 2019

Hiroshi Sugiura, Director General

Business Report

Entered Tonnage

Reinsurance

Trend of Claims

Trend of Pool Claims

Enterprise Risk Management

Loss Prevention

Investments



Entered Tonnage

During the course of the 2018 policy year, the Association had new entries of 199 vessels, 8.8 million gt for owners' entries and 97 vessels, 0.2 million gt for Naiko Class entries (Japanese coastal vessels), with the shipping industry showing a gradual recovery in tandem with the world economy. The new entries were contributed mainly by existing Members, who took delivery of new buildings and purchased second hand vessels.

Whereas its premium income has been on a gradual declining trend, at the 2019 renewal the Association decided to apply a nil general increase to all classes of entries, i.e., owners' entries, charterers' entries, Naiko Class and FD&D. The Association took this step having considered the relatively good claims record over the past five and half years and various factors including ensuring the soundness of the Association's income and expenditure. In addition, the reinsurance costs of the International Group of P&I Clubs (IG) decreased. For further information regarding the IG reinsurance programme, please refer to the section on "Reinsurance" at page 7.

At the conclusion of the 2019 renewal, the Association's entered tonnage amounted to 92.9 million gt for owners' entries and 2.6 million gt for Naiko Class entries, an increase of 1.8 million gt and 0.1 million gt respectively compared to last year. Also, chartered tonnage increased by 1.6 million gt to 13.7 million gt. The Association is grateful for the support of Members for this result, and appreciates that the business conditions Members have to face are still not easy.

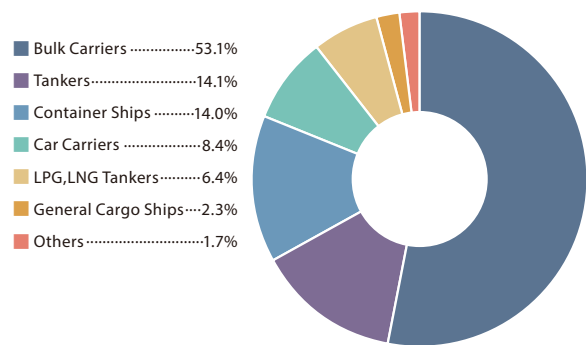
As to the entered tonnage by type, while bulk carriers have constituted the majority of our entries for many years, the percentages of container vessels and LPG/LNG tankers are gradually increasing.

At the end of the 2018 business year (31 March 2019), there were 4,234 vessels entered, comprised of 2,322 for owners' entries and 1,912 for Naiko Class entries. The total amount of entered tonnage was 96.3 million gt, consisting of 93.7 million gt for owners' entries and 2.6 million gt for Naiko Class entries.

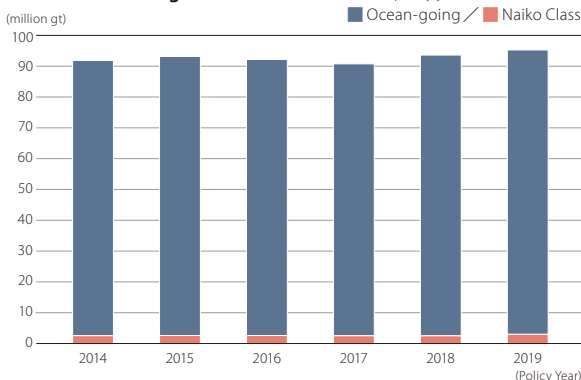
Change in General Increase / Supplementary Calls over the last five years (%)

Policy Year		2015 /16	2016 /17	2017 /18	2018 /19	2019 /20
General Increase	Mutual Entries	3	3	0	0	0
	Naiko Class	0	0	0	0	0
Supplementary Call	Original Estimate	40	40	40	40	40
	Amount Called	30	30	40		
	Current Estimate	closed	0	0	40	40

Entered Tonnage by Type (as of commencement of the 2019 policy year)



Entered Tonnage (as of commencement of each policy year)



Effective reinsurance arrangements play a key role in stabilising the insurance risk exposure which the Association may face as a result of huge losses, and in providing the insurance cover necessary for Members at a fair and reasonable cost. The Association's reinsurance arrangements consist of the International Group of P&I Clubs (IG) Pool and Reinsurance Programme and the Association's own reinsurance programmes.

IG Pool and Reinsurance Programme

As Mike Hall, Chair of the IG's Reinsurance Sub-Committee advised on the eve of the 2019 renewal, the loss experience of the reinsurance programme in the 2012 to 2018 policy years remains flat, notwithstanding claims development during the 2018 policy year. This factor, combined with continuing surplus market capacity, the consistently positive financial development of the IG Hydra captive, and the effective use of multi-year private placements, has enabled the IG to achieve another satisfactory reinsurance renewal, which has resulted in a further year of reinsurance rate reductions across all vessel categories.

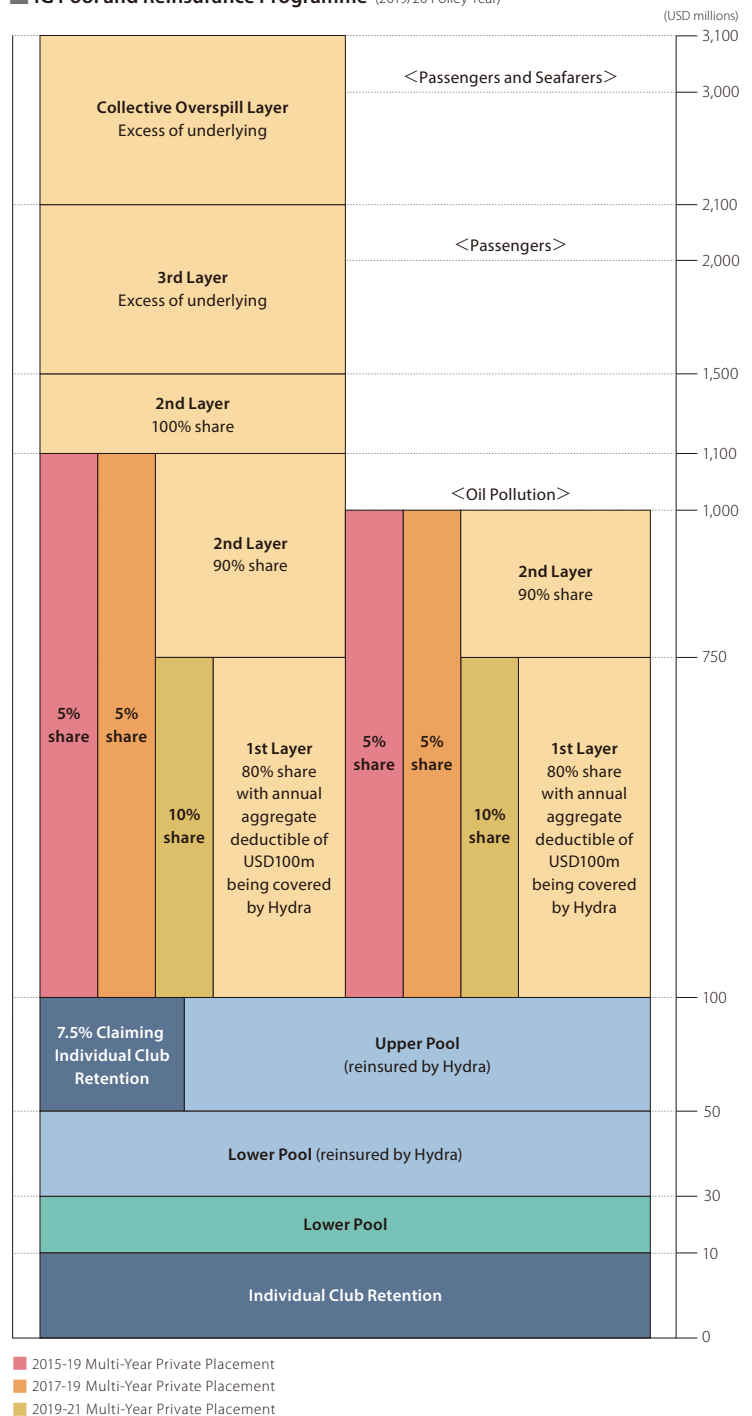
General Structure

Commercial reinsurance cover of just over USD3,000 million is provided to the Members of all Clubs in the IG.

The Association's own reinsurance arrangements

The Association arranges its own reinsurance programmes for Naiko Class, charterers, FD&D and claims within the club retention of USD10 million, in order to achieve and maintain stable risk management. Although the reinsurance market was slightly aggravated, as the Association had maintained a good loss record, we were able to renew the overall programme on improved terms with a reduction in premium.

IG Pool and Reinsurance Programme (2019/20 Policy Year)



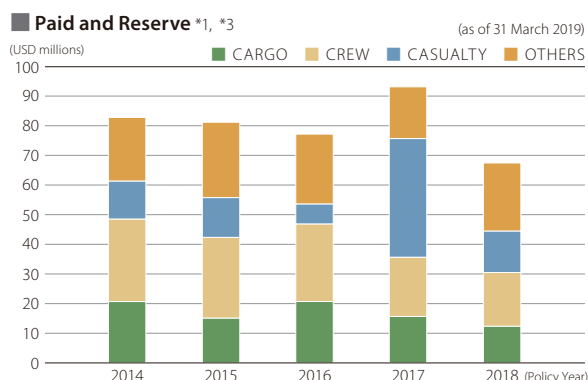
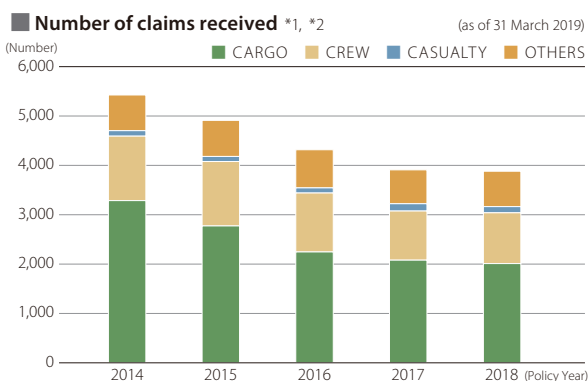
Reinsurance for oil pollution claims is purchased as a separate cover with a limit of USD1,000 million. Reinsurance for passenger and seafarer claims is subject to a limit of USD2,000 million for liability to passengers, or USD3,000 million for passenger and seafarer claims combined.

Trend of Claims

Both the number of claims received and paid claims and reserve funds within our retention (Paid and Reserve) have been decreasing in recent years. In 2018 policy year, only approximately 4,200 claims were received for ocean-going vessels and Naiko Class combined. The Paid and Reserve amounted to USD68 million for ocean-going vessels and JPY1,500 million for Naiko Class. In 2017 policy year, there were two ocean-going vessel incidents which led to claims exceeding USD10 million and thus being shared by the Pool, whereas there was no large claim, meaning exceeding JPY300 million, for Naiko Class. In 2018 policy year, there was one incident exceeding USD10 million for ocean-going vessels, and no large claim exceeding JPY300 million for Naiko Class.

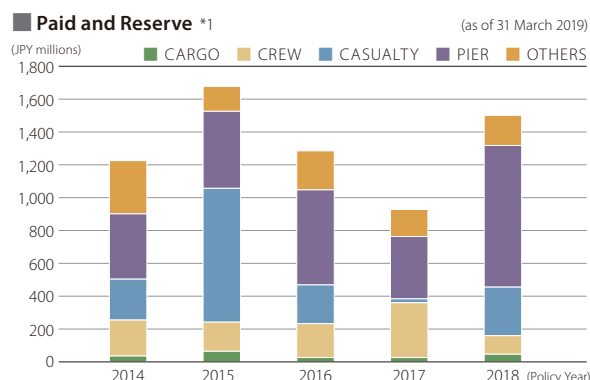
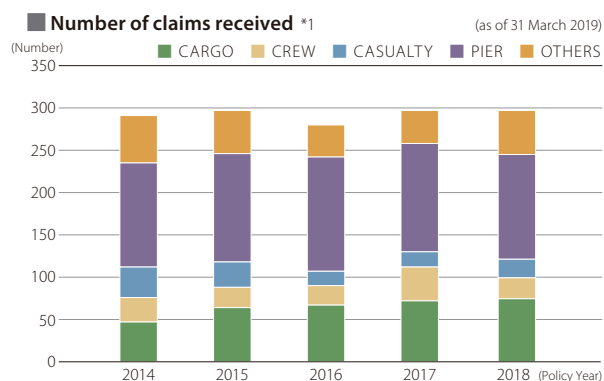
Ocean-going vessels

The number of claims received has been decreasing over the past five years. Cargo damage claims provided the highest proportion of the total number of claims during that period, accounting for 55% of claims. The next most frequent category was crew claims, which accounted for 26%. Casualties such as collision, stranding, sinking, fire, and oil pollution accounted for 2%. Although the proportion of the number of casualty claims was small, the insurance money for each case was high and accounted for 22% of the total of Paid and Reserve of the five years.



Naiko Class

There have been no significant differences in the number of claims received for Naiko Class over the past five years. FFO (damage to Fixed and Floating Objects) claims were the most frequent, accounting for 44% of the total claims during that period. Paid and Reserve for FFO claims in 2018 policy year amounted to JPY800 million, the highest figure for five years. FFO claims thus accounted for 53% of the total of Paid and Reserve of JPY1,500 million. The annual average number of casualty claims was twenty-four, or as low as 8% of the total claims of the past five years. However, these accounted for 24% of the total of Paid and Reserve.



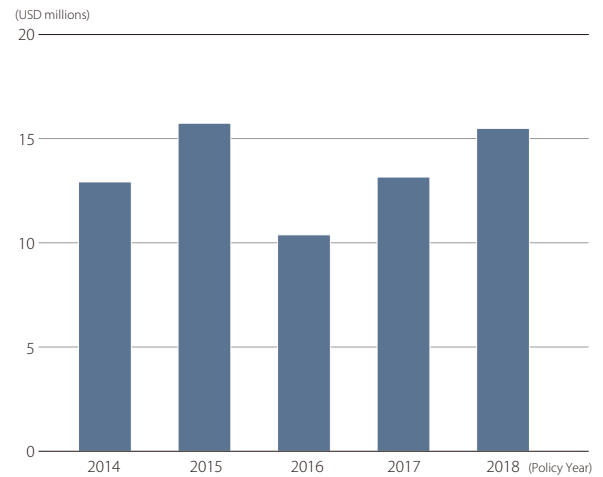
*1: Data for "numbers of claims received" and "paid claims and reserve funds within our retention" concern incurred and reported claims only and do not include incurred but not reported (IBNR) claims.
 *2: "Number of claims received for ocean-going vessels" means the total number of claims for owners' entries, charterers' entries and FD&D.
 *3: "The Paid and Reserve for ocean-going vessels" means the total Paid and Reserve for owners' entries, charterers' entries and FD&D.

Trend of Pool Claims

The pool claims trend for 2017 policy year was similar to 2015 policy year as the number of pool claims of the International Group of P&I Clubs increased, and some large claims (exceeding USD100 million) occurred. However, the contribution to the pool by the Association for that year remained at USD13 million due to a decrease in the pooling percentage applicable to our contributions.

Although the number of pool claims did not significantly change in 2018 policy year compared to the previous four years, half those claims exceeded USD20 million, and the claims amounts were generally high in 2018 policy year. The contribution to the pool by the Association for that year was USD15 million, substantially higher than the average for the same period between 2014 and 2017 policy year (USD9.5 million).

■ The Association's Contributions to Pool Claims (as of 31 March, 2019)



Enterprise Risk Management

Looking towards the global trends of capital regulations, the Association has employed the approaches set under EU Solvency II on top of the solvency margin standards under Japanese solvency regime; we continue to enhance our strategic Enterprise Risk Management, to build and develop further our firm financial ground.

For Members, the commitment to safe navigation and marine accident prevention must be an unchanging mission. The Association is enhancing its loss prevention activities to contribute to the prevention not only of P&I accidents but also all sort of maritime accidents. The staff of the Association includes those with excellent experience as master mariner or chief engineer, who provide lots of valuable safe voyage information.

Loss Prevention Seminars

The Association is conducting Loss Prevention Seminars not only in Japan but also in Asia, focusing on experienced captains, and we have received nearly 100 seminars in 2018. There are two types of seminar. One is an “open seminar” which is advertised to the public by way of our cooperate site. The other is a “special seminar” which is bespoke according to Members’ request.

In 2018 we held open seminars with themes “Dragging Anchor – Case Studies and Preventive Measures” and “Marine Weather – Ship Handling in Rough Sea” etc. at 14 places from Hakodate to Okinawa in Japan. Open seminars were also held overseas in Taiwan and Singapore. In the future, the Association will decide venues at Member’s request. Theme of open seminar are also based on requests from Members and seminar participants and recently trends, and we are making creative efforts to make seminars as useful as possible.

In special seminars, we decide the theme, time schedule, venue, etc. to meet the requests from Member, and may flexibly respond to be better seminars. Special seminars which can be used as internal study meetings and/or safety meetings are conducted not only in Japan but also overseas, Manila, Hai Phong, Yangon, Jakarta etc..



Condition Surveys

The Association conducts condition survey on vessels which meet certain criteria.

In condition surveys, the surveyors are sent from survey firms commissioned by the Association to examine not only the seaworthiness and cargoworthiness of the vessel, but any certificates on board, the maintenance status of each department, life-saving/firefighting appliances, safety equipment and so on. We conduct condition surveys by using the common inspection form of the International Group of P&I Clubs.

The Association may instructs Members to take necessary corrective action if any defects are found during the survey. The survey is aimed at preventing accidents and should lead to reduce insurance payments. In order to prevent future accidents, the Association may recommend actions to Members even if a defect has not been pointed out by previous Class or other industry inspections.

Through condition surveys, it is possible to assess the state of the vessel, and the vessel inspection know-how

can be shared. The Association would ask Members to think of the condition survey as “a tool” to assist their superintendent and ship management company in their daily business, and to recognise how useful it is in assisting safe navigation and preventing accidents.

We publish a member circular “Report on P&I Condition Surveys” for each insurance year on our cooperate site in the “Circular”, so Members can check the implementation results and aggregation.



Loss Prevention Bulletins

The Association collects Member's demand that what kind of information they need and publish Loss Prevention Bulletin (LPB) about four issues a year. In particular, all Members are also interested in prevention and mitigation of the accident, and as a subject in recent years that information of new equipment, environmental subject and safe navigation.



When LPB No.43, which covered “Dragging Anchor – Case Studies and Preventive Measures” was published, we received various inquiries not only from the members but from governmental agencies and educational institutions as well. We will continue to issue LPB on a timely base.

We recently sent a printed LPB to the Members so that LPB can be distributed to vessels. In addition, you can download them from our website of the association, so please use it by all means. From No. 44, the book size of LPB has been changed from A4 size to A5 size as convenient to carry. In the near future, we will change LPB in A5 size as needed including the LPBs issued in the past. We hope that Members will be able to use the LPBs, which is easier to carry on your convenient scene.

■ The latest back numbers

	Theme	Issued
No.44	The Importance of Cargo Sampling	Feb. 2019
No.45	Marine Weather - Ship Handling in Rough Sea	Apr. 2019
No.46	Safety Action - Psychological Approach	To be Sep. 2019

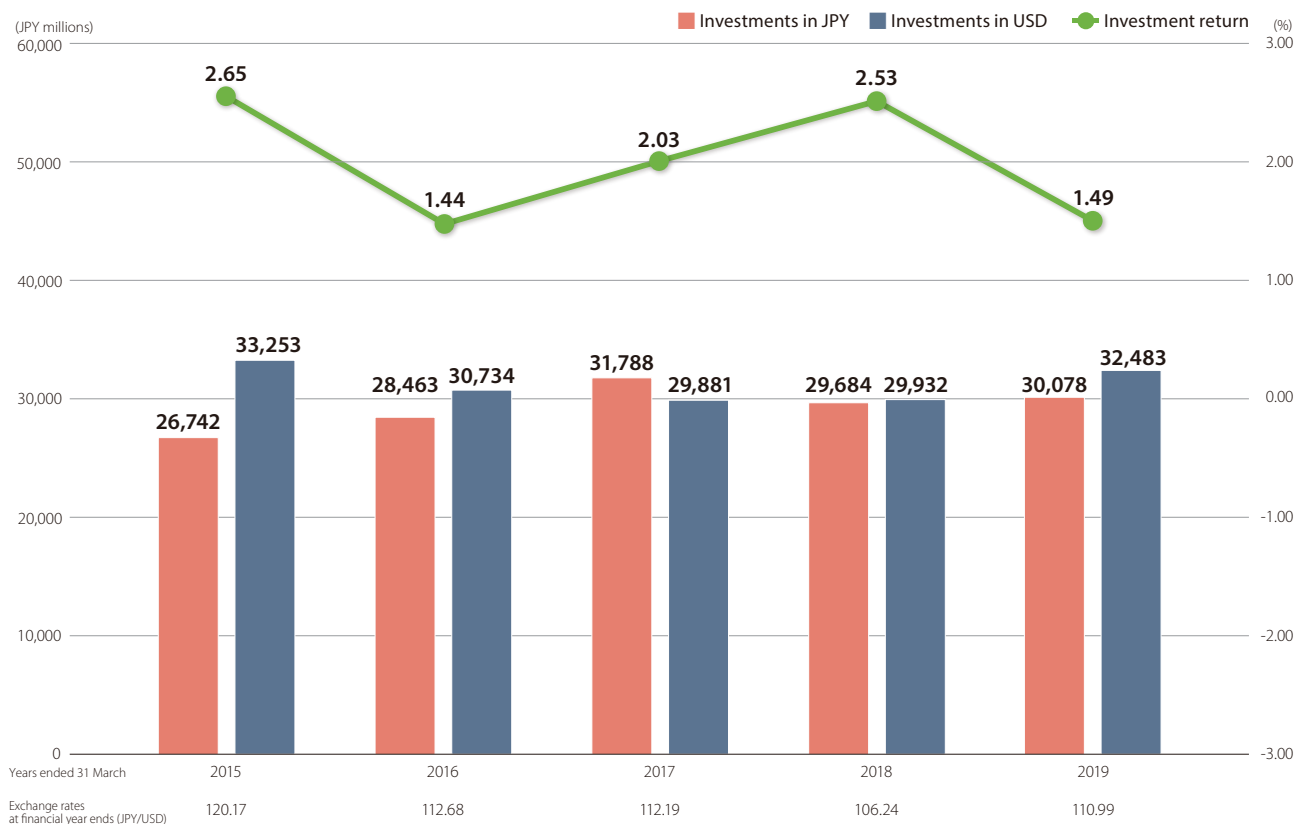
Loss Prevention Posters

In 2018, we made Loss Prevention Posters that was highly requested by Members. Currently, the posters are available on our cooperate site. We made it possible Members to

download and print out each one at your request. We publish eleven patterns in Japanese and twelve patterns in English, please post them on the vessel.

Investments

Investments and Investment return



Investments

The Japanese economy is expanding moderately, supported by increasing trends in exports and domestic demand. The Nikkei 225 Stock Average, which was JPY21,388 at the beginning of the financial year (which means the year ended 31 March 2019; hereinafter “the FY”), reached JPY24,270 in September 2018 but dropped to JPY19,155 in December 2018. This fall took place amid concerns about a US economic slowdown, and signals from the Federal Reserve that there would be fewer interest rate rises. The Average finally ended the FY at JPY21,205.

Japanese long-term interest rates began the year at 0.04% and ended at minus 0.08%. These rates stayed at nearly 0% through the FY due to the “Yield Curve Control”, the policy for controlling long and short-term interest rates introduced by the Bank of Japan in 2016. Long term interest rates in the US increased from 2.73%

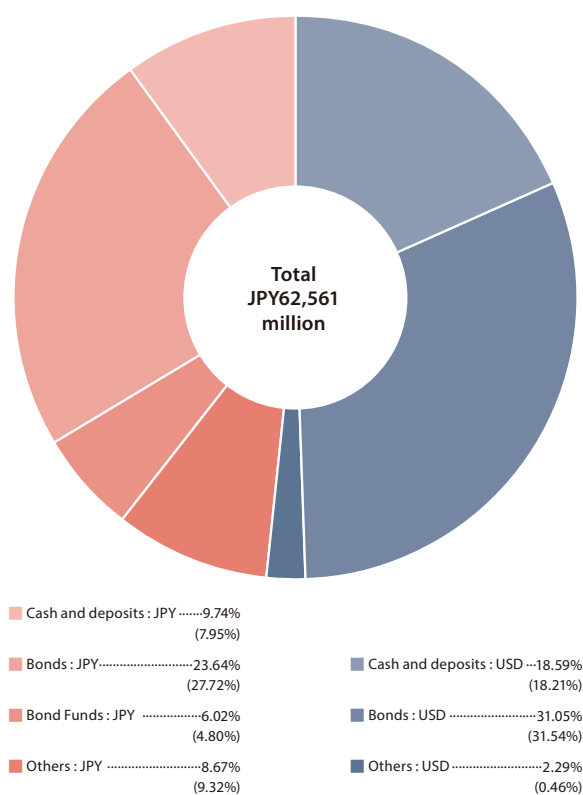
at the beginning of the year to 3.24% in November 2018 against a background of a triple rate hike by the Federal Reserve. The rate, however, declined during the following four months and ended at 2.41% at the end of the FY.

Interest and dividends received during the year decreased by JPY564 million to JPY845 million. The investment return ended at 1.49%.

Bonds are the main area in our investments. Although the average yield of bonds added in the FY is lower than the previous FY, the yield of USD bonds has been maintained at a similar level to the previous FY to lessen the interest rate risk. The yield of JPY bonds was slightly raised due to disinvestment of lower yield bonds.

Large profits generated in the previous FY by investment trusts investing in domestic equities, turned to losses of JPY92 million due to market stagnation. This is the main reason for the decrease in interest and dividends.

Investments (as of 31 March 2019)



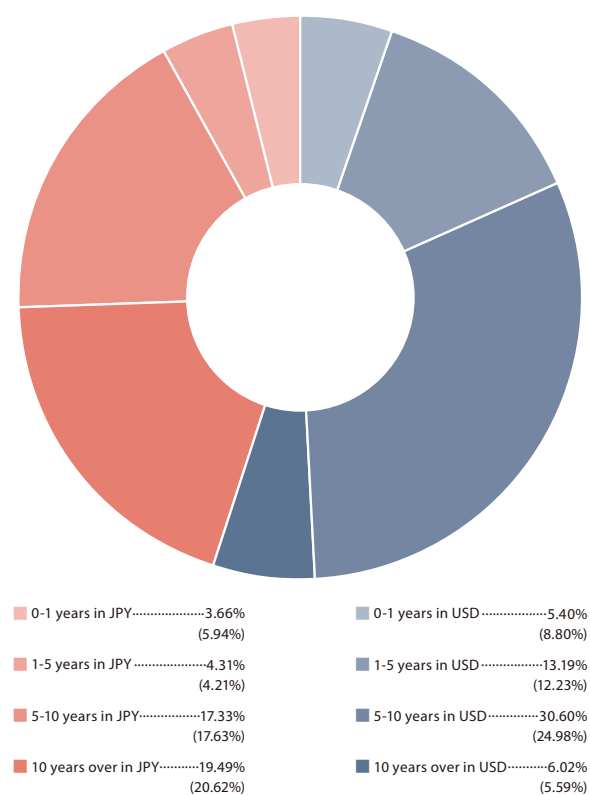
*(The same period last year)

The total value of investments held by the Association increased by JPY2,945 million to JPY62,561 million. The proportion of investments to total assets increased by 0.6 percent points to 87.6%. The increase in USD investments was JPY2,551 million, or, more accurately, USD11 million. The increase excluding currency translation impact was JPY1,213 million due to a rise in the exchange rate from JPY106.24/USD to JPY110.99/USD.

We set as our mid-and-long term challenge over the FY an improvement in the Sharp Ratio by adjusting the asset allocation. The proportion of bonds, investment trusts investing in domestic equities and REIT will be decreased, and, on the other hand, that of investment trusts, investing bonds or global equities etc., will be increased in the next five years.

Safety-friendly operation in accordance with the Plan of Business Operations approved by the Japanese Financial Services Agency is maintained in the Association's Investments. 28.33% (JPY:9.74%, USD:18.59%) of the total

Maturities of bonds (as of 31 March 2019)



*(The same period last year)

value of investments are cash and deposits and 54.69% (JPY:23.64%, USD:31.05%) of that are fixed-rate bonds which include Japanese government and corporate and foreign bonds rated "A" or higher.

The Association conducts regular monitoring in order to check whether the amount of risk carried by our total assets is within the appropriate range. Simultaneously, funds in USD to meet such liabilities are reserved, which assists the minimisation of any future adverse currency variations.

Average Expense Ratio

The Association's average expense ratio for the five years ended 20 February 2019 was 6.52%. The ratio has been calculated in accordance with the Schedule and the guideline issued by the International Group and is consistent with the relevant Financial Statements.

Financial Statements

Report of the Independent Auditors

Income and Expenditure Accounts

Balance Sheets

Statements of Cash Flows

Notes to the Financial Statements

Reserves

Policy Year Statements



Report of the Independent Auditors



Independent Auditor's Report

To Mr. Hiroshi Sugiura
Director General, Representing Director
The Japan Ship Owners' Mutual Protection & Indemnity Association

We have audited the accompanying financial statements of The Japan Ship Owners' Mutual Protection & Indemnity Association ("the Association"), which comprise Balance Sheets as at 31 March 2019 and 2018, and Income and Expenditure Accounts, Statements of Cash Flows for the fiscal years then ended, and Notes to the Financial Statements. The financial statements have been prepared by management of the Association in accordance with the basis set out in the Notes A and B to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis set out in the Notes A and B to the financial statements, for determining that the basis of preparation is acceptable in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above are prepared, in all material respects, in accordance with the basis set out in the Notes A and B to the financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to the Notes A and B to the financial statements, which describes the basis of accounting. The financial statements are prepared to be used for parties related to the Association. As a result, the financial statements may not be suitable for another purpose.

Convenience translation

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended 31 March 2019 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in the Note A-2 to the financial statements.

PricewaterhouseCoopers Aarata LLC
17 July 2019

Notice to Readers:

The presentation of "Note C Other Notes to Financial Statements" is not required by accounting principles generally accepted in Japan, and has not been audited by the independent auditor.

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Income and Expenditure Accounts

for the years ended 31 March 2019 and 2018

	Notes	Unit:JPY Millions		Unit:US\$000s
		2019	2018	2019
				Note A-2
Operating income				
Calls and premiums written	B-3, C-1	¥21,070	¥21,409	\$189,836
Reinsurance premiums ceded	B-3, C-2	4,701	5,384	42,351
Net premiums written	B-3	16,369	16,025	147,485
Change in unearned premium reserve	B-3	432	1,352	3,895
Exchange gains(losses) from underwriting activities		73	(45)	653
Interest and dividends income	B-3, C-3	987	902	8,894
Gains (losses) on money trusts	B-3	(238)	516	(2,143)
Profit (losses) on sales of securities		95	(9)	862
Other investment income		1	0	6
Foreign currency exchange gains(losses) from investing activities		1,340	(1,592)	12,071
Other ordinary income		69	46	619
Total operating income		19,128	17,195	172,342
Operating costs and expenses				
Claims paid	B-3, C-4	13,147	15,172	118,453
Reinsurance claims recovered	B-3, C-5	1,404	1,900	12,653
Net claims paid	B-3	11,743	13,272	105,800
Change in reserve for outstanding claims	B-3	1,435	(361)	12,934
Change in catastrophe reserve		489	(349)	4,406
Operating expenses	B-3	2,857	2,819	25,739
Other ordinary expenses		124	141	1,115
Total operating costs and expenses		16,648	15,522	149,994
Ordinary surplus		2,480	1,673	22,348
Special losses				
Other special gains		2	0	19
Other special losses		1	1	15
Surplus before income taxes		2,481	1,672	22,352
Current income taxes		1,228	1,446	11,068
Deferred income taxes	B-19	(531)	(964)	(4,789)
Total income taxes	B-4	697	482	6,279
Surplus after income taxes		1,784	1,190	16,073
Surplus balance after appropriation	B-5	1	1	11
Unappropriated surplus, ending balance		¥1,785	¥1,191	\$16,084

¥110.99=US\$1.00

The accompanying notes are an integral part of these financial statements.

Balance Sheets

as of 31 March 2019 and 2018

Notes	Unit:JPY Millions		Unit:US\$000s	
	2019	2018	2019	
			Note A-2	
Assets				
Cash and deposits at banks	B-10, C-6	¥17,747	¥15,611	\$159,901
Money trusts	B-7, 10, C-7	6,967	5,230	62,771
Securities	B-6, 10, 21, C-8	37,870	38,790	341,197
Property, plant and equipment	B-8, 18, C-9	1,022	1,095	9,204
Intangible assets	B-9, C-10	47	88	423
Other assets	B-10,14, C-11	1,588	2,117	14,307
Deferred tax assets	B-19	6,224	5,691	56,081
Reserve for bad debts	B-10, 12	(35)	(80)	(315)
Total assets		71,430	68,542	643,569
Liabilities				
Technical provisions				
Reserve for outstanding claims	B-22, C-12	33,979	32,544	306,148
Unearned premium reserve	B-22, C-13	8,106	8,538	73,034
Catastrophe reserve	B-16	15,611	15,122	140,653
Other liabilities	B-10, C-14	2,749	3,196	24,766
Reserve for bonuses	B-13	107	108	958
Reserve for directors' retirement benefits	B-15	87	90	787
Total liabilities		60,639	59,598	546,346
Net assets				
Capital contribution fund		112	115	1,009
Retaining earnings	B-3	10,310	8,527	92,895
Net unrealized gains on securities	C-15	369	302	3,319
Total net assets		10,791	8,944	97,223
Total liabilities and net assets		¥71,430	¥68,542	\$643,569

¥110.99=US\$1.00

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

for the years ended 31 March 2019 and 2018

	Notes	Unit:JPY Millions		Unit:US\$000s
		2019	2018	2019
				Note A-2
Cash flows from operating activities				
Surplus before income taxes		¥2,481	¥1,672	\$22,352
Depreciation		72	94	645
Increase (decrease) in reserve for outstanding claims		1,435	(361)	12,934
Decrease in unearned premium reserve		(432)	(1,352)	(3,895)
Increase (decrease) in catastrophe reserve		489	(349)	4,406
(Decrease) increase in reserve for bad debts		(45)	2	(402)
(Decrease) increase in reserve for bonuses		(2)	15	(17)
Decrease in reserve for directors' retirement benefits		(2)	(25)	(18)
Interest and dividend income		(987)	(903)	(8,896)
Foreign currency exchange (gains) losses		(1,340)	1,592	(12,071)
Losses (gains) on specified money trust		217	(531)	1,956
(Gains) losses on securities		(96)	8	(866)
(Gains) losses on property, plant and equipment		(2)	1	(16)
Losses on intangible assets		1	-	12
Decrease in other assets		533	653	4,806
(Decrease) increase in other liabilities		(224)	4	(2,015)
Sub-total		2,098	520	18,915
Interest and dividends received		993	925	8,945
Income taxes paid		(1,450)	(2,196)	(13,068)
Net cash provided by operating activities		1,641	(751)	14,792
Cash flows from investing activities				
Purchases of property, plant and equipment		(58)	(30)	(519)
Proceeds from property, plant and equipment		100	-	899
Purchases of time deposits		(3,462)	(3,176)	(31,195)
Proceeds from maturity of time deposits		2,637	4,135	23,755
Purchases of specified money trust		(1,954)	(100)	(17,603)
Purchases of securities		(1,826)	(1,656)	(16,448)
Proceeds from sales or maturity of securities		3,393	2,306	30,566
Net cash used in investing activities		(1,170)	1,479	(10,545)
Cash flows from financing activities				
Proceeds of capital contribution fund from members		3	5	30
Refund of capital contribution fund to members		(8)	(6)	(74)
Net cash used in financing activities		(5)	(1)	(44)
Effect of foreign currency exchange rate changes on cash and cash equivalents		859	(202)	7,736
Net increase in cash and cash equivalents		1,325	525	11,939
Cash and cash equivalents at beginning of year		15,368	14,842	138,462
Cash and cash equivalents at end of year	B-23	¥16,693	¥15,367	\$150,401

¥110.99=US\$1.00

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

A. Basis of Presentation

1 : In accordance with the Insurance Business Act, the financial year for an insurance company in Japan is from 1 April to 31 March. The financial year of the Japan Ship Owners' Mutual Protection & Indemnity Association (the "Association") conforms with this requirement. The accompanying financial statements have been prepared from the financial statements disclosed for domestic reporting purposes by the Association in accordance with the provisions of Japanese Companies Act, the Ship Owners' Mutual Insurance Association Law of Japan, and related regulations which are different in certain respects with regards to application and disclosure requirements of International Financial Reporting Standards. The supplementary schedules required by the above-mentioned laws in Japan are omitted. However, the statement of cash flows, though not required, is voluntarily disclosed to provide information to readers. The statement of cash flows has been prepared based on "Standard of preparing the Consolidated Statement of Cash Flows, etc. (Japanese Business Accounting Council statement, 13 March 1998)" and "Practical Guideline in Preparing the Statement of Cash Flows for the Consolidated Financial Statements, etc. (Accounting Practice Committee No.8, 28 November 2014)". For the convenience of readers outside of Japan, certain reclassifications have been made in the accompanying financial statements. Amounts of less than one million yen and one thousand dollars are rounded.

2 : Translation to U.S. Dollars

The accompanying financial statements are expressed in Japanese Yen and, solely for the convenience of readers, the statements for the year ended 31 March 2019 have been translated into U.S. Dollars at the rate of ¥110.99 = U.S.\$1, the middle rate prevailing on the Tokyo foreign exchange market on 31 March 2019. The functional currency of the Association is Japanese Yen, and the translation to the US Dollars is only for the convenience of readers.

B. Notes prescribed by the laws and regulations

- 1 : For foreign currency bonds, the Association records unrealized foreign exchange gains and losses with respect to the amortized cost denominated in foreign currency to the income and expenditure account in each respective period.
- 2 : For the years ended 31 March 2019 and 2018, the aggregate revenue of business transacted with the subsidiary companies amounted to ¥34 million (\$307 thousand) and ¥35 million, respectively, and the aggregate expenses amounted to ¥47 million (\$428 thousand) and ¥43 million, respectively.

3 : ① Net premiums written consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Calls and premiums written	¥21,070	¥21,409	\$189,836
Reinsurance premiums ceded	4,701	5,384	42,351
Net premiums written	¥16,369	¥16,025	\$147,485

The year ended 31 March 2019 includes 40% Supplementary Call for Policy Year 2017 in the amount of ¥5,476 million (\$49,336 thousand). The year ended 31 March 2018 includes 30% Supplementary Call for Policy Year 2016 in the amount of ¥4,586 million.

② Net claims paid consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Claims paid	¥13,147	¥15,172	\$118,453
Reinsurance claims recovered	1,404	1,900	12,653
Net claims paid	¥11,743	¥13,272	\$105,800

③ Change in reserve for outstanding claims consists of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Change in reserve for outstanding claims, gross of reinsurance	¥6,084	¥1,059	\$54,820
Change in reserve for ceded outstanding claims	4,649	1,420	41,886
Change in reserve for outstanding claims	¥1,435	(¥361)	\$12,934

Notes to the Financial Statements

④ Change in unearned premium reserve consists of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Change in unearned premium reserve, gross of reinsurance	¥432	¥1,352	\$3,895
Change in ceded unearned premium reserve	-	-	-
Change in unearned premium reserve	¥432	¥1,352	\$3,895

⑤ Operating expenses consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Personnel expenditure	¥1,760	¥1,689	\$15,862
Cost of supplies	836	844	7,530
Brokerage	346	365	3,114
Reinsurance commission	(157)	(173)	(1,412)
Depreciation	72	94	645
Total	¥2,857	¥2,819	\$25,739

⑥ Interest and dividends income consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Interest on deposits and savings	¥156	¥78	\$1,402
Interest on securities	831	824	7,492
Total	¥987	¥902	\$8,894

⑦ For the years ended 31 March 2019 and 2018 valuation gains/(losses) of (¥217 million(\$1,956 thousand)) and ¥537 million are included in "Gains (losses) on money trusts", respectively.

⑧ Retaining earnings consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Reserve for offsetting losses	¥175	¥175	\$1,579
Other retaining earnings	10,135	8,352	91,316
Special Reserve	8,350	7,161	75,232
Unappropriated surplus	1,785	1,191	16,084
Total	¥10,310	¥8,527	\$92,895

4: Reconciliations between the effective statutory tax rate and the actual effective tax rate after application of deferred tax accounting for the year ended 31 March 2019 and 2018 are as follows:

	2019	2018
Effective statutory tax rate	27.92%	27.92%
Entertainment and other expenses not deductible for tax purposes	0.27%	0.45%
Taxation on per capita basis	0.06%	0.09%
Others	△0.16%	0.36%
Actual effective tax rate	28.09%	28.82%

5: Movement of unappropriated surplus (deficit) consists of the following:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Beginning unappropriated surplus balance	¥1,191	¥1,951	\$10,733
Transferred to special reserves	(1,190)	(1,950)	(10,722)
Surplus balance after appropriation	1	1	11
Surplus after income taxes	1,784	1,190	16,073
Ending unappropriated surplus balance	¥1,785	¥1,191	\$16,084

On July 18 2019, the amount of ¥1,780 million (\$16,037 thousand) out of ¥1,785 million (\$16,084 thousand) of unappropriated surplus as of 31 March 2019 will be transferred to special reserves.

- 6 : The standards for valuation of securities are as follows:
- ① Shares of subsidiaries are stated at cost pursuant to the moving average method.
 - ② Securities held to maturity are stated at amortized cost (straight line method) pursuant to the moving average method.
 - ③ Marketable securities held as available for sale are stated at market price as of the balance sheet date. The unrealized gains/losses on the marketable securities are recognized directly within "Net assets" and the cost of securities sold is pursuant to the moving average method.
 - ④ Non-marketable securities held as available for sale are stated at cost using the moving average method where the fair value is extremely difficult to determine.
- 7 : Money trusts held for trading purposes are stated at the fair value.
- 8 : Depreciation of property, plant and equipment is calculated using the declining-balance method. Fixtures attached to buildings and structures acquired on or after 1 April 2016 are calculated using the straight-line method.
- 9 : The Association records software for internal use as an intangible asset. Depreciation on such assets is calculated using the straight line method based on an estimated useful life of 5 years.
- 10 : Conditions of financial instruments and fair values are as follows:
- ① Conditions of financial instruments
The Association's investments policy is in accordance with its Business Operations Plan, as approved by the Financial Service Agency, and gives higher priority to investments which are considered stable. Financial instruments the Association holds are mainly cash and deposits at banks, money trusts, Japanese government bonds, Japanese local government bonds, corporate bonds and foreign securities. Holding these financial instruments exposes the Association to credit risk, foreign currency exchange risk, liquidity risk and other market risk factors. As for exposure to credit risk, investments in corporate bonds (including foreign securities) are limited to those

with ratings of "A" or higher in principle. If an investment's rating is downgraded below "A", the Association would likely sell the investment after timely research of the issuer's financial condition.

The Association's exposure to foreign exchange risk exists mainly in holding foreign currency denominated bonds. Some foreign currency cash deposits are also held by the Association. Conversely, certain outstanding claim liabilities are denominated in foreign currencies which are also impacted by foreign currency exchange fluctuations. As such, the Association manages its exposure to fluctuations in foreign currency exchange rates by actively managing the proportion of the amounts of foreign assets and liabilities that it holds. As to liquidity risk, the Association considers its exposure to be low as most securities held would be expected to be readily sold in the open market when necessary. Regarding other market risk factors, as the Association mainly invests in bonds with high credit ratings and generally holds them until their maturity date, the Association considers the possibility that other market risks would have a significant impact on the Income and Expenditure Accounts to be remote.

Regarding premiums receivables, although there is a risk of uncollectible accounts, the Association's Underwriting Department strives to collect outstanding premiums in a timely manner and the section in charge in the head office continuously monitors the status of outstanding premiums receivable.

Notes to the Financial Statements

② Fair value of financial instruments

The amounts recorded in the balance sheet, fair value and the difference as of 31 March 2019 and 2018 are as follows:

	Unit:JPY Millions						Unit:US\$000s		
	2019			2018			2019		
	Balance Sheet amounts	Fair value	Difference	Balance Sheet amounts	Fair value	Difference	Balance Sheet amounts	Fair value	Difference
(a) Cash and deposits at banks	¥17,747	¥17,747	¥-	¥15,611	¥15,611	¥-	\$159,901	\$159,901	\$-
(b) Money trusts	6,967	6,967	-	5,230	5,230	-	62,771	62,771	-
(c) Securities									
Securities held to maturity	16,629	17,339	710	15,668	16,132	464	149,822	156,223	6,401
Marketable securities held as available for sale	20,029	20,029	-	21,911	21,911	-	180,460	180,460	-
(d) Premiums receivables	474			1,226			4,270		
Reserve for bad debts (*1)	△35			△80			△315		
	439	439	-	1,146	1,146	-	3,955	3,955	-
Total financial assets	¥61,811	¥62,521	¥710	¥59,566	¥60,030	¥464	\$556,908	\$563,309	\$6,401
(a) Foreign reinsurance payable	¥695	¥695	¥-	¥912	¥912	¥-	\$6,262	\$6,262	\$-
Total financial liabilities	¥695	¥695	¥-	¥912	¥912	¥-	\$6,262	\$6,262	\$-

(*1) Net of general and individual reserve for bad debts on premiums receivables

- (Remark 1) Assets (a) **Cash and deposits at banks**, (d) **Premiums receivables**...Cash and deposits at banks and premiums receivables are stated at the carrying amount as these are settled in the short term and those fair values are approximately equal to the carrying amount.
 (b) **Money trusts**...The fair value of money trusts individually managed primarily for investments in securities are stated at the price provided by the trustee bank.
 (c) **Securities**...Bonds and investment funds are mainly stated at the price presented by the financial institution.
 Liabilities (a) **Foreign reinsurance payables**...Foreign reinsurance payables are stated at the carrying amount as these are settled in the short term and their fair values are approximately equal to the carrying amount.
 (Remark 2) Unlisted stocks of ¥1,211 million (\$10,915 thousand) are excluded from (c) "Marketable securities held as available for sale" as no market prices exist and future cash flows are not estimable and therefore it is extremely difficult to determine the fair value.

- 11: The translation of foreign currencies to Japanese yen is carried out pursuant to the Accounting Standards for Foreign Currency Transactions.
- 12: A reserve for bad debts is estimated on the basis of past experience.
- 13: A reserve for bonuses is provided for at the amount estimated at the balance sheet date for future payments.
- 14: A reserve for retirement benefits is stated at the amount which would become liable to be paid should all of the staff employment contracts be voluntarily terminated at the balance sheet date after deduction of the fair value of the funded plan assets. At 31 March 2019 and 2018, prepaid pension cost of ¥140 million (\$1,263 thousand) and ¥125 million are included in Other assets, respectively.
- 15: A reserve for directors' retirement benefit is stated at the amount which has been incurred at the balance

sheet date based on the bylaws of the Association.

- 16: A catastrophe reserve is established to ensure the continued solvency of the insurer in case of catastrophic losses beyond the scope of the insurer's general reserve assumptions and is accumulated over time based on the premiums written for each year. If the gross claims paid for a year exceed 80 percent of net premiums written of the year, the insurer may reverse a portion of the catastrophe reserve equal to the excess amount.
- 17: Consumption taxes are accounted for under the "tax inclusive" method.
- 18: Accumulated depreciation for property, plant and equipment amounts to ¥339 million (\$3,059 thousand) and ¥395 million at 31 March 2019 and 2018, respectively. Advanced depreciation amounts to ¥302 million (\$2,720 thousand) and ¥417 million at 31 March 2019 and 2018, respectively.

19: The total amounts of deferred tax assets and liabilities at 31 March 2019 and 2018 are as follows:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Deferred tax assets	¥6,998	¥6,490	\$63,055
Breakdown for major items			
Reserve for outstanding claims	¥3,480	¥2,979	\$31,351
Underwriting reserve	2,809	2,747	25,306
Business tax	56	65	501
Reserve for bonuses	30	31	273
Deducted valuation reserve	(¥559)	(¥579)	(\$5,039)
Deferred tax liabilities	¥213	¥219	\$1,923
Breakdown for major items			
Unrealized gains on Marketable securities held as available for sale	¥174	¥184	\$1,570

20: In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for copying machines.

21: Investment in subsidiaries amounts to ¥12 million (\$104 thousand) and ¥12 million at 31 March 2019 and 2018, respectively.

22: ① Reserve for outstanding claims with respect to reinsurance stipulated in Article 51 of the Enforcement Regulations of the Ship Owners' Mutual Insurance Association Law of Japan (the "Regulations") which is referred in Article 53.2 of the Regulations amounts to ¥14,395 million (\$129,694 thousand) and ¥9,746 million at 31 March 2019 and 2018, respectively.

② There is no unearned premium reserve with respect to reinsurance stipulated in Article 51 of the Regulations at 31 March 2019 and 2018.

③ There is no amount deducted relating to the distribution of surplus stipulated in Article 28 of the Regulations at 31 March 2019 and 2018.

23: Cash equivalents in the statement of cash flows are cash in hand, deposits at banks which can be withdrawn at any time and highly liquid short-term investments with an original maturity of three months or less, and are subject to insignificant risk of changes in value.

The reconciliation of cash and cash equivalents on the statement of cash flows to cash and deposits at banks on the balance sheet is as follows:

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
			Note A-2
Cash and deposits at banks	¥17,747	¥15,611	\$159,901
MMF, Short-term government bonds and Certificate of deposit included in securities	0	0	0
Deposits at banks of which contract is more than 3 months	(1,054)	(244)	(9,500)
Cash and cash equivalents	¥16,693	¥15,367	\$150,401

There is no significant non-cash transaction entered into by the Association during the years ended 31 March 2019 and 2018.

Cash flows from investing activities include cash flows arising from asset management relating to the insurance business during the years ended 31 March 2019 and 2018.

Notes to the Financial Statements

C. Other Notes to Financial Statements

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
1 Calls and premiums written			
Mutual			
Mutual premiums	¥12,375	¥13,491	\$111,496
Supplementary calls charged	5,476	4,586	49,336
Release calls	237	298	2,134
FD&D	192	181	1,729
Sub-total	18,280	18,556	164,695
Fixed premiums			
Coastal vessels entries	2,008	2,049	18,087
Charterers' entries	424	441	3,824
Others	358	363	3,230
Sub-total	2,790	2,853	25,141
Total	¥21,070	¥21,409	\$189,836
2 Reinsurance premiums ceded			
Group excess of loss	¥1,992	¥2,349	\$17,944
Others	2,709	3,035	24,407
	¥4,701	¥5,384	\$42,351
3 Interest and dividends			
Bank deposits	¥156	¥78	\$1,402
Japanese bonds	258	257	2,328
Foreign securities	474	465	4,268
Other securities	99	102	896
	¥987	¥902	\$8,894
4 Claims paid			
P&I	¥10,544	¥12,987	\$94,994
<i>Mutual</i>	8,785	11,257	79,145
<i>Coastal vessels entries</i>	906	1,170	7,938
<i>Charterers' entries</i>	823	548	7,413
<i>Others</i>	30	12	498
Other Associations' pool claims	2,506	2,126	22,581
FD&D	97	59	878
	¥13,147	¥15,172	\$118,453
5 Reinsurance claims recovered			
Group's pooling agreement	¥1,190	¥1,876	\$10,726
Group's excess loss reinsurance	-	-	-
Other reinsurers	214	24	1,927
	¥1,404	¥1,900	\$12,653

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
6 Cash and deposits at banks			
Cash	¥1	¥1	\$11
Deposits at banks	17,746	15,610	159,890
	¥17,747	¥15,611	\$159,901
7 Money trusts			
Funds of domestic stock	¥2,334	¥2,469	\$21,031
Funds of foreign security	4,633	2,761	41,740
	¥6,967	¥5,230	\$62,771
8 Securities			
Japanese government bonds	¥611	¥713	\$5,500
Japanese local government bonds	3,051	3,161	27,489
Corporate bonds	13,023	13,975	117,333
Stocks	10	10	90
Foreign securities	17,517	17,469	157,826
Other securities	3,658	3,462	32,959
	¥37,870	¥38,790	\$341,197
9 Property, plant and equipment			
Estate on book	¥905	¥990	\$8,153
Buildings	44	62	394
Lease assets	58	21	526
Equipment and others	15	22	131
	¥1,022	¥1,095	\$9,204
10 Intangible assets			
Software	¥43	¥84	\$388
Other intangible assets	4	4	35
	¥47	¥88	\$423
11 Other assets			
Premiums receivables	¥474	¥1,226	\$4,270
Foreign reinsurance recoveries	686	484	6,176
<i>Pool recoveries</i>	648	436	5,832
<i>Recoveries from other reinsurers</i>	38	48	344
Accounts receivable	38	41	342
Accrued revenue	166	162	1,498
Advance deposits	72	69	650
Suspense payments	12	10	108
Prepaid pension cost	140	125	1,263
	¥1,588	¥2,117	\$14,307

Notes to the Financial Statements

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
12 Reserve for outstanding claims			
Gross reserve for outstanding claims	¥48,374	¥42,290	\$435,842
<i>Members' claims</i>	41,344	36,225	372,502
<i>Other Associations' pool claims</i>	7,030	6,065	63,340
Reinsurers' share	14,395	9,746	129,694
<i>Pool recoveries</i>	13,638	8,895	122,877
<i>Excess loss R/I recoveries</i>	-	-	-
<i>Recoveries from other reinsurers</i>	757	851	6,817
Net reserve for outstanding claims	¥33,979	¥32,544	\$306,148
<i>IBNR amounts are included in the above figure</i>			
IBNR amounts	¥13,861	¥12,407	\$124,886
13 Unearned premium reserve			
Gross unearned premium reserve	¥8,106	¥8,538	\$73,034
Reinsurers' share	-	-	-
Net unearned premium reserve	¥8,106	¥8,538	\$73,034
14 Other liabilities			
Foreign reinsurance payable	¥695	¥912	\$6,262
Accounts payable	136	178	1,220
Unpaid tax	1,091	1,313	9,832
Suspense payable	769	772	6,926
Lease liability	58	21	526
	¥2,749	¥3,196	\$24,766
15 Net unrealized gains on securities			
Unrealized gains on securities is net of deferred tax caused by the valuation of securities.	¥369	¥302	\$3,319

Reserves

	Unit:JPY Millions		Unit:US\$000s
	2019	2018	2019
Catastrophe reserve	¥15,611	¥15,122	\$140,653
Reserve for offsetting losses	175	175	1,579
Other retaining earnings	10,135	8,352	91,316
Sub-total	25,921	23,649	233,548
Capital contribution fund	112	115	1,009
Net unrealized gains on securities	369	302	3,319
Total	¥26,402	¥24,066	\$237,876

The "Sub-total" represents the reserves that have been built up out of surpluses in open and closed years. Please see the "Policy Year Statement" described in pages 28 and 29.

Policy Year Statements

as of 31 March 2019

	2019/20		2018/19		2017/18	
	(2019/2/20-2019/3/31)		(2018/2/20-2019/2/20)		(2017/2/20-2018/2/20)	
	JPY Millions	US\$000s	JPY Millions	US\$000s	JPY Millions	US\$000s
Calls and premiums written						
Prior years	¥ -	\$ -	¥1,692	\$15,245	¥18,064	\$162,755
During year	1,557	14,028	14,322	129,039	103	927
Supplementary calls	-	-	-	-	5,476	49,336
	1,557	14,028	16,014	144,284	23,643	213,018
Reinsurance premiums ceded	(533)	(4,800)	(5,023)	(45,258)	(5,212)	(46,962)
	1,024	9,228	10,991	99,026	18,431	166,056
Claims paid						
Gross claims paid	(6)	(54)	(4,514)	(40,674)	(9,946)	(89,614)
Reinsurance claims recovered	-	-	7	63	1,922	17,315
[Pool recoveries]	[-]	[-]	[-]	[-]	[1,914]	[17,244]
[Excess loss R/I recoveries]	[-]	[-]	[-]	[-]	[-]	[-]
[Other reinsurance recoveries]	[-]	[-]	[7]	[63]	[8]	[72]
Net claims paid	(6)	(54)	(4,507)	(40,611)	(8,024)	(72,299)
[Other Associations' pool claims]	[-]	[-]	[555]	[5,000]	[599]	[5,394]
Investment income	407	3,670	558	5,031	1,610	14,507
Operating expenses	(249)	(2,241)	(2,823)	(25,439)	(2,908)	(26,196)
Others	(66)	(593)	(434)	(3,914)	(984)	(8,865)
Balance available for estimated outstanding claims	¥1,110	\$10,010	¥3,785	\$34,093	¥8,125	\$73,203
Estimated outstanding claims						
Gross estimated outstanding claims	(¥1,755)	(\$15,809)	(¥16,858)	(\$151,884)	(¥7,131)	(\$64,252)
Reinsurers' share	-	1	4,253	38,323	891	8,029
[Pool recoveries]	[-]	[-]	[2,682]	[24,162]	[840]	[7,566]
[Excess loss R/I recoveries]	[-]	[-]	[1,542]	[13,894]	[-]	[-]
[Other reinsurance recoveries]	[-]	[1]	[29]	[267]	[51]	[462]
Net estimated outstanding claims	(1,755)	(15,808)	(12,605)	(113,561)	(6,240)	(56,223)
[Other Associations' pool claims]	[165]	[1,487]	[1,731]	[15,597]	[964]	[8,682]
Surplus/(deficit)	(¥645)	(\$5,798)	(¥8,820)	(\$79,468)	¥1,885	\$16,980
Estimated product of 10% supplementary calls	-	-	1,310	11,803	1,369	12,334

1. The estimated outstanding claims includes provision for incurred but not reported claims (IBNR's).
2. Calls and premiums written, claims paid and estimated outstanding claims are allocated to the policy years to which they relate.
All other amounts, such as "Investment income" and "Operating expenses" are allocated to policy years in a systematic and reasonable manner.
3. For the 2019/20 policy year which is covered the period from 20 February 2019 to 31 March 2019, calls and premiums are stated on an earned basis to 31 March 2019.
4. The translation rate in this Policy Year Statement is ¥110.99 = US\$1, the middle rate prevailing on the Tokyo foreign exchange market as of 31 March 2019.

2016/17		Closed years		Total	
(2016/2/20-2017/2/20)					
JPY Millions	US\$000s	JPY Millions	US\$000s	JPY Millions	US\$000s
¥19,993	\$180,132				
41	367				
4,586	41,317				
24,620	221,816				
(5,605)	(50,501)				
19,015	171,315				
(9,712)	(87,507)				
127	1,141				
[125]	[1,124]				
[-]	[-]				
[2]	[17]				
(9,585)	(86,366)				
[660]	[5,942]				
757	6,823				
(2,801)	(25,232)				
(1,453)	(13,090)				
¥5,933	\$53,450	¥41,222	\$371,410	¥60,175	\$542,166
(¥2,966)	(\$26,727)	(¥18,749)	(\$168,927)	(¥47,459)	(\$427,599)
105	947	7,956	71,681	13,205	118,981
[105]	[947]	[4,615]	[41,587]	[8,242]	[74,262]
[-]	[-]	[2,685]	[24,188]	[4,227]	[38,082]
[-]	[-]	[656]	[5,906]	[736]	[6,636]
(2,861)	(25,780)	(10,793)	(97,246)	(34,254)	(308,618)
[717]	[6,461]	[3,727]	[33,583]	[7,304]	[65,810]
¥3,072	\$27,670	¥30,429	\$274,164	¥25,921	\$233,548
1,529	13,772				

Directors and Auditors

Directors

Chairman, Representing Director

Yukikazu Myochin President Kawasaki Kisen Kaisha, Ltd.

Deputy Chairmen, Representing Directors

Junichiro Ikeda President Mitsui O.S.K. Lines, Ltd.

Tadaaki Naito Chairman Nippon Yusen Kabushiki Kaisha

Directors

Mitsujiro Akasaka President Ferry Sunflower Limited

Takashi Sakai President Hachiuma Steamship Co., Ltd.

Tadashi Terauchi President Idemitsu Tanker Co., Ltd.

Hiromi Tosha President Iino Kaiun Kaisha, Ltd.

Takashi Hirose President JX Ocean Co., Ltd.

Eiji Kadono President "K" Line RoRo Bulk Ship Management Co., Ltd.

Yasushi Takada President Kyoei Tanker Co., Ltd.

Kazuyuki Suzuki President Mitsubishi Ore Transport Co., Ltd.

Tsuneo Watanabe Managing Director MOL Chemical Tankers Pte. Ltd.

Kazuo Tanimizu President NS United Kaiun Kaisha, Ltd.

Yoichiro Seno President Seno Kisen Co., Ltd.

Yukito Higaki President Shoei Kisen Kaisha, Ltd.

Kenichi Nagata President Mitsui O.S.K. Kinkai, Ltd.

Norio Tabuchi President Tabuchi Kaiun Co., Ltd.

Nobuo Sano President Tamai Steamship Co., Ltd.

Takashi Uyeno Chairman & President Uyeno Transtech Ltd.

In-House Directors

Director General, Representing Director

Hiroshi Sugiura

Executive Directors, Representing Directors

Hiroaki Sawabe

Takaaki Irikiin

Directors

Shunsei Miyake

Keisuke Kobayashi

Minoru Naito

Hiroshi Kikegawa

Auditors

Hiroshi Akanuma President Kawasaki Kinkai Kisen Kaisha, Ltd.

Masaaki Nemoto President MOL Ocean Expert Co., Ltd.

Shunsuke Tsurumaru President Tsurumaru Shipping Co., Ltd.

(as of 18 July 2019)

General Managers, Chiefs of Division and Chief Executive

Minoru Naito	Planning Dept. / Public Relations Div.	Junya Ogawa	Loss Prevention and Ship Inspection Dept.
Tetsuro Haramo	Planning Dept.	Takuzo Okada	Loss Prevention and Ship Inspection Dept.
Tetsu Kato	Human Resources & General Affairs Dept.	Tetsuo Ishii	Information Systems Dept.
Hiroki Ikeda	Investment Management and Accounting Dept.	Shigeru Yamada	Kobe Branch
Yuichi Tanaka	Underwriting Administration Dept.	Riki Yamamoto	Fukuoka Branch
Royston Deitch	Underwriting Administration Dept.	Naoyuki Moriya	Imabari Branch
Keisuke Kobayashi	Strategic Sales Management Dept.	Yoji Tanaka	Singapore Branch
Yasuyuki Nakamura	Tokyo Underwriting Dept.	Masatoshi Fukushima	London Liaison Office
Hiroshi Kikegawa	Claims Dept. I	Shu Sato	Internal Audit Div.
Nobuko Genda	Claims Dept. II		
Norihiro Matsui	Claims Dept. II		

(as of 18 July 2019)



Left to right:
H. Kikegawa, K. Kobayashi,
T. Irikiin, H. Sawabe,
S. Miyake, M. Naito



T. Haramo, S. Yamada, Yuichi Tanaka, J. Ogawa
H. Ikeda, R. Yamamoto, Yoji Tanaka, T. Kato, S. Sato, N. Matsui
N. Moriya, Y. Nakamura, N. Genda, T. Okada



T. Ishii

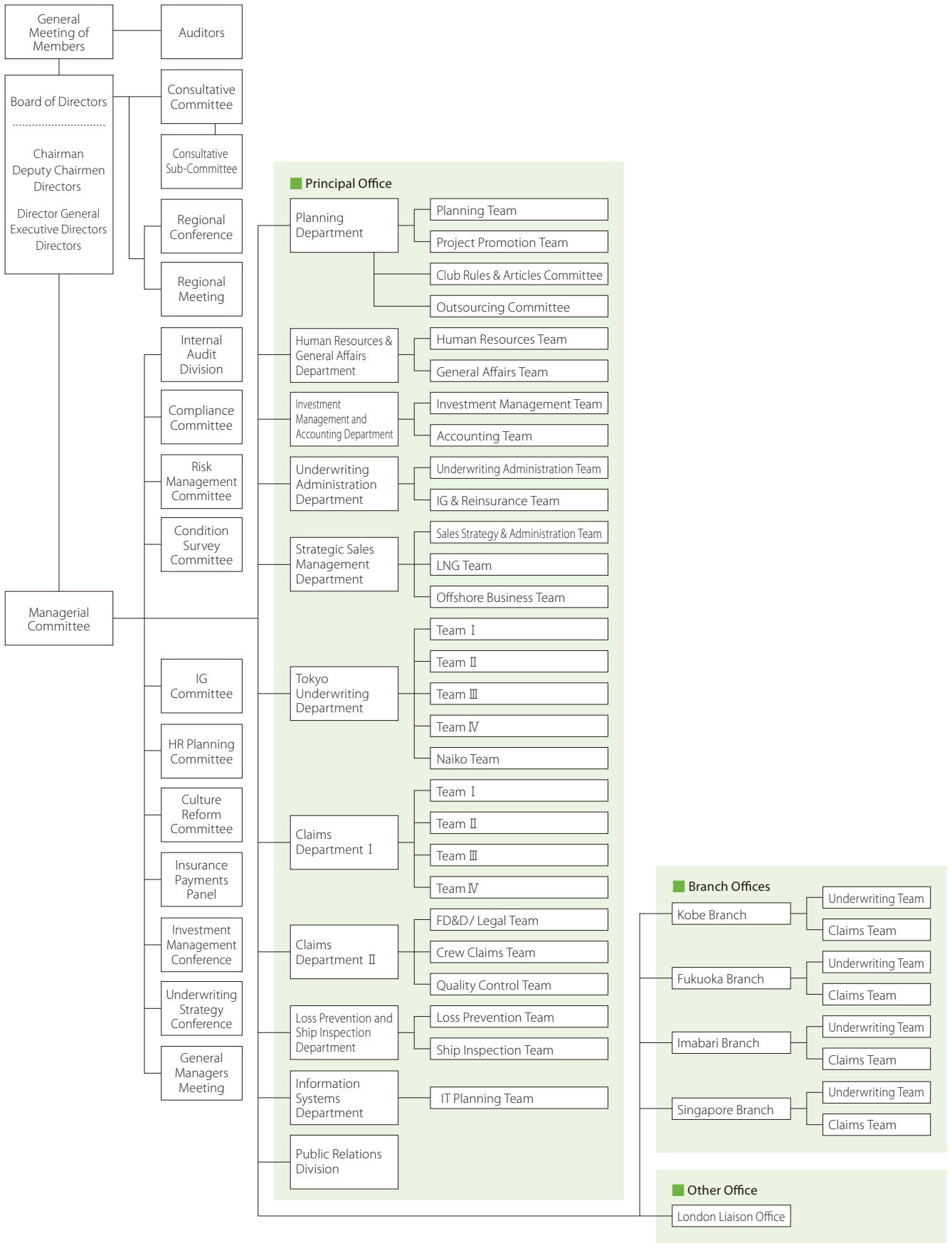


Royston Deitch



M. Fukushima

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The Japan Ship Owners' Mutual Protection & Indemnity Association

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