

# JAPAN P&I CLUB

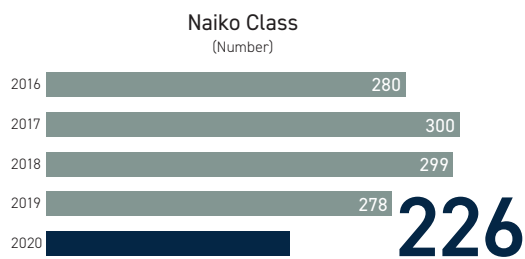
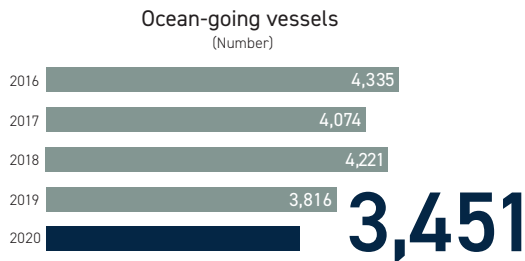
ANNUAL REPORT 2021

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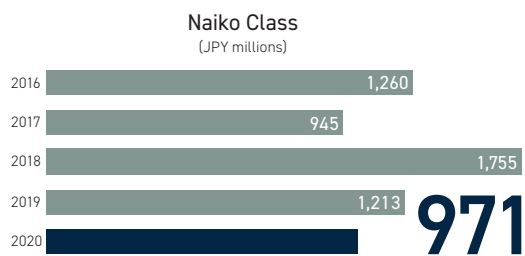
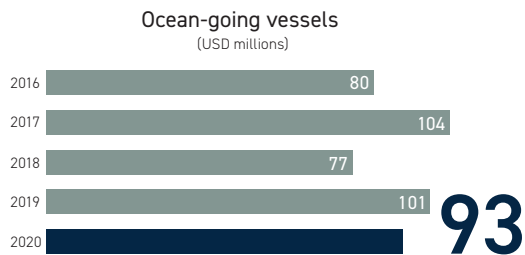
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# HIGHLIGHTS

## Number of claims received (Policy Year)



## Paid claims and reserve funds within our retention (Policy Year)



## S&P Rating

# BBB+

Outlook : Positive

## Reserves

JPY **26.98**  
billion

## Entered Tonnage

**97**  
million gt

## Entered Vessels

**4,085**  
vessels

## Combined Ratio

Years ended 31 March	2017	2018	2019	2020	2021	Average
Including currency movements in claim reserves	83.7%	89.8%	95.0%	107.5%	111.9%	97.6%
Excluding currency movements in claim reserves	84.4%	100.5%	85.7%	113.3%	107.5%	98.3%

S&P rating is published in July 2021. The Number of claims received, the Paid claims and reserve funds within our retention, the Reserves, and the Entered Tonnage/Vessels are as of 31 March 2021.

# STATEMENT OF DIRECTOR GENERAL



First of all, I express my deepest sympathy to the Members whose lives and businesses have been affected by the COVID-19 pandemic.

Looking back on the business year 2020, it was a year at the mercy of the pandemic. The pandemic is not over yet, and I hope COVID vaccines will return life to normal soon.

The shipping industry initially saw a decline in cargo movements due to the pandemic in the year. However, container shipping was particularly active in the latter half of the year, thanks to an increase in demand from global populations not able to travel, which even caused a global container shortage. While the business environment has drastically changed and the future is uncertain, the Association will continue to provide high-quality claims handling and fair and competitive P&I insurance premiums to help the Members stabilise their business.

The International Group of P&I Clubs (IG) generally saw an increase in the number of claims covered by the IG reinsurance pool, being claims exceeding the Club retention (USD10 million). In addition, the reinsurance market deteriorated significantly due to the pandemic and natural disasters, and the IG reinsurance rate increased for ships apart from persistent oil tankers. Many Clubs increased their insurance premiums for the policy year 2021 due to deterioration of their insurance balance. The Association also applied a general increase (GI) of 10% for ocean-going vessels. This was because we also had some large claims, including pool claims, especially in the first half of the year, and if we were going to have more large claims, a significant deterioration in the insurance business would have been likely. The GI might have been a burden on the Members. However, many Members were very understanding and supportive, which is greatly appreciated, and we managed to complete the renewal.

Next, I would like to present the Association's business results for the business year 2020. Although premium income decreased due to intensified competition, net premium income increased by JPY40 million from the previous year to JPY14.98 billion in the profit and loss account because reinsurance premiums decreased. On the other hand, net insurance payments increased by JPY2.53 billion from the previous year to JPY13.24 billion, even after the addition of reinsurance payments recovered. Insurance payments increased significantly due to major claims in the first half and the pandemic. The investment account increased by JPY3.32 billion, which was a striking improvement on the previous year. This was because the investment account figures were assisted by a significant increase in income from interest and dividends and a gain on money held in trust, as well as foreign exchange gains.

As a result of the above, the total operating revenue increased by JPY3.65 billion from the previous year to JPY18.21 billion, while the total operating expenses decreased by 1.78 billion to JPY14.47 billion, due to a decrease in contingency reserve. The ordinary surplus increased significantly by JPY5.43 billion from the previous year, when a loss of JPY1.70 billion was recorded, to JPY3.74 billion. The net surplus after tax was JPY2.69 billion. The reserve was JPY26.98 billion after JPY1.3 billion was added. The Club continued to maintain a credit rating of "BBB + (Outlook: Positive)" from S&P Global Ratings.

S&P Global Ratings recognises the Club has strengthened the capital by the added reserve. In order to provide stable insurance services to our Members, we will endeavour to improve our capital further and acquire an A rating, and will do our utmost to stay the Club of Members' first choice.

We thank you for your continued support and cooperation, and sincerely wish our Members' safety for their vessels and continued business prosperity.

21 July 2021  
Shizuo Takahashi, Director General

## BUSINESS REPORT

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ENTERED TONNAGE

REINSURANCE

TREND OF CLAIMS

TREND OF POOL CLAIMS

INTERNATIONAL GROUP'S TOPICS

LOSS PREVENTION

INVESTMENTS

CSR INITIATIVES

# ENTERED TONNAGE

During the course of the 2020 policy year, the Association had new entries of 6.4 million gt for owner's entries and 150,000 gt for Naiko Class entries (Japanese coastal vessels).

Continuing from the 2019 policy year, the loss record for ocean-going vessels worsened significantly in the 2020 policy year, due to the impact of two large claims exceeding USD10 million and COVID-19 related claims. On the other hand, our book of Japanese coastal vessels had no large claim (more than JPY300 million) and a calmer year compared to previous policy years.

Given the claims trend as described above and having considered the various factors essential for the management of the Association, such as its Members' business environment and ensuring the soundness of its income and expenditure, the Association asked ocean-going vessels Members for a 10% general increase in premiums for the 2021 policy year. There was no general increase in premiums for Naiko Class entries for the 2020 policy year.

At the conclusion of the 2021 renewal, the Association's entered tonnage amounted to 94.6 million gt for owners' entries and 2.6 million gt for Naiko Class entries. The Association is grateful for the support of Members for this result.

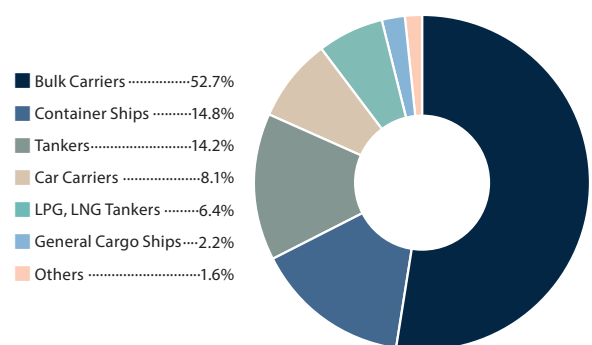
As to the entered tonnage by type, while bulk carriers have constituted the majority of our entries for many years, the percentages of container vessels and LPG/LNG tankers are gradually increasing.

At the end of the 2020 business year (31 March 2021), there were 4,085 vessels entered, comprised of 2,211 for owners' entries and 1,874 for Naiko Class entries. The total amount of entered tonnage was 97 million gt, consisting of 94.4 million gt for owners' entries and 2.6 million gt for Naiko Class entries.

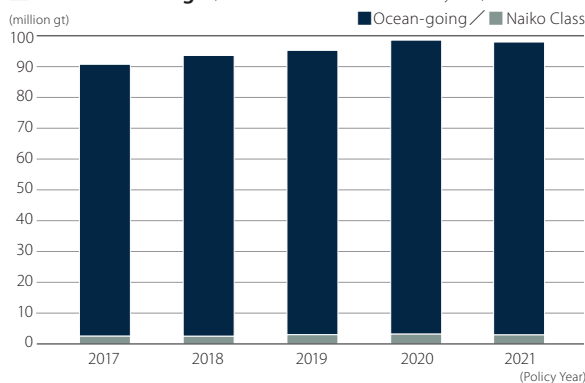
■ Change in General Increase / Supplementary Call (%)

Policy Year		2017 /18	2018 /19	2019 /20	2020 /21	2021 /22
General Increase	Mutual Entries	0	0	0	7.5	10
	Naiko Class	0	0	0	0	0
Supplementary Call	Original Estimate	40	40	40	40	40
	Amount Called	40	40	40	Open	Open
	Current Estimate	Closed	0	0	40	40

■ Entered Tonnage by Type (as of commencement of the 2021 Policy Year)



■ Entered Tonnage (as of commencement of each Policy Year)



# REINSURANCE

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.

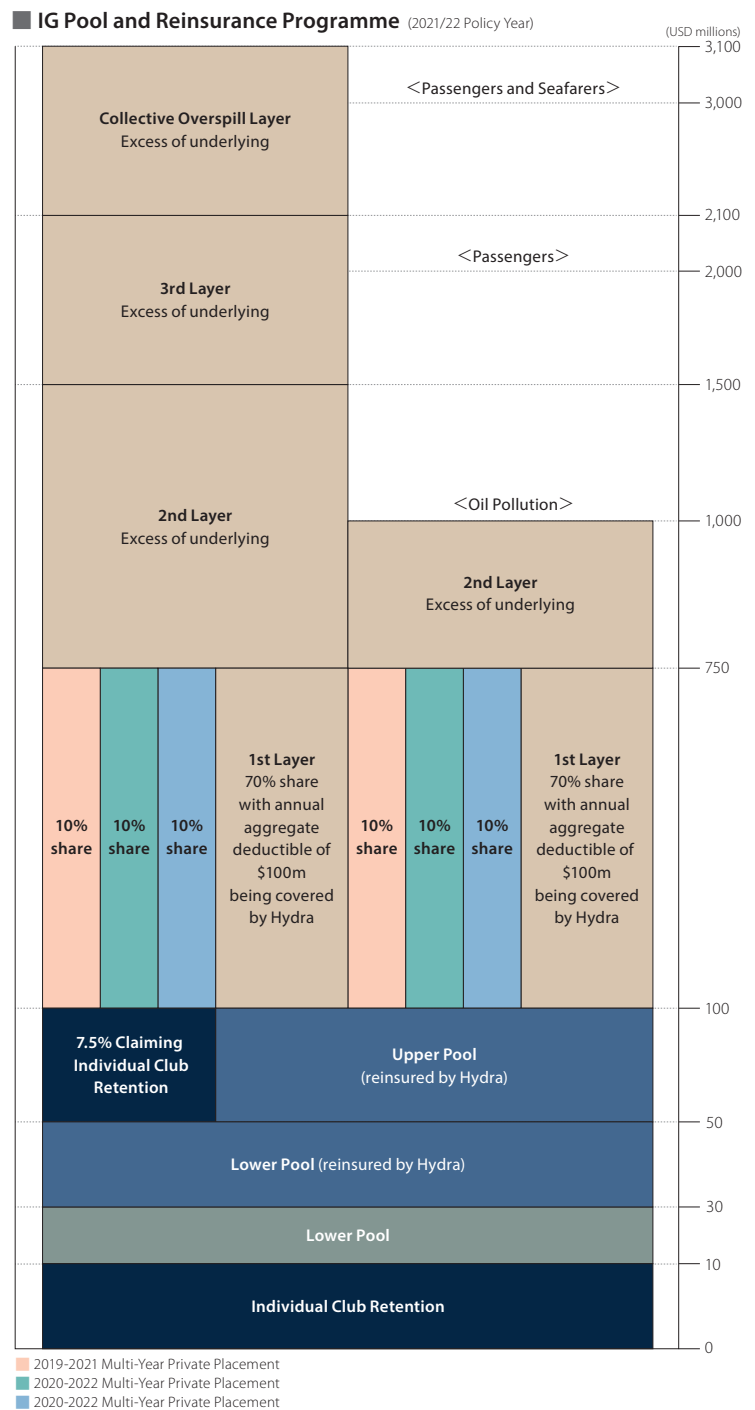
## IG Pool and Reinsurance Programme

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

The coronavirus disease 2019 (COVID-19) pandemic and several natural disasters affected commercial reinsurance market conditions, with rates significantly hardening. As the main part of the IG reinsurance programme was in the middle of a two-year placement which started in 2020, there was limited impact on shipowners at renewal 2021, with P&I rates increasing by an average of 1.4% year-on-year. The IG's reinsurance captive Hydra continues to support the IG through its risk retention at the primary part of the reinsurance structure. The trend of pool claims is on page 7.

## The Association's own reinsurance arrangements

In order to stabilise our business results, we arrange our own reinsurance for claims from Naiko Class and Charters' liability risks, as well as for our club retention for Gaiko Class (Ocean-going vessels). Whilst our loss records have been relatively stable, the hardening of the reinsurance market has had a significant impact, with reinsurance premiums increasing across all lines for the 2021 policy year.



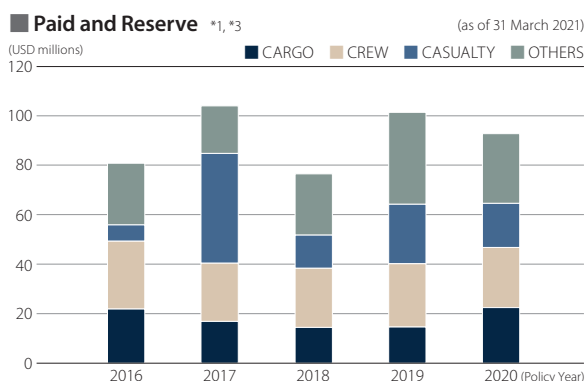
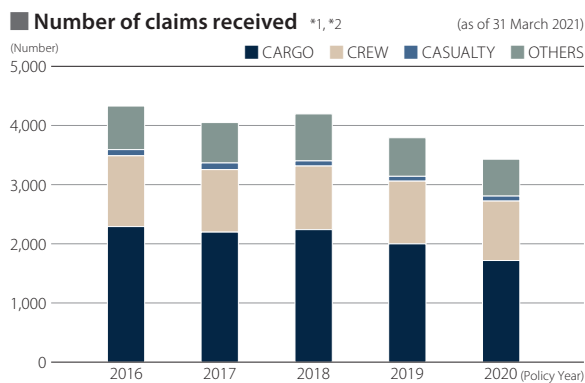
Reinsurance for oil pollution claims is purchased as a separate cover with a limit of USD1,000 million. Reinsurance for passenger and seafarer claims is subject to a limit of USD2,000 million for liability to passengers, or USD3,000 million for passenger and seafarer claims combined.

# TREND OF CLAIMS

The number of claims received has been decreasing in recent years, and approximately 3,700 claims were received for combined ocean-going and Naiko Class in the 2020 policy year. However, paid and reserve funds within our retention (Paid and Reserve) indicate an increasing trend in recent years towards higher per case Paid and Reserve figures. The Paid and Reserve amounted to approximately USD93 million for ocean-going vessels and approximately JPY1,000 million for Naiko Class. In the 2019 policy year, there were two incidents involving ocean-going vessels 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. Similar to the 2019 policy year, there were two incidents exceeding USD10 million for ocean-going vessels in 2020 policy year. For Naiko Class, there were no large claims, ie exceeding JPY300 million.

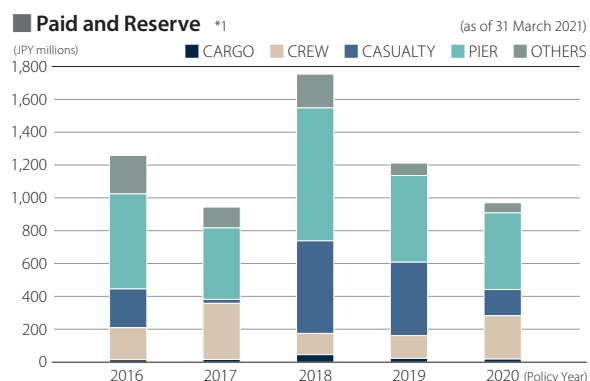
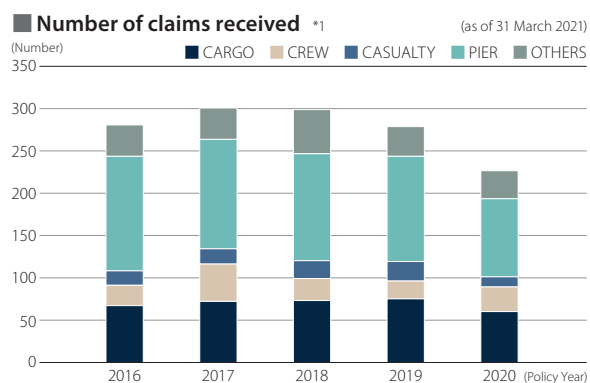
## Ocean-going vessels

The number of claims received has been decreasing over the past five years. Claims for cargo damage provided the highest proportion of the total number of claims during that period, accounting for 53% of claims. The next most frequent category was crew claims, which accounted for 27%. 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 23% of the total of Paid and Reserve of the five years. Most of the claims exceeding USD10 million related to casualty claims, which is one of the factors which greatly affect the loss record.



## Naiko Class

Although there have been no significant differences in the number of claims received for Naiko Class in recent years, the 2020 policy year demonstrates the decreasing trend in the number of claims received. With respect to claims by category, pier claims were the most frequent, accounting for 44% of the total claims during the past five years. The annual average number of casualty claims was 18, or as low as 7% of the total claims of that period. However, these accounted for 23% of the total of Paid and Reserve. Similar to the trend of Ocean-going vessels, once such an incident occurs, it will greatly affect the whole loss record.



\*1: Data for "Number of claims received" and "Paid and Reserve" 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: "Paid and Reserve" for ocean-going vessels means the total Paid and Reserve for owners' entries, charterers' entries and FD&D.



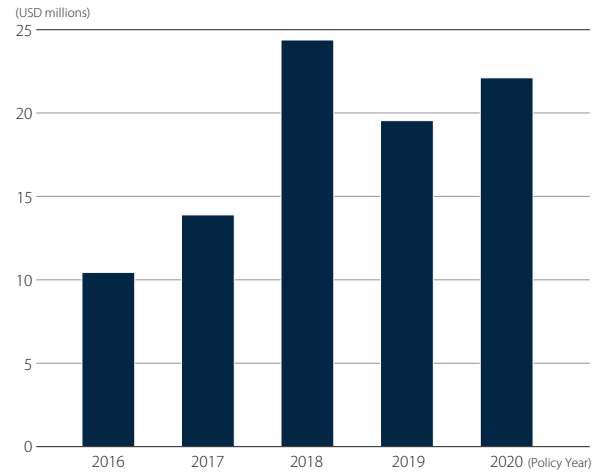
# TREND OF POOL CLAIMS

The number of pool claims of the International Group of P&I Clubs for the 2019 policy year shows no significant difference compared to the 2018 policy year. However, each claim amount tends to be larger in general, and approximately 55% of the claims exceeded USD20 million per case. The contribution to the pool by the Association in policy year 2019 was nearly USD20 million.

This trend clearly continues for the 2020 policy year as well. Although the number of pool claims does not rise significantly, the amount per claim has increased. Approximately 65% of the claims exceeded USD20 million per case, and several claim exceeded USD50 million. The contribution to the pool by the Association increased in the policy year 2020 to approximately USD22 million.

A significant cause of large incidents in the 2019 policy year was fire and stranding cases involving car carriers. This continued into the 2020 policy year, when there has also been a trend towards fires and strandings of bulkers, and container ship casualties including collapse of stow and containers lost overboard, and damage to port facilities caused by mega container vessels.

■ The Association's Contributions to Pool Claims (as of 31 March 2021)



# INTERNATIONAL GROUP'S TOPICS

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## Facilitation of crew changes under COVID-19

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Restrictions on the travel and movement of people including seafarers took effect all over the world in order to prevent the spread of the COVID-19, which made it difficult to ensure the off-signers' smooth disembarkation and repatriation as well as the on-signers' embarkation. Many seafarers were forced to work on board beyond the original

contracts of employment and were left in an uncertain situation with no prospect of returning home. Due to concerns about the impact on seafarers' mental health, the IG is working with a number of industry bodies to promote the safe and efficient replacement of crew members.

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## Report on incidents under pilotage

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For many years the ship owner members of the IG Clubs have expressed concern about the apparent frequency and large claim amounts that occurred under pilotage. To address this, the IG has investigated the pilotage-related incidents for twenty-year period between 1999 and 2019 and has published a report (<https://www.igpandi.org/article/pilotage-report>). This

report focuses on a total of 1,046 incidents in excess of USD100,000 that occurred under pilotage, and where the pilots' actions caused or contributed to the casualty to examine the types of incidents, where they occurred and the cost involved, as well as providing recommendations to mitigate the risk of such incidents occurring in the future.

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## On board safety promotion videos (measures to prevent fatalities in closed compartments)

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The IG's research showed that more than half of 83 fatalities occurred in enclosed compartments on board between 2015 and 2020 were due to oxygen depletion and over 60% of the incidents were located in the cargo hold. To alert members to the dangers of entering closed compartments without precautions and safety measures,

the IG has collaborated to produce a safety promotion videos. The videos can be viewed on the IG's website (<https://www.igpandi.org/enclosed-space-entry>) or its Linked In page (<https://www.linkedin.com/feed/update/urn:li:activity:6772833472319913984>).

# LOSS PREVENTION

Safe and economical operations are of paramount importance for all those involved in shipping. Shipping technology is advancing year by year, and we all realise that the safety of ships is improving due to the utilisation of satellites, and developments in AI. However, despite advances in technology, there is no end to major marine accidents. With the rise of mega- container ships, once an accident occurs, there can be extensive damage, and a very significant impact on society and the environment.

The Association is enhancing its loss prevention activities to contribute as much as possible to the reduction of such marine accidents as the followings.

## Loss Prevention Seminars

In response to the COVID-19 pandemic, in addition to conventional face-to-face seminars, the Association host seminars remotely and establish an online seminar page

on our website for public access.

<https://www.piclub.or.jp/en/seminar/videos>

## Loss Prevention Bulletins (LPB) and Loss Prevention Posters

The LPB cover the importance of repair, inspection and maintenance, preparing for an emergency situation, preparing for bunker trouble and the 2020 IMO compliant fuel oil, the reason why risk assessment is not effectively utilised on a vessel and/or by ship management companies, analysis methods and case study for collision accidents.

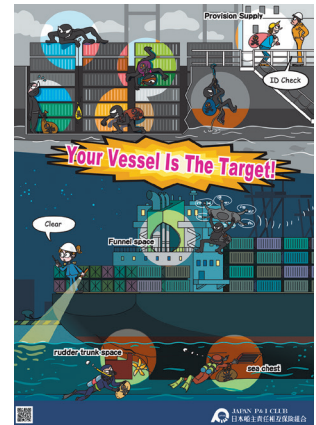
<https://www.piclub.or.jp/en/lossprevention/guide>

The latest Loss Prevention Poster target “Avoiding the risks of drug smuggling” and we prepare two versions of poster to be displayed on board.

<https://www.piclub.or.jp/en/lossprevention/poster>

### ■ The latest back number

	Theme	Issued
Vol.49	Tips for Effective Engine Management and Maintenance	Dec. 2020
Vol.50	4M4(5)E Analysis	Feb. 2021
Vol.51	Risk Assessment in Practice	Jun. 2021



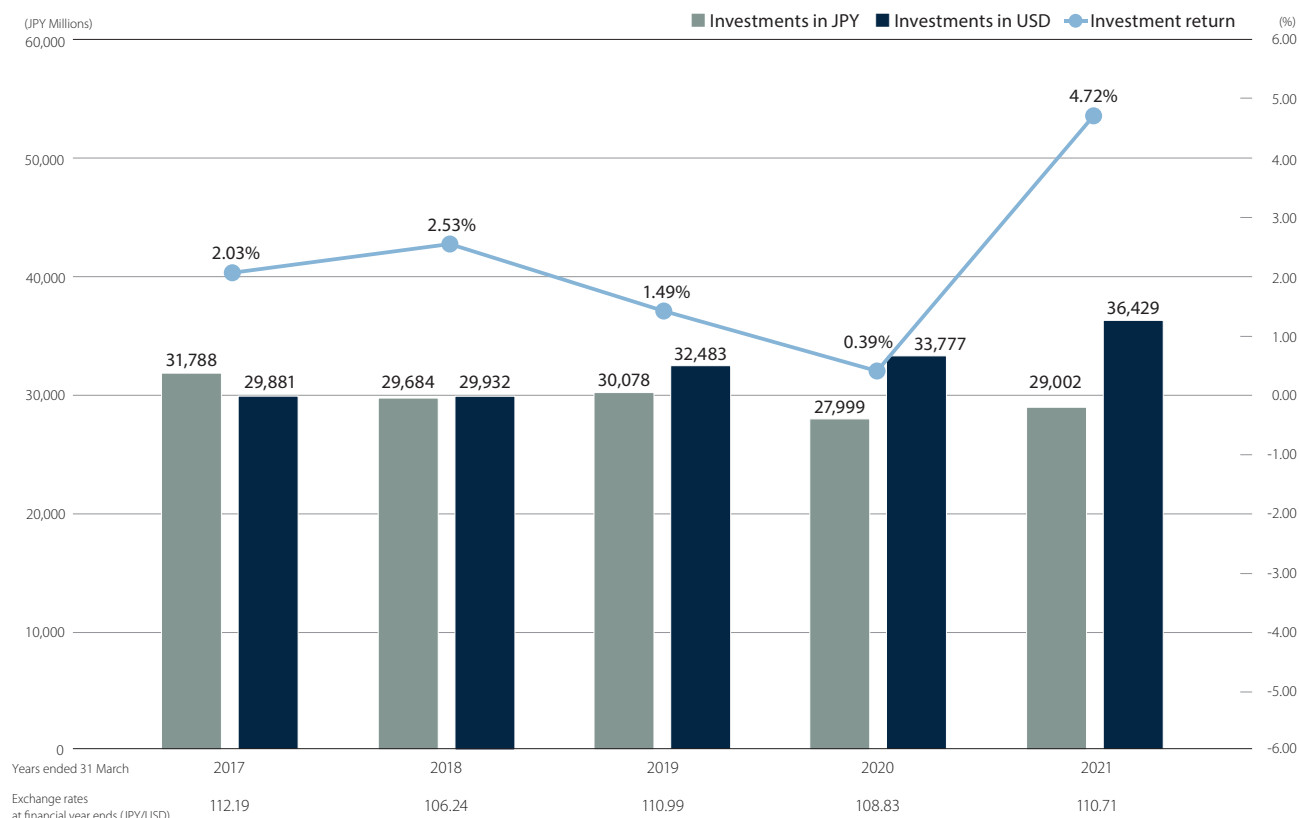
## Condition Surveys

Condition surveys are carried out diligently with the cooperation of the Members to help assess the state of vessels. The surveyors are sent from survey firms commissioned by the Association to examine not only the seaworthiness and cargo worthiness of vessels, 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 IG.

# INVESTMENTS

## Investments and Investment return



## Investments

Investment income and profit received during the year increased by JPY2,444 million to JPY2,661 million. Return on our overall investment portfolio also increased by 4.33% to 4.72%, which was the highest in the past five years.

Equity funds and bond funds, which accrued a loss in last year due to the market impact of the COVID-19 pandemic, turned out to be high-performing investments this year and contributed to the increase of the income and profit.

Equity funds returned JPY1,165 million after accruing a loss of JPY160 million in the same period last year. The turnaround happened against a background of monetary easing by the central banks of several countries, and progress in the development of COVID-19 vaccines, with a significant improvement in performance thereafter.

Bond funds also delivered JPY895 million, after a loss of JPY423 million in the same period last year. This was due to a successful taking of opportunities and diversifying of risks.

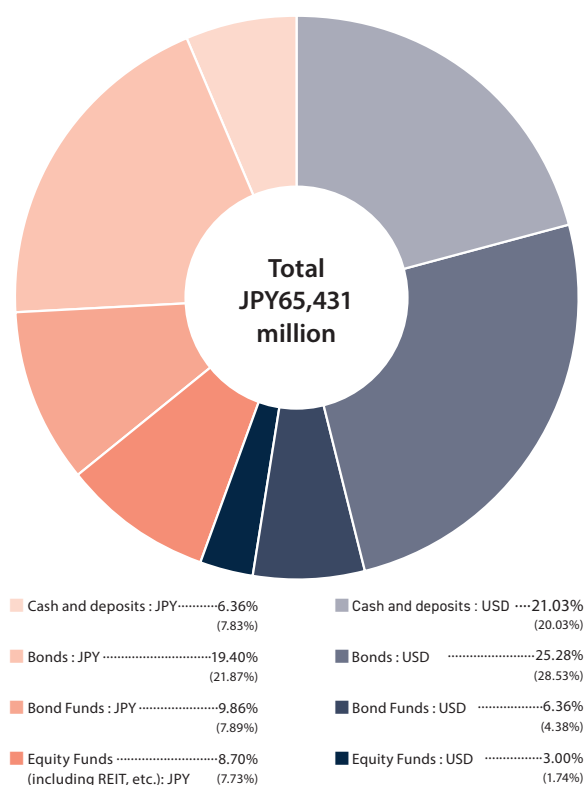
On the other hand, income and profits from deposits declined significantly to JPY17 million from JPY137 million due to a fall in short-term interest rates. Income and profits from bonds amounted to JPY585 million in 2020, against JPY663 million in the same period last year.

The total value of investments held by the Association increased by JPY3,655 million to JPY65,431 million.

Our current mid- to long-term challenge set in our financial year 2018 is to improve the Sharpe Ratio by adjusting the asset allocation, i.e. reducing the amount of bonds we hold and increasing equity funds and bond funds.

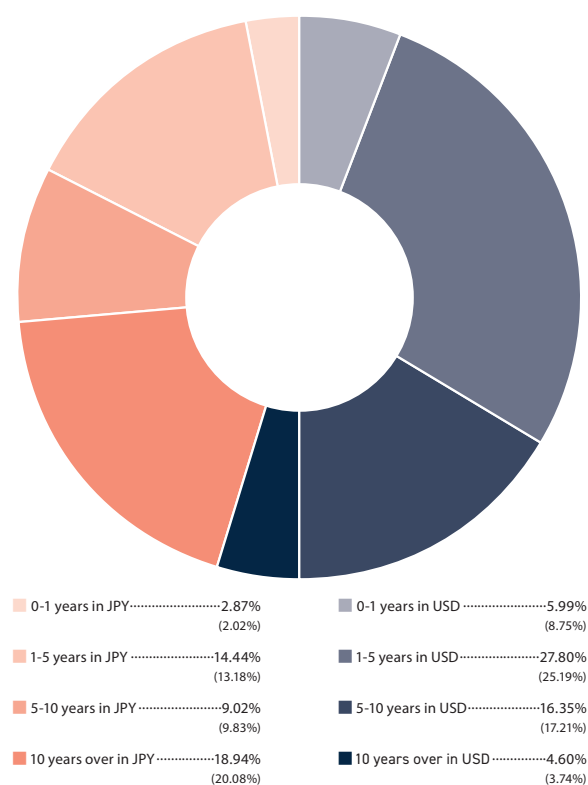
Bond funds in proportion increased by 3.95 percent

■ Investments (as of 31 March 2021)



\*(The same period last year)

■ Maturities of bonds (as of 31 March 2021)



\*(The same period last year)

points to 16.22% due to additional investment and a rise in market value.

Equity funds in proportion increased by 2.23 percent points to 11.70% due to a rise in market value, with no additional investment because of the impact of COVID-19.

Bonds in proportion decreased by 5.73 percent points to 44.68% due to maturity.

We maintain a safety-friendly operation in our Investment Policy in accordance with the Plan of Business Operations approved by the Japanese Financial Services Agency.

Our policy includes the following:

Credit risk: The target of fixed-rate bonds is restricted to Japanese government and corporate and foreign bonds rated "A" or higher.

Interest rate risk: A proportion of bonds is held as held-to-maturity bonds to mitigate a loss in case of a decline in market value when interest rates rise.

Exchange risk: We hold funds in USD to assist the minimisation of liabilities arising from any future adverse currency variations.

The Association conducts regular monitoring in order to check whether the amount of risk carried by our total assets is within the appropriate range.

### Average Expense Ratio

The Association's average expense ratio for the five years ended 20 February 2021 was 8.02%. The ratio has been calculated in accordance with the Schedule and the guideline issued by the International Group of P&I Clubs and is consistent with the relevant Financial Statements.

# CSR INITIATIVES

**The Association is committed to CSR, or Corporate Social Responsibility. This means that we seek to manage our business to produce an overall positive impact on society. One way we do this is through our Loss Prevention activities, as follows.**

The Partial Revision of the Maritime Traffic Safety Act came into force on 1 July 2021. This follows examples of extreme weather, such as severe typhoons, causing accidents such as collisions between vessels dragging their anchors in congested waters including Tokyo Bay, or hitting coastal facilities. The new Act establishes a system under which the Japan Coast Guard can make recommendations or give orders such as evacuation to vessels outside the bay, and set restrictions on anchoring inside the bay when a typhoon is approaching.

The main incident behind the revision happened on 4 September 2018 during Typhoon Jebi, when an anchored vessel struck a bridge carrying a road to Kansai International Airport. Access to the airport was blocked as a result, which had an enormous impact on transportation. The Japan Coast Guard then set up the Expert Study Group on Prevention of Accidents Caused by Dragging Anchors. The Group discussed measures to prevent the recurrence of accidents which would have a significant impact on the safety of vessels and important facilities. The Group concluded that countermeasures had to be considered also for other waters, and established the Committee to Review Prevention Measures for Accidents caused by Dragging Anchors and such in Tokyo Bay and Other Waters. The 3rd Regional Headquarters of the Japan Coast Guard and the Tokyo Wan Association for Marine Safety set up a joint office for the Committee. The Committee reviewed

the basic prevention measures for dragged anchor accidents both in Tokyo Bay and elsewhere.

Capt. Takuzo Okada, the General Manager of the Loss Prevention and Ship Inspection Department of the Association, participated in the discussions as a member of the Committee. This was at the request of the 3rd Regional Coast Guard Headquarters which highly valued the Association's Loss Prevention Seminars and Bulletins. The Committee, consisting of academics, companies, organisations, and experts from government agencies, had five meetings between April 2019 and May 2020, and published its report in June 2020. The report may be found on the website of the 3rd Regional Coast Guard Headquarters as below.

<https://www.kaiho.mlit.go.jp/03kanku/soubyo/dai5kai/shiryou/5kaikakutei.pdf>

We are pleased that the Association's activities are appreciated and that we received the request to participate in the Committee to amend the law to prevent the recurrence of accidents.

We will not only continue to support our Members but also actively engage in accident prevention, using the knowledge we have cultivated through many years' experience, and to contribute to the development of the shipping industry.



# REPORT OF THE INDEPENDENT AUDITORS



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the financial statements of The Japan Ship Owners' Mutual Protection & Indemnity Association ("the Association"), which comprise Balance Sheets as at 31 March 2021 and 2020, and Income and Expenditure Accounts, Statements of Cash Flows for the fiscal years then ended, and Notes to the Financial Statements.

In our opinion, the financial statements referred to above are prepared, in all material respects, in accordance with the basis of presentation and accounting policies described in the Notes A and B to the financial statements.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of accounting

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. Our opinion is not modified in respect to this matter.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of presentation and accounting policies described 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

PricewaterhouseCoopers Aarata LLC  
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan  
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, [www.pwc.com/jp/assurance](http://www.pwc.com/jp/assurance)





### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements are in accordance with the basis of presentation and accounting policies described in the Notes A and B to the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Convenience translation**


The U.S. dollar amounts in the accompanying financial statements with respect to the year ended 31 March 2021 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.

# REPORT OF THE INDEPENDENT AUDITORS



## Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Association which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

  
Masahiko Nara  
Designated Engagement Partner  
Certified Public Accountant



15 July 2021

### 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.

# INCOME AND EXPENDITURE ACCOUNTS

for the years ended 31 March 2021 and 2020

	Notes	Unit:JPY Millions		Unit:US\$000s
		2021	2020	2021
				Note A-2
<b>Operating income</b>				
Calls and premiums written	B-3, C-1	¥19,864	¥19,961	\$179,426
Reinsurance premiums ceded	B-3, C-2	4,888	5,025	44,157
Net premiums written	B-3	14,976	14,936	135,269
Change in unearned premium reserve	B-3	(219)	(38)	(1,973)
Exchange gains from underwriting activities		69	2	627
Interest and dividends income	B-3, C-3	710	907	6,411
Gains(losses) on money trusts	B-3	1,951	(778)	17,621
Profit on sales of securities		-	92	-
Redemption gains(losses) on securities		0	(6)	1
Foreign currency exchange gains(losses) from investing activities		661	(612)	5,968
Other ordinary income		59	50	535
<b>Total operating income</b>		<b>18,207</b>	<b>14,553</b>	<b>164,459</b>
<b>Operating costs and expenses</b>				
Claims paid	B-3, C-4	23,326	15,437	210,696
Reinsurance claims recovered	B-3, C-5	10,084	4,723	91,082
Net claims paid	B-3	13,242	10,714	119,614
Change in reserve for outstanding claims	B-3	87	2,168	782
Change in catastrophe reserve		(1,804)	451	(16,296)
Operating expenses	B-3	2,685	2,798	24,250
Other ordinary expenses		261	119	2,357
<b>Total operating costs and expenses</b>		<b>14,471</b>	<b>16,250</b>	<b>130,707</b>
<b>Ordinary surplus (deficit)</b>		<b>3,736</b>	<b>(1,697)</b>	<b>33,752</b>
<b>Special losses</b>				
Other special losses		0	0	1
<b>Surplus (deficit) before income taxes</b>		<b>3,736</b>	<b>(1,697)</b>	<b>33,751</b>
Current income taxes		2	2	14
Deferred income taxes	B-21	1,043	(466)	9,430
<b>Total income taxes</b>	B-4	<b>1,045</b>	<b>(464)</b>	<b>9,444</b>
<b>Surplus (deficit) after income taxes</b>		<b>2,691</b>	<b>(1,233)</b>	<b>24,307</b>
Surplus balance after appropriation	B-5	2	5	22
<b>Unappropriated surplus (deficit), ending balance</b>		<b>¥2,693</b>	<b>¥(1,228)</b>	<b>\$24,329</b>

¥110.71=US\$1.00

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

# BALANCE SHEETS

as of 31 March 2021 and 2020

	Notes	Unit:JPY Millions		Unit:US\$000s
		2021	2020	2021
				Note A-2
<b>Assets</b>				
Cash and deposits at banks	B-19, C-6	¥17,972	¥17,241	\$162,334
Money trusts	B-7, 19, C-7	12,503	9,177	112,933
Securities	B-6, 19, 23, C-8	35,002	35,385	316,156
Property, plant and equipment	B-8, 20, C-9	1,041	1,021	9,401
Intangible assets	B-9, C-10	4	12	44
Other assets	B-19, 13, C-11	2,548	2,282	23,018
Deferred tax assets	B-18, 21	5,473	6,683	49,437
Reserve for bad debts	B-11, 19	(29)	(24)	(265)
<b>Total assets</b>		<b>74,514</b>	<b>71,777</b>	<b>673,058</b>
<b>Liabilities</b>				
Technical provisions				
Reserve for outstanding claims	B-18, 24, C-12	36,234	36,147	327,285
Unearned premium reserve	B-24, C-13	8,363	8,144	75,537
Catastrophe reserve	B-15	14,258	16,062	128,784
Other liabilities	B-19, C-14	2,730	1,595	24,665
Reserve for bonuses	B-12	108	123	981
Reserve for directors' retirement benefits	B-14	102	91	924
<b>Total liabilities</b>		<b>61,795</b>	<b>62,162</b>	<b>558,176</b>
<b>Net assets</b>				
Capital contribution fund		106	109	955
Retaining earnings	B-3	11,769	9,078	106,302
Net unrealized gains on securities	C-15	844	428	7,625
<b>Total net assets</b>		<b>12,719</b>	<b>9,615</b>	<b>114,882</b>
<b>Total liabilities and net assets</b>		<b>¥74,514</b>	<b>¥71,777</b>	<b>\$673,058</b>

¥110.71=US\$1.00

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

# STATEMENTS OF CASH FLOWS

for the years ended 31 March 2021 and 2020

	Note	Unit:JPY Millions		Unit:US\$000s
		2021	2020	2021
				Note A-2
<b>Cash flows from operating activities</b>				
Surplus (deficit) before income taxes		¥3,736	¥(1,697)	\$33,750
Depreciation		42	68	381
Increase in reserve for outstanding claims		87	2,168	782
Increase in unearned premium reserve		218	38	1,973
Decrease (increase) in catastrophe reserve		(1,804)	451	(16,297)
Increase (decrease) in reserve for bad debts		6	(11)	50
Decrease (increase) in reserve for bonuses		(14)	16	(128)
Increase in reserve for directors' retirement benefits		12	3	105
Interest and dividend income		(710)	(907)	(6,411)
Foreign currency exchange losses (gains)		(661)	612	(5,968)
Losses on specified money trust		(1,976)	755	(17,844)
Gains on securities		0	(87)	(1)
Losses (gains) on property, plant and equipment		0	0	2
Increase in other assets		(297)	(722)	(2,684)
Increase (decrease) in other liabilities		1,134	(62)	10,243
Sub-total		(227)	625	(2,047)
Interest and dividends received		736	933	6,646
Income taxes paid		(2)	(1,093)	(14)
<b>Net cash provided by operating activities</b>		<b>507</b>	<b>465</b>	<b>4,585</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(55)	(33)	(497)
Purchases of time deposits		(6,111)	(6,680)	(55,195)
Proceeds from maturity of time deposits		4,067	6,684	36,737
Purchases of specified money trust		(1,350)	(2,965)	(12,194)
Purchases of securities		(2,156)	(965)	(19,478)
Proceeds from sales or maturity of securities		2,896	2,981	26,157
<b>Net cash used in investing activities</b>		<b>(2,709)</b>	<b>(978)</b>	<b>(24,470)</b>
<b>Cash flows from financing activities</b>				
Proceeds of capital contribution fund from members		3	3	30
Refund of capital contribution fund to members		(6)	(6)	(51)
<b>Net cash used in financing activities</b>		<b>(3)</b>	<b>(3)</b>	<b>(21)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents		743	57	6,712
Net decrease in cash and cash equivalents		(1,462)	(459)	(13,194)
Cash and cash equivalents at beginning of year		16,235	16,693	146,641
<b>Cash and cash equivalents at end of year</b>	B-25	<b>¥14,773</b>	<b>¥16,234</b>	<b>\$133,447</b>

¥110.71=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 2021 have been translated into U.S. Dollars at the rate of ¥110.71 = U.S.\$1, the middle rate prevailing on the Tokyo foreign exchange market on 31 March 2021. 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 2021 and 2020, the aggregate revenue of business transacted with the subsidiary companies amounted to ¥44 million (\$394 thousand) and ¥35 million, respectively, and the aggregate expenses amounted to ¥56 million (\$503 thousand) and ¥46 million, respectively.

### 3: ① Net premiums written consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
<b>Calls and premiums written</b>	¥19,864	¥19,961	\$179,426
<b>Reinsurance premiums ceded</b>	4,888	5,025	44,157
<b>Net premiums written</b>	¥14,976	¥14,936	\$135,269

The year ended 31 March 2021 includes 40% Supplementary Call for Policy Year 2019 in the amount of ¥4,312 million (\$38,945 thousand). The year ended 31 March 2020 includes 40% Supplementary Call for Policy Year 2018 in the amount of ¥4,930 million.

### ② Net claims paid consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
<b>Claims paid</b>	¥23,326	¥15,437	\$210,696
<b>Reinsurance claims recovered</b>	10,084	4,723	91,082
<b>Net claims paid</b>	¥13,242	¥10,714	\$119,614

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

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
<b>Change in reserve for outstanding claims, gross of reinsurance</b>	¥14,636	¥2,619	\$132,201
<b>Change in reserve for ceded outstanding claims</b>	14,549	451	131,419
<b>Change in reserve for outstanding claims</b>	¥87	¥2,168	\$782

④ Change in unearned premium reserve consists of the following:

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
Change in unearned premium reserve, gross of reinsurance	(¥219)	(¥38)	(\$1,973)
Change in ceded unearned premium reserve	-	-	-
Change in unearned premium reserve	(¥219)	(¥38)	(\$1,973)

⑤ Operating expenses consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
Personnel expenditure	¥1,744	¥1,731	\$15,755
Cost of supplies	720	881	6,504
Brokerage	311	276	2,803
Reinsurance commission	(132)	(158)	(1,193)
Depreciation	42	68	381
Total	¥2,685	¥2,798	\$24,250

⑥ Interest and dividends income consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
Interest on deposits and savings	¥17	¥137	\$155
Interest on securities	693	770	6,256
Total	¥710	¥907	\$6,411

⑦ For the years ended 31 March 2021 and 2020 valuation gains/(losses) of ¥1,975 million (\$17,844 thousand) and (¥754 million) are included in "Gains(losses) on money trusts", respectively.

⑧ Retaining earnings consist of the following:

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
Reserve for offsetting losses	¥175	¥175	\$1,583
Other retaining earnings	11,594	8,903	104,719
Special Reserve	8,900	10,130	80,390
Unappropriated surplus (deficit)	2,694	(1,228)	24,329
Total	¥11,769	¥9,078	\$106,302

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 2021 and 2020 are as follows:

	2021	2020
Effective statutory tax rate	27.92%	27.92%
Entertainment and other expenses not deductible for tax purposes	0.05%	△0.34%
Taxation on per capita basis	0.04%	△0.09%
Others	△0.03%	△0.13%
Actual effective tax rate	27.98%	27.36%

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

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
Beginning unappropriated surplus (deficit) balance	(¥1,228)	¥1,785	(\$11,088)
Transferred to special reserves	1,230	(1,780)	11,110
Surplus balance after appropriation	2	5	22
Surplus (deficit) after income taxes	2,691	(1,233)	24,307
Ending unappropriated surplus (deficit) balance	¥2,693	(¥1,228)	\$24,329

On July 21 2021, the amount of ¥2,690 million (\$24,298 thousand) out of ¥2,693 million (\$24,329 thousand) of unappropriated surplus as of 31 March 2021 will be transferred to special reserves.

# NOTES TO THE FINANCIAL STATEMENTS

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 : The translation of foreign currencies to Japanese yen is carried out pursuant to the Accounting Standards for Foreign Currency Transactions.

11 : A reserve for bad debts is estimated on the basis of past experience.

12 : A reserve for bonuses is provided for at the amount estimated at the balance sheet date for future payments.

13 : 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 2021 and 2020, prepaid pension cost of ¥163 million (\$1,472 thousand) and ¥174 million are included in Other assets, respectively.

14 : 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.

15 : 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.

16 : Consumption taxes are accounted for under the "tax inclusive" method.

17 : The "Accounting Standard for the Disclosure of Accounting Estimates" (ASBJ Statement No. 31, 31 March 2020) has been applied to the financial statements as of the end of the fiscal year under review, and significant accounting estimates have been recorded in the financial statements.



18: Items for which the amount was recorded in the financial statements for the current fiscal year due to accounting estimates, which may have a material impact on the financial statements for the following fiscal year, are as follows:

1. Deferred tax assets

① Amount recorded in the financial statements for the fiscal year

See "B. Notes prescribed by the laws and regulations 21"

② Other information that contributes to the understanding of financial statement users regarding the content of accounting estimates

[1] Calculation method

The recognition of deferred tax assets is estimated by the timing and amount of taxable income based on future business plans.

[2] Key assumptions

Estimates of future taxable income are based on future business plans, where key assumptions are primarily premiums and other revenues generated from insurance contracts, including those expected to be earned in the future, as well as insurance and other payments that are projected to be made in the future from historical payment experience.

[3] Impact on the financial statements for the following fiscal year

The amount of deferred tax assets could be materially affected in the financial statements for the following fiscal year if the timing and amount of actual taxable income incurred differ from the estimates, which may be affected by changes in circumstances in the future of each event.

2. Reserves for outstanding claims

The Association estimates the amount of insurance claims incurred or deemed to have been incurred that have not yet been paid under insurance contracts and reserves for outstanding claims.

The Reserve for Payment consists of the outstanding claims (the amount of insurance claims, etc. for which the obligation to pay has arisen under the insurance contract, but which have not yet been paid; hereinafter referred to as "Ordinary Reserve for Payment") and the outstanding claims for payment (the amount of claims for which the cause of payment has not yet been reported but for which the cause of payment is deemed to have arisen under the insurance contract; hereinafter referred to as "IBNR Reserve").

① Amount recorded in the financial statements for the current fiscal year

Reserves for outstanding claims ¥36,233,706,460

② Other information that contributes to the understanding of financial statement users regarding the content of accounting estimates

[1] Calculation method

With respect to ordinary reserves for outstanding claims, future payments are estimated and recorded by means of assessments and other methods based on information available at the end of the fiscal year for insurance contracts for which payment obligations have been incurred.

With respect to IBNR reserves, the Association estimates the reserve requirement by calculating the ultimate loss for policies that have not yet been reported, primarily using the statistical estimation method (such as the Chain ladder method), as it is deemed that a payment obligation has been incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## [2] Key assumptions

Ordinary reserves are estimated for future payments based on insurance contract coverage and the results of damage assessments.

In assessing damages, the Association estimates the amount of future payments by considering historical payment trends, as well as legislative changes and historical case studies.

Key assumptions for IBNR reserves include historical claims and other payment trends, forecasts of internal and external environmental changes, and the selection of estimation methods based on these assumptions.

## [3] Impact on the financial statements for the following fiscal year

Future changes in the circumstances of each event may cause the amount of claims and reserve for outstanding claims to change from the original estimate.

## 19: 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 Plan of Business Operation, as approved by the Financial Services 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.

## ② Fair value of financial instruments

The amounts recorded in the balance sheet, fair value and the difference as of 31 March 2021 and 2020 are as follows:

	Unit:JPY Millions						Unit:US\$000s		
	2021			2020			2021		
	Balance Sheet amounts	Fair value	Difference	Balance Sheet amounts	Fair value	Difference	Balance Sheet amounts	Fair value	Difference
(a) Cash and deposits at banks	¥17,972	¥17,972	¥-	¥17,241	¥17,241	¥-	\$162,334	\$162,334	\$-
(b) Money trusts	12,503	12,503	-	9,177	9,177	-	112,933	112,933	-
(c) Securities									
Securities held to maturity	16,372	17,171	799	16,159	17,055	896	147,882	155,101	7,219
Marketable securities held as available for sale	17,418	17,418	-	18,014	18,014	-	157,332	157,332	-
(d) Premiums receivables	360			352			3,257		
Reserve for bad debts (*1)	△29			△24			△265		
	331	331	-	329	329	-	2,992	2,992	-
<b>Total financial assets</b>	<b>¥64,596</b>	<b>¥65,395</b>	<b>¥799</b>	<b>¥60,920</b>	<b>¥61,816</b>	<b>¥896</b>	<b>\$583,473</b>	<b>\$590,692</b>	<b>\$7,219</b>
(a) Foreign reinsurance payable	¥774	¥774	¥-	¥776	¥776	¥-	\$6,989	\$6,989	\$-
<b>Total financial liabilities</b>	<b>¥774</b>	<b>¥774</b>	<b>¥-</b>	<b>¥776</b>	<b>¥776</b>	<b>¥-</b>	<b>\$6,989</b>	<b>\$6,989</b>	<b>\$-</b>

(\*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 (\$10,943 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.

20: Accumulated depreciation for property, plant and equipment amounts to ¥386 million (\$3,484 thousand) and ¥360 million at 31 March 2021 and 2020, respectively. Advanced depreciation amounts to ¥302 million (\$2,727 thousand) and ¥302 million at 31 March 2021 and 2020, respectively.

21: The total amounts of deferred tax assets and liabilities at 31 March 2021 and 2020 are as follows:

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
			Note A-2
<b>Deferred tax assets</b>	¥6,415	¥7,467	\$57,944
Breakdown for major items			
<b>Underwriting reserve</b>	¥2,955	¥2,955	\$26,694
<b>Reserve for outstanding claims</b>	1,833	2,731	16,561
<b>Tax loss carried forward</b>	1,006	1,157	9,083
<b>Reserve for bonuses</b>	31	35	278
<b>Deducted valuation reserve</b>	(¥552)	(¥549)	(\$4,982)
<b>Deferred tax liabilities</b>	¥390	¥235	\$3,525
Breakdown for major items			
<b>Unrealized gains on Marketable securities held as available for sale</b>	¥345	¥186	\$3,114

# NOTES TO THE FINANCIAL STATEMENTS

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

23: Investment in subsidiaries amounts to ¥12 million (\$104 thousand) and ¥12 million at 31 March 2021 and 2020, respectively.

24: ①Reserve 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 ¥29,395 million (\$265,515 thousand) and ¥14,846 million at 31 March 2021 and 2020, respectively.

②There is no unearned premium reserve with respect to reinsurance stipulated in Article 51 of the Regulations at 31 March 2021 and 2020.

③There is no amount deducted relating to the distribution of surplus stipulated in Article 28 of the Regulations at 31 March 2021 and 2020.

25: 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
	2021	2020	2021
			Note A-2
<b>Cash and deposits at banks</b>	¥17,972	¥17,241	\$162,334
MMF, Short-term government bonds and Certificate of deposit included in securities	-	-	-
<b>Deposits at banks of which contract is more than 3 months</b>	(3,199)	(1,006)	(28,887)
<b>Cash and cash equivalents</b>	¥14,773	¥16,235	\$133,447

There is no significant non-cash transaction entered into by the Association during the years ended 31 March 2021 and 2020.

Cash flows from investing activities include cash flows arising from asset management relating to the insurance business during the years ended 31 March 2021 and 2020.

## C. Other Notes to Financial Statements

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
<b>1 Calls and premiums written</b>			
Mutual			
Mutual premiums	¥12,133	¥12,048	\$109,593
Supplementary calls charged	4,312	4,930	38,945
Release calls	299	215	2,703
FD&D	187	90	1,692
Sub-total	16,931	17,283	152,933
Fixed premiums			
Coastal vessels entries	2,215	1,949	20,007
Charterers' entries	320	499	2,888
Others	398	230	3,598
Sub-total	2,933	2,678	26,493
<b>Total</b>	<b>¥19,864</b>	<b>¥19,961</b>	<b>\$179,426</b>
<b>2 Reinsurance premiums ceded</b>			
Group excess of loss	¥2,060	¥2,226	\$18,606
Others	2,828	2,799	25,551
	<b>¥4,888</b>	<b>¥5,025</b>	<b>\$44,157</b>
<b>3 Interest and dividends</b>			
Bank deposits	¥17	¥137	\$154
Japanese bonds	225	239	2,029
Foreign securities	360	424	3,248
Other securities	108	107	980
	<b>¥710</b>	<b>¥907</b>	<b>\$6,411</b>
<b>4 Claims paid</b>			
P&I	¥20,703	¥11,776	\$187,001
<i>Mutual</i>	19,101	9,968	172,537
<i>Coastal vessels entries</i>	1,152	1,321	10,404
<i>Charterers' entries</i>	366	458	3,301
<i>Others</i>	84	29	759
Other Associations' pool claims	2,528	3,568	22,839
FD&D	95	93	856
	<b>¥23,326</b>	<b>¥15,437</b>	<b>\$210,696</b>
<b>5 Reinsurance claims recovered</b>			
Group's pooling agreement	¥10,172	¥4,429	\$91,877
Group's excess loss reinsurance	-	-	-
Other reinsurers	(88)	294	(795)
	<b>¥10,084</b>	<b>¥4,723</b>	<b>\$91,082</b>

# NOTES TO THE FINANCIAL STATEMENTS

	Unit: JPY Millions		Unit: US\$000s
	2021	2020	2021
<b>6 Cash and deposits at banks</b>			
Cash	¥1	¥1	\$8
Deposits at banks	17,971	17,240	162,326
	<b>¥17,972</b>	<b>¥17,241</b>	<b>\$162,334</b>
<b>7 Money trusts</b>			
Funds of domestic stock	¥2,225	¥6,666	\$20,098
Funds of foreign security	10,278	2,511	92,835
	<b>¥12,503</b>	<b>¥9,177</b>	<b>\$112,933</b>
<b>8 Securities</b>			
Japanese government bonds	¥604	¥607	\$5,454
Japanese local government bonds	2,639	2,844	23,837
Corporate bonds	11,546	11,788	104,287
Stocks	10	10	90
Foreign securities	14,434	15,887	130,382
Other securities	5,769	4,249	52,106
	<b>¥35,002</b>	<b>¥35,385</b>	<b>\$316,156</b>
<b>9 Property, plant and equipment</b>			
Estate on book	¥905	¥905	\$8,173
Buildings	54	60	489
Lease assets	61	39	551
Equipment and others	21	17	188
	<b>¥1,041</b>	<b>¥1,021</b>	<b>\$9,401</b>
<b>10 Intangible assets</b>			
Software	¥1	¥8	\$8
Other intangible assets	3	4	36
	<b>¥4</b>	<b>¥12</b>	<b>\$44</b>
<b>11 Other assets</b>			
Premiums receivables	¥361	¥352	\$3,258
Foreign reinsurance recoveries	1,639	1,351	14,807
<i>Pool recoveries</i>	<i>1,626</i>	<i>1,345</i>	<i>14,691</i>
<i>Recoveries from other reinsurers</i>	<i>13</i>	<i>6</i>	<i>116</i>
Accounts receivable	158	158	1,431
Accrued revenue	109	141	984
Advance deposits	73	73	661
Suspense payments	45	33	405
Prepaid pension cost	163	174	1,472
	<b>¥2,548</b>	<b>¥2,282</b>	<b>\$23,018</b>

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
<b>12 Reserve for outstanding claims</b>			
Gross reserve for outstanding claims	¥65,629	¥50,993	\$592,800
<i>Members' claims</i>	58,297	44,722	526,574
<i>Other Associations' pool claims</i>	7,332	6,271	66,226
Reinsurers' share	29,395	14,846	265,515
<i>Pool recoveries</i>	26,865	14,440	242,664
<i>Excess loss R/I recoveries</i>	2,053	-	18,544
<i>Recoveries from other reinsurers</i>	477	406	4,307
Net reserve for outstanding claims	<b>¥36,234</b>	<b>¥36,147</b>	<b>\$327,285</b>
<i>IBNR amounts are included in the above figure</i>			
<i>IBNR amounts</i>	¥8,998	¥11,524	\$81,277
<b>13 Unearned premium reserve</b>			
Gross unearned premium reserve	¥8,363	¥8,144	\$75,537
Reinsurers' share	-	-	-
Net unearned premium reserve	<b>¥8,363</b>	<b>¥8,144</b>	<b>\$75,537</b>
<b>14 Other liabilities</b>			
Foreign reinsurance payable	¥773	¥776	\$6,989
Accounts payable	208	105	1,882
Unpaid tax	-	-	-
Suspense payable	1,688	675	15,244
Lease liability	61	39	550
	<b>¥2,730</b>	<b>¥1,595</b>	<b>\$24,665</b>
<b>15 Net unrealized gains on securities</b>			
Unrealized gains on securities is net of deferred tax caused by the valuation of securities.	<b>¥844</b>	<b>¥428</b>	<b>\$7,625</b>

# RESERVES

	Unit:JPY Millions		Unit:US\$000s
	2021	2020	2021
Catastrophe reserve	¥14,258	¥16,062	\$128,784
Reserve for offsetting losses	175	175	1,583
Other retaining earnings	11,594	8,903	104,719
Sub-total	26,027	25,140	235,086
Capital contribution fund	106	109	955
Net unrealized gains on securities	844	428	7,625
<b>Total</b>	<b>¥26,977</b>	<b>¥25,677</b>	<b>\$243,666</b>

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 31 and 32.



# POLICY YEAR STATEMENTS

as of 31 March 2021

	2021/22		2020/21		2019/20	
	(2021/2/20-2021/3/31)		(2020/2/20-2021/2/20)		(2019/2/20-2020/2/20)	
	JPY Millions	US\$000s	JPY Millions	US\$000s	JPY Millions	US\$000s
<b>Calls and premiums written</b>						
Prior years	¥ -	\$ -	¥1,558	\$14,076	¥14,919	\$134,755
During year	1,488	13,438	13,785	124,511	28	257
Supplementary calls	-	-	-	-	4,312	38,945
	1,488	13,438	15,343	138,587	19,259	173,957
Reinsurance premiums ceded	(554)	(5,003)	(4,845)	(43,765)	(4,956)	(44,767)
	934	8,435	10,498	94,822	14,303	129,190
<b>Claims paid</b>						
Gross claims paid	(3)	(29)	(13,355)	(120,627)	(7,945)	(71,764)
Reinsurance claims recovered	-	-	7,542	68,122	1,185	10,703
[Pool recoveries]	[-]	[-]	[3,570]	[32,246]	[1,181]	[10,665]
[Excess loss R/I recoveries]	[-]	[-]	[3,972]	[35,876]	[-]	[-]
[Other reinsurance recoveries]	[-]	[-]	[-]	[-]	[4]	[38]
Net claims paid	(3)	(29)	(5,813)	(52,505)	(6,760)	(61,061)
[Other Associations' pool claims]	[-]	[-]	[395]	[3,569]	[699]	[6,317]
<b>Investment income</b>	534	4,825	1,255	11,339	1,495	13,504
<b>Operating expenses</b>	(159)	(1,435)	(2,738)	(24,731)	(2,835)	(25,604)
<b>Others</b>	(217)	(1,964)	(806)	(7,280)	312	2,819
<b>Balance available for estimated outstanding claims</b>	<b>¥1,089</b>	<b>\$9,832</b>	<b>¥2,396</b>	<b>\$21,645</b>	<b>¥6,515</b>	<b>\$58,848</b>
<b>Estimated outstanding claims</b>						
Gross estimated outstanding claims	(¥1,592)	(\$14,381)	(¥28,481)	(\$257,257)	(¥12,751)	(\$115,179)
Reinsurers' share	-	-	16,790	151,655	3,826	34,558
[Pool recoveries]	[-]	[-]	[14,737]	[133,111]	[3,825]	[34,548]
[Excess loss R/I recoveries]	[-]	[-]	[2,053]	[18,544]	[-]	[-]
[Other reinsurance recoveries]	[-]	[-]	[-]	[-]	[1]	[10]
Net estimated outstanding claims	(1,592)	(14,381)	(11,691)	(105,602)	(8,925)	(80,621)
[Other Associations' pool claims]	[168]	[1,517]	[1,795]	[16,211]	[1,450]	[13,097]
<b>Surplus/(deficit)</b>	<b>(¥503)</b>	<b>(\$4,549)</b>	<b>(¥9,295)</b>	<b>(\$83,957)</b>	<b>(¥2,410)</b>	<b>(\$21,773)</b>
Estimated product of 10% supplementary calls	-	-	1,163	10,501	1,078	9,736

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 2021/22 policy year which is covered the period from 20 February 2021 to 31 March 2021, calls and premiums are stated on an earned basis to 31 March 2021.

4. The translation rate in this Policy Year Statement is ¥110.71 = US\$1, the middle rate prevailing on the Tokyo foreign exchange market as of 31 March 2021.

# POLICY YEAR STATEMENTS

2018/19		Closed years		Total	
(2018/2/20-2019/2/20)					
JPY Millions	US\$000s	JPY Millions	US\$000s	JPY Millions	US\$000s
¥16,060	\$145,065				
24	216				
4,930	44,530				
21,014	189,811				
(5,080)	(45,884)				
15,934	143,927				
(13,556)	(122,447)				
3,976	35,909				
[2,679]	[24,194]				
[1,283]	[11,587]				
[14]	[128]				
(9,580)	(86,538)				
[1,411]	[12,744]				
558	5,044				
(2,823)	(25,503)				
(479)	(4,327)				
<b>¥3,610</b>	<b>\$32,603</b>	<b>¥48,651</b>	<b>\$439,443</b>	<b>¥62,261</b>	<b>\$562,371</b>
(¥5,385)	(\$48,640)	(¥17,420)	(\$157,343)	(¥65,629)	(\$592,800)
1,168	10,550	7,611	68,752	29,395	265,515
[1,137]	[10,271]	[7,166]	[64,734]	[26,865]	[242,664]
[-]	[-]	[-]	[-]	[2,053]	[18,544]
[31]	[279]	[445]	[4,018]	[477]	[4,307]
(4,217)	(38,090)	(9,809)	(88,591)	(36,234)	(327,285)
[1,354]	[12,228]	[2,565]	[23,172]	[7,332]	[66,225]
<b>(¥607)</b>	<b>(\$5,487)</b>	<b>¥38,842</b>	<b>\$350,852</b>	<b>¥26,027</b>	<b>\$235,086</b>
1,232	11,132				

# DIRECTORS AND AUDITORS

## ■ Directors

**Chairman, Representing Director**  
Tadaaki Naito      Chairman      Nippon Yusen Kabushiki Kaisha

**Deputy Chairmen, Representing Directors**  
Yukikazu Myochin      President      Kawasaki Kisen Kaisha, Ltd.

Takeshi Hashimoto      President      Mitsui O.S.K. Lines, Ltd.

**Directors**  
Takashi Hirose      President      ENEOS Ocean Corporation

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.

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

Yasushi Takada      President      Kyoei Tanker Co., Ltd.

Kazuo Ogasawara      President      Mitsubishi Ore Transport Co., Ltd.

Akio Mitsuta      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.

Kazuhiko Kikuchi      President      MOL Drybulk Ltd.

Norio Tabuchi      President      Tabuchi Kaiun Co., Ltd.

Nobuo Sano      President      Tamai Steamship Co., Ltd.

Gen Uyeno      President      Uyeno Transtech Ltd.

## ■ In-House Directors

**Director General, Representing Director**  
Shizuo Takahashi

**Executive Directors, Representing Directors**  
Hiroaki Sawabe

Takaaki Irikiin

**Directors**  
Shunsei Miyake

Keisuke Kobayashi

Minoru Naito

Hiroshi Kikegawa

## ■ Auditors

Yutaka Kuge      President      Kawasaki Kinkai Kisen Kaisha, Ltd.

Shunsuke Tsurumaru      President      Tsurumaru Shipping Co., Ltd.

(as of 21 July 2021)

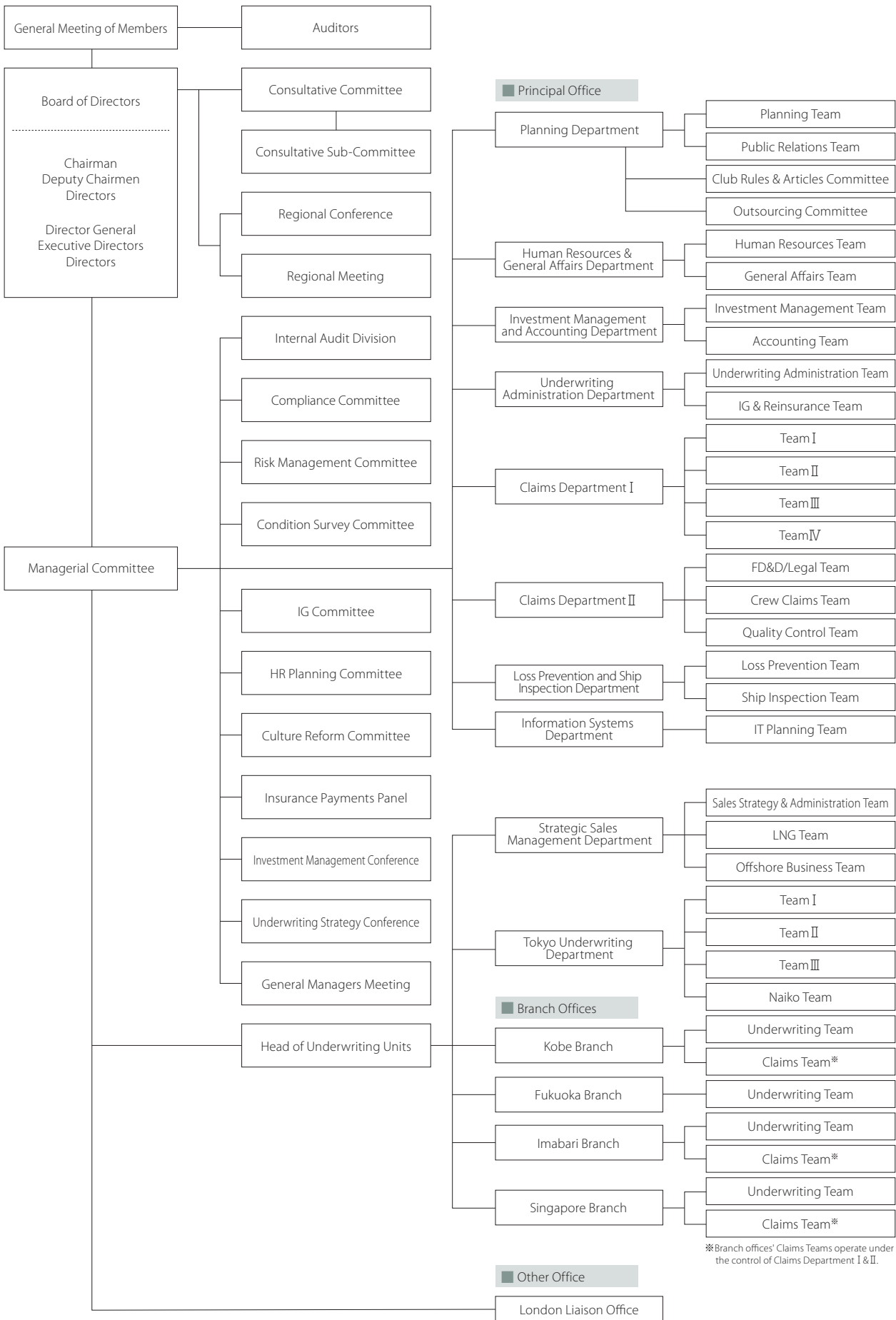
# SECRETARIAT

## ■ General Managers, Chief of Division and Chief Executive

Minoru Naito	Planning Dept.	Toru Asai	Loss Prevention and Ship Inspection Dept.
Tetsuro Haramo	Human Resources & General Affairs Dept.	Takuzo Okada	Loss Prevention and Ship Inspection Dept.
Hiroki Ikeda	Investment Management and Accounting Dept.	Kenji Noda	Information Systems Dept.
Yuichi Tanaka	Underwriting Administration Dept.	Yasuyuki Nakamura	Kobe Branch
Royston Deitch	Underwriting Administration Dept.	Yoji Tanaka	Fukuoka Branch
Hiroaki Sawabe	Head of Underwriting Units	Naoyuki Moriya	Imabari Branch
Hiroshi Kikegawa	Head of Underwriting Units / Tokyo Underwriting Dept.	Shigeru Yamada	Singapore Branch
Keiji Kubota	General Manager of Strategic Sales Management Dept.	Yusuke Nakahama	London Liaison Office
Keisuke Kobayashi	Claims Dept. I	Hiroaki Akasaka	Internal Audit Div.
Tetsu Kato	Claims Dept. I		
Tetsu Morita	Claims Dept. I		
Nobuko Genda	Claims Dept. II		
Masatoshi Fukushima	Claims Dept. II		

(as of 21 July 2021)

# ORGANISATION



\*\*Branch offices' Claims Teams operate under the control of Claims Department I & II.

(as of 21 July 2021)

# OFFICES

## Principal Office 2-15-14, Nihonbashi-Ningyocho, Chuoh-ku, Tokyo 103-0013, Japan

		Phone	Facsimile	Email
Underwriting Administration Dept.	Underwriting Administration Team	+81 3 3662 7213	+81 3 3662 7107	underwrite-dpt@piclub.or.jp
	IG & Reinsurance Team	+81 3 3662 7214	+81 3 3662 7107	ri-dpt@piclub.or.jp
Tokyo Underwriting Dept.	Team I	+81 3 3662 6649	+81 3 3662 7400	
	Team II	+81 3 3662 7211	+81 3 3662 7225	ocean-sect@piclub.or.jp
	Team III	+81 3 3662 7211	+81 3 3662 7225	
	Naiko Team	+81 3 3662 7212	+81 3 3662 7225	naiko-keiyaku@piclub.or.jp
Claims Dept. I	Team I	+81 3 3662 7221	+81 3 3662 7400	g1claims@piclub.or.jp
	Team II	+81 3 3662 7222	+81 3 3662 7225	g2claims@piclub.or.jp
	Team III	+81 3 3662 7226	+81 3 3662 7225	g3claims@piclub.or.jp
	Team IV	+81 3 3662 6668	+81 3 3662 7400	g4claims@piclub.or.jp
Claims Dept. II	FD&D/Legal Team	+81 3 3662 7222	+81 3 3662 7225	gfddlegal@piclub.or.jp
	Crew Claims Team	+81 3 3662 6660	+81 3 3662 7400	gcrew@piclub.or.jp
	Quality Control Team	+81 3 3662 6675	+81 3 3662 7400	gquality@piclub.or.jp
Loss Prevention and Ship Inspection Dept.	Loss Prevention Team	+81 3 3662 7229	+81 3 3662 7107	lossprevention-dpt@piclub.or.jp
	Ship Inspection Team	+81 3 3662 7229	+81 3 3662 7107	
Planning Dept.	Public Relations Team	+81 3 3662 7272	+81 3 3662 7107	public-relations@piclub.or.jp

## Kobe Branch 6th Floor Shosen-Mitsui Building 5, Kaigandori Chuoh-ku, Kobe, Hyogo 650-0024, Japan

Phone	Facsimile	Email
+81 78 321 6886	+81 78 332 6519	kobe@piclub.or.jp

## Fukuoka Branch 6th Floor Meiji-Dori Business Center 1-1, Shimokawabata-machi, Hakata-ku, Fukuoka 812-0027, Japan

Phone	Facsimile	Email
+81 92 272 1215	+81 92 281 3317	fukuoka@piclub.or.jp

## Imabari Branch 5th Floor Imabari-Kitahoraicho Building, 2-2-1, Kitahorai-cho, Imabari, Ehime 794-0028, Japan

Phone	Facsimile	Email
+81 898 33 1117	+81 898 33 1251	imabari@piclub.or.jp

## Singapore Branch 80 Robinson Road #14-01, Singapore 068898

Phone	Facsimile	Email
+65 6224 6451	+65 6224 1476	singapore@piclub.or.jp

## London Liaison Office 5th Floor, 38 Lombard Street, London, U.K., EC3V 9BS

Phone	Facsimile	Email
+44 20 7929 4844	+44 20 7929 7557	llo@japia.co.uk

## Japan P&I Club (UK) Services Ltd. (Claim contact point in UK) 5th Floor, 38 Lombard Street, London, U.K., EC3V 9BS

Phone	Facsimile	Email
+44 20 7929 3633	+44 20 7929 7557	ukservices@jpclub.com



**The Japan Ship Owners' Mutual Protection & Indemnity Association**

[www.piclub.or.jp](http://www.piclub.or.jp)