

Balance Sheet
(as of 31 March 2020)

(Unit : JPY)

Subject	Amount	Subject	Amount
Assets		Liabilities	
Cash and deposits at banks	17,241,304,624	Technical provisions	60,353,236,815
Cash	1,011,340	Outstanding claims	36,147,087,773
Deposits at banks	17,240,293,284	Underwriting reserve	24,206,149,042
Money trusts	9,177,324,076	Other liabilities	1,595,296,385
Securities	35,384,612,189	Foreign reinsurance payable	775,758,367
Government bonds	606,872,423	Accounts payable	105,014,930
Local government bonds	2,843,700,259	Suspense payable	675,063,029
Corporate bonds	11,787,745,033	Lease liability	39,460,059
Stocks	10,000,000	Reserve for bonus	122,848,350
Foreign securities	15,887,328,931	Reserve for directors' retirement benefits	90,700,000
Other securities	4,248,965,543		
Property, plant and equipment	1,021,069,803	Total liabilities	62,162,081,550
Land	904,895,316	Net assets	
Buildings	60,130,381	Capital contribution fund	109,075,000
Lease assets	39,460,059	Retaining earnings	9,077,731,906
Others	16,584,047	Reserve for offsetting losses	(175,277,000)
Intangible assets	11,940,864	Other retaining earnings	(8,902,454,906)
Software	8,010,177	Special reserve	(10,130,000,000)
Other intangible assets	3,930,687	Unappropriated deficit	(1,227,545,094)
Other assets	2,282,189,528	Total capital contribution fund and retaining earnings	9,186,806,906
Premiums receivable	352,407,300	Net unrealized gain on securities	428,064,316
Foreign reinsurance recoveries	1,350,646,414	Total valuation and translation adjustments	428,064,316
Accounts receivable	158,417,389		
Accrued revenue	140,441,703		
Advance deposits	72,541,385		
Suspense payments	33,422,199		
Others	174,313,138		
Deferred tax assets	6,682,361,657		
Reserve for bad debts	(23,849,969)	Total net assets	9,614,871,222
Total assets	71,776,952,772	Total liabilities and net assets	71,776,952,772

(Notes)

(1) 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.

(2) Money trusts held for trading purposes are stated at the fair value.

(3) 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.

(4) 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.

(5) 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 in trusts, Japanese government bonds, Local government bonds, Corporate bonds and Foreign securities. Holding these financial instruments exposes the Association to credit risk, foreign 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 exchange fluctuations. As such, the Association manages its exposure to fluctuations in foreign exchange rates by controlling 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 Account to be remote. Regarding premiums receivable, 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 2020 are as follows:

(Unit : JPY millions)

	Amounts of Balance sheet	Fair value	Difference
(1) Cash and deposits at banks	17,241	17,241	—
(2) Money trusts	9,177	9,177	—
(3) Securities			
Securities held to maturity	16,159	17,054	895
Marketable securities held as available for sale	18,013	18,013	—
(4) Premiums receivables	352		
Reserve for bad debts	△23		
	328	328	—
Total assets	60,920	61,816	895
(1) Foreign reinsurance payable	775	775	—
Total liabilities	775	775	—

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

(Note 1)

Assets

(1)Cash and deposits at banks, (4) 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.

(2)Money trusts

The fair value of money held in trusts individually managed primarily for investments in securities are stated at the price provided by the trustee bank.

(3)Securities

Bonds and investment funds are mainly stated at the price presented by the financial institution.

Liabilities

(1)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.

(Note 2)

Unlisted stocks of ¥1,211 million are excluded from (3) “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.

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

(7) The reserve for bad debts is stated on the basis of past experience.

(8) The reserve for bonuses is provided for at the amount estimated at the balance sheet

date for future payments.

- (9) The 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 deducting the fair value of the funded plan assets. At the end of this financial year, prepaid pension cost of ¥174 million is included in “Other assets”.
- (10) The 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.
- (11) Consumption taxes are accounted for under the “tax inclusive” method.
- (12) Accumulated depreciation for property, plant and equipment amounts to ¥359million and advanced depreciation amounts to ¥301 million.
- (13) The total of deferred tax assets amounts to ¥7,466 million and the total of deferred tax liabilities amounts to ¥234 million. The figure deducted from deferred tax assets as a valuation reserve amounts to ¥548 million.

The breakdown of deferred tax assets by main cause of occurrence are as follows:

Underwriting reserve ¥2,955 million

Reserve for outstanding claims ¥2,730 million

Tax loss carried forward ¥1,156 million

Reserve for bonuses ¥34 million

The breakdown of deferred tax liabilities by main cause of occurrence are as follows:

Unrealized gains on “Marketable securities held as available for sale” ¥186 million

- (14) In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for copying machines.
- (15) Investment in subsidiaries amounts to ¥11 million.
- (16) ① 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 ¥14,845 million.
 - ② There is no underwriting reserve with respect to reinsurance stipulated in Article 51 of the Regulations.
 - ③ There is no amount deducted relating to the distribution of surplus stipulated in Article 28 of the Regulations.
- (17) Underwriting reserve consists of ordinary underwriting reserve ¥8,144 million and catastrophe reserve ¥16,061 million.
- (18) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.