

Independent Auditor's Report
(English Translation)

22 May 2020

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

PricewaterhouseCoopers Aarata
Tokyo Office
Designated and
Engagement Partner Susumu Arakawa, CPA

Audit Opinion

We have audited, pursuant to the request from The Japan Ship Owners' Mutual Protection & Indemnity Association, the accompanying financial statements for the 70th fiscal year from April 1, 2019 to March 31, 2020, which comprise the Balance Sheet, the Income and Expenditure Accounts, significant accounting policies and other notes, and supplementary schedules thereof (hereinafter referred to as "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and profit and loss for the term pertaining to the financial statements, in accordance with the Ship Owners' Mutual Insurance Association Law and the Enforcement Regulations of the Ship Owners' Mutual Insurance Association Law.

Basis for the audit opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. The responsibilities of our auditors in accordance with the auditing standards are set out in "Liability of the auditor in the audit of financial statements." We are independent of the Association and fulfill our other ethical responsibilities as auditors in accordance with our rules on occupational ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Supervisors to Calculation for the Financial Statements

Management is responsible for the preparation and proper presentation of financial statements, in accordance with the Ship Owners' Mutual Insurance Association Law and the Enforcement Regulations of the Ship Owners' Mutual Insurance Association Law. This includes the development and operation of internal controls that management determines are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, due to fraud or error.

In preparing financial statements, management is responsible for evaluating the appropriateness of preparing financial statements based on going concern assumptions, and disclosing matters related to going concern in accordance with the Ship Owners' Mutual Insurance Association Law and the Enforcement Regulations of the Ship Owners' Mutual Insurance Association Law.

The company auditors are responsible for overseeing the Directors' performance of their duties in the development and operation of the financial reporting process.

Liability of Auditors in Auditing Financial Statements

The responsibility of the auditor is to express an opinion on the financial statements from an independent

standpoint in the audit report based on an audit conducted by the auditor, with reasonable assurance as to whether the financial statements as a whole are free of material misstatement, whether due to fraud or error. A misstatement may be caused by fraud or error, and if aggregated individually, it is deemed material if it is reasonably expected to affect the decision-making of users of financial statements.

In accordance with auditing standards generally accepted in Japan, auditors make professional judgments throughout the course of their audits and, in a professional manner, maintain a high level of professional skepticism, perform the following.

- Identify and evaluate the risk of material misstatement due to fraud or error. Develop and implement audit procedures to address the risk of material misstatement. The selection and application of audit procedures is based on the judgment of the auditor. In addition, obtain sufficient and appropriate audit evidence supporting the expressions of opinion.
- The purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the internal control, but the auditor considers internal control relevant to the audit in making the risk assessment in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies adopted by management and their application, as well as the reasonableness of accounting estimates made by management and the relevance of related notes.
- Conclude whether it is appropriate for the management to prepare financial statements, on the premise of going concern, and whether, based on the audit evidence obtained, significant uncertainty is recognized with respect to the event or situation that raises material doubt about the premise of the going concern. If there is material uncertainty regarding the premise of a going concern, the auditor is required to call attention to the notes to the financial statements in the audit report, or if the notes to the financial statements regarding material uncertainty are not appropriate, the auditor is required to express an opinion on the financial statements with items to be excluded. The auditor's conclusion is based on the audit evidence obtained prior to the date of the audit report, but future events and circumstances may make the enterprise unable to survive as a going concern.
- Evaluate whether the presentation and notes of financial statements, comply with the Ship Owner's Mutual Insurance Association Law and the Enforcement Regulations of the Ship Owners' Mutual Insurance Association Law and whether the presentation, composition, and content of financial statements, including related notes, fairly indicate the transactions and accounting events on which the financial statements, are based.

The auditor reports to the company auditors the scope and timing of the planned audit, important findings in the audit, including significant deficiencies in internal control identified in the audit process, and other matters required by the audit criteria.

Conflict of interests

There is no conflict of interests between the Association and our auditing firm or operating partners that should be stated pursuant to the provisions of the Certified Public Accountants Act of Japan.

*The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.