

Balance Sheet
(as of 31 March 2021)

(Unit : JPY)

Subject	Amount	Subject	Amount
Assets		Liabilities	
Cash and deposits at banks	17,972,022,107	Technical provisions	58,854,097,877
Cash	855,691	Outstanding claims	36,233,706,460
Deposits at banks	17,971,166,416	Underwriting reserve	22,620,391,417
Money trusts	12,502,824,518	Other liabilities	2,730,621,482
Securities	35,001,636,004	Foreign reinsurance payable	773,749,016
Japanese government bonds	603,852,231	Accounts payable	208,373,375
Japanese local government bonds	2,638,935,423	Suspense payable	1,687,611,350
Corporate bonds	11,545,564,917	Lease liability	60,887,741
Stocks	10,000,000	Reserve for bonus	108,647,000
Foreign securities	14,434,608,814	Reserve for directors' retirement benefits	102,350,000
Other securities	5,768,674,619		
Property, plant and equipment	1,040,839,026	Total liabilities	61,795,716,359
Estate on book	904,895,316	Net assets	
Buildings	54,166,127	Capital contribution fund	105,740,000
Lease assets	60,971,825	Retaining earnings	11,768,738,571
Equipment and others	20,805,758	Reserve for offsetting losses	(175,277,000)
Intangible assets	4,821,799	Other retaining earnings	(11,593,461,571)
Software	903,712	Special reserve	(8,900,000,000)
Other intangible assets	3,918,087	Unappropriated surplus	(2,693,461,571)
Other assets	2,548,318,100	Total capital contribution fund and retaining earnings	11,874,478,571,
Premiums receivable	360,641,767	Net unrealized gain on securities	844,102,621
Foreign reinsurance recoveries	1,639,310,541	Total valuation and translation adjustments	844,102,621
Accounts receivable	158,403,209		
Accrued revenue	108,967,286		
Advance deposits	73,232,127		
Suspense payments	44,813,688		
Others	162,949,482		
Deferred tax assets	5,473,214,274		
Reserve for bad debts	(29,378,277)	Total net assets	12,718,581,192
Total assets	74,514,297,551	Total liabilities and net assets	74,514,297,551

(Notes)

- (1) The standards for valuation of securities are as follows:
 - ② 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) The translation of foreign currencies into Japanese yen is carried out pursuant to the Accounting Standards for Foreign Currency Transactions.
- (6) The reserve for bad debts is stated on the basis of past experience.
- (7) The reserve for bonuses is provided for at the amount estimated at the balance sheet date for future payments.
- (8) 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 ¥162 million is included in "Other assets".
- (9) 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.
- (10) Consumption taxes are accounted for under the "tax inclusive" method.
- (11) The "Accounting Standard for the Disclosure of Accounting Estimates" (ASBJ Statement No. 31, 31 March 2020) has been applied from the financial statements as of the end of the fiscal year under review, and significant accounting estimates have been recorded in the financial statements.
- (12) 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 "Notes to Balance Sheet (15)."
 - 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 premium and other revenues generated from insurance contract, 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 contract and reserves for outstanding claims.

The Reserve for Payment consists of the outstanding claim (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 claim 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").

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

Reserves for outstanding claims	36,233,706,460
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②Other 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 contract for which payment obligations have been incurred.

With respect to IBNR reserves, the Company 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), although it is deemed that a payment obligation has been incurred.

[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.

(13) 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 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 2021 are as follows:

(Unit : JPY millions)

	Amounts of Balance sheet	Fair value	Difference
[1] Cash and deposits at banks	17,972	17,972	—
[2] Money trusts	12,502	12,502	—
[3] Securities			
Securities held to maturity	16,371	17,171	800
Marketable securities held as available for sale	17,418	17,418	—
[4] Premiums receivables	360		
Reserve for bad debts	△29		
	331	331	—
Total assets	64,596	65,395	800
[1] Foreign reinsurance payable	773	773	—
Total liabilities	773	773	—

(* 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 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.

(14) Accumulated depreciation for property, plant and equipment amounts to ¥385 million and advanced depreciation amounts to ¥301 million.

(15) The total of deferred tax assets amounts to ¥6,414 million and the total of deferred tax liabilities amounts to ¥390 million. The figure deducted from deferred tax assets as a valuation reserve amounts to ¥551 million.

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

Underwriting reserve ¥2,955 million

Reserve for outstanding claims ¥1,833 million

Tax loss carried forward ¥1,005 million

Reserve for bonuses ¥30 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" ¥344 million

- (16) In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for copying machines.
- (17) Investment in subsidiaries amounts to ¥11 million.
- (18) 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 ¥29,395 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.
- (19) Underwriting reserve consists of ordinary underwriting reserve ¥8,362 million and catastrophe reserve ¥14,257 million.
- (20) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.