

Balance Sheet
(as of 31 March 2022)

(Unit : JPY)

Subject	Amount	Subject	Amount
Assets		Liabilities	
Cash and deposits at banks	17,382,491,898	Technical provisions	57,844,409,108
Cash	976,065	Outstanding claims	37,531,985,592
Deposits at banks	17,381,515,833	Underwriting reserve	20,312,423,516
Money trusts	14,514,972,981	Other liabilities	2,388,827,582
Securities	32,158,457,932	Foreign reinsurance payable	1,248,663,936
Japanese government bonds	600,832,039	Accounts payable	192,042,937
Japanese local government bonds	2,434,957,240	Suspense payable	905,741,026
Corporate bonds	10,877,026,373	Lease liability	42,379,683
Stocks	10,000,000	Reserve for bonus	119,992,613
Foreign securities	13,351,885,168	Reserve for directors' retirement benefits	129,750,000
Other securities	4,883,757,112		
Property, plant and equipment	1,016,215,717	Total liabilities	60,482,979,303
Estate on book	904,895,316	Net assets	
Buildings	52,742,948	Capital contribution fund	100,760,000
Lease assets	42,463,767	Retaining earnings	11,361,491,181
Equipment and others	16,113,686	Reserve for offsetting losses	(175,277,000)
Intangible assets	4,616,564	Other retaining earnings	(11,186,214,181)
Software	711,077	Special reserve	(11,590,000,000)
Other intangible assets	3,905,487	Unappropriated deficit	(403,785,819)
Other assets	2,859,304,679	Total capital contribution fund and retaining earnings	11,462,251,181
Premiums receivable	242,661,715	Net unrealized gain on securities	563,722,647
Foreign reinsurance recoveries	2,062,801,578	Total valuation and translation adjustments	563,722,647
Accounts receivable	142,061,410		
Accrued revenue	100,644,946		
Advance deposits	78,869,787		
Suspense payments	123,802,675		
Others	108,462,568		
Deferred tax assets	4,579,117,884		
Reserve for bad debts	(6,224,524)	Total net assets	12,025,973,828
Total assets	72,508,953,131	Total liabilities and net assets	72,508,953,131

(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) 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 ¥108 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) 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	37,531,985,592
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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 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), 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.

- (12) The Accounting Standard for Calculation of Fair Value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") and other standards were applied from the beginning of the current fiscal year, and in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Calculation of Fair Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Calculation of Fair Value will be applied into the future. The adoption had no impact on the Association's financial statements.
- (13) Conditions of financial instruments, fair values of financial instruments and the appropriate classification of fair values of financial instruments

① Conditions of financial instruments

The Association's investments policy is in accordance with its Business Operations Plan, as approved by the Financial Service Agency, and gives higher priority to investments which are considered stable. Financial instruments the Association holds are mainly cash and deposits at banks, money trusts, Japanese government bonds, Japanese local government bonds, Corporate bonds and Foreign securities. Holding these financial instruments exposes the Association to credit risk, foreign 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 2022 are as follows:

(Unit : JPY millions)

	Amounts of Balance sheet	Fair value	Difference
[1] Cash and deposits at banks	17,382	17,382	—
[2] Money trusts	14,514	14,514	—
[3] Securities			
Securities held to maturity	15,810	16,085	275
Marketable securities held as available for sale	15,136	15,136	—
[4] Premiums receivables	242		
Reserve for bad debts	△6		
	236	236	—
Total assets	63,078	63,353	275
[1] Foreign reinsurance payable	1,248	1,248	—
Total liabilities	1,248	1,248	—

(* 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.

③Matters concerning the breakdown of the fair value of financial instruments by appropriate classification, etc.

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs to the determination of fair value:

Level 1 Fair Value: Inputs for determining observable fair values that are determined by quoted prices for the assets or liabilities subject to such fair values that are formed in active markets

Level 2 Fair Value: Fair values calculated using inputs for determining fair values other than Level 1 inputs that are observable fair values

Level 3 Fair Value: Fair values calculated using inputs for determining market values that are not observable

If the Association uses multiple inputs that are important to the determination of fair values, the Association categorizes fair value into the level in which each of these inputs has the lowest priority in determining fair values.

Pursuant to paragraph 26 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Calculation of Fair Value" (ASBJ Guidance No. 31, July 4, 2019; hereinafter referred to as the "Implementation Guidance on Fair Value Calculation"), investment trusts and stocks without market prices are not included in the table below (see Note 2).

[1] Financial assets measured at fair value on the balance sheet

(Unit : JPY millions)

Division	Fair value			
	Level 1	Level 2	Level 3	Total
Money trusts (Trading securities)	-	14,514	-	14,514
Securities (Marketable securities held as available for sale)				
Japanese government bonds	-	313	-	313
Japanese local government bonds	-	4,848	-	4,848
Corporate bonds	-	5,090	-	5,090
Foreign securities	-			
Total assets	-	24,767	-	24,767

※Investment trusts for which transitional provisions have been applied in accordance with paragraph 26 of the Implementation Guidance on Market Value Calculation are not included in the above table. The amount of the investment trust in question on the balance sheet is 4,883 million yen.

[2] Financial assets not stated at fair value on the balance sheet

Cash and deposits are omitted because their fair values approximate their carrying amounts, mainly because they are settled in a short period of time.

(Unit : JPY millions)

Division	Fair value			
	Level 1	Level 2	Level 3	Total
Securities (Marketable securities held as available for sale)				
Japanese government bonds	-	2,722	-	2,722
Japanese local government bonds	-	6,028	-	6,028
Corporate bonds	-	7,059	-	7,059
Foreign securities	-			
Total assets	-	15,810	-	15,810

(Note 1) Description of valuation techniques and inputs used to determine fair value

Money trusts

The fair value of securities constituting trust assets is evaluated and classified using the same method as "Securities."

Securities

Securities for which quoted prices in active markets are available are classified as Level 1 fair values. If quoted prices are used but the market is not active, they are classified as Level 2 fair values.

When quoted prices are not available, the fair value is determined by the discounted present value method and other valuation methods. Inputs such as yield curves and credit spreads are used for valuation.

If the Association does not use unobservable inputs or their impact is immaterial, they are classified as Level 2 fair values.

(Note 2) Balance Sheet Amount of Stocks, etc. without Market Price

The balance sheet amount of stocks, etc. without market price is 1,211 million yen. Stocks without quoted market prices include unlisted stocks, etc. and are not subject to market value disclosure in accordance with paragraph 5 of the "Implementation Guidance on Disclosure of Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

- (14) Accumulated depreciation for property, plant and equipment amounts to ¥378 million and advanced depreciation amounts to ¥301 million.
- (15) The total of deferred tax assets amounts to ¥6,239 million and the total of deferred tax liabilities amounts to ¥272 million. The figure deducted from deferred tax assets as a valuation reserve amounts to ¥1,387 million.

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

- Underwriting reserve ¥2,675 million
- Reserve for outstanding claims ¥1,555 million
- Tax loss carried forward ¥1,375 million
- Reserve for directors' retirement benefits ¥36 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" ¥242 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 ¥47,972 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 ¥10,224 million and catastrophe reserve ¥10,088 million.
- (20) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.