

Balance Sheet
(as of 31 March 2023)

(Unit : JPY)

Subject	Amount	Subject	Amount
Assets		Liabilities	
Cash and deposits at banks	33,685,399,700	Technical provisions	69,032,566,214
Cash	677,285	Outstanding claims	41,955,770,560
Deposits at banks	33,684,722,415	Underwriting reserve	27,076,795,654
Money trusts	14,522,927,179	Other liabilities	2,320,964,847
Securities	32,300,853,207	Foreign reinsurance payable	1,308,837,536
Japanese government bonds	398,831,847	Accounts payable	189,486,693
Japanese local government bonds	2,431,156,932	Suspense payable	800,261,747
Corporate bonds	9,757,355,683	Lease liability	22,378,871
Stocks	10,000,000	Reserve for bonus	102,791,660
Foreign securities	15,128,238,681	Reserve for directors' retirement benefits	156,950,000
Other securities	4,575,270,064	Reserve for losses of reinsurance	634,689,644
Property, plant and equipment	52,803,542	Total liabilities	72,247,962,365
Buildings	22,500,072	Net assets	
Lease assets	22,462,955	Capital contribution fund	96,785,000
Equipment and others	7,840,515	Retaining earnings	16,006,403,691
Intangible assets	4,454,070	Reserve for offsetting losses	(175,277,000)
Software	555,933	Other retaining earnings	(15,831,126,691)
Other intangible assets	3,898,137	Special reserve	(11,180,000,000)
Other assets	3,538,211,413	Unappropriated surplus	(4,651,126,691)
Premiums receivable	1,000,508,096	Total capital contribution fund and retaining earnings	16,103,188,691
Foreign reinsurance recoveries	1,894,443,545	Net unrealized gain on securities	335,310,608
Accounts receivable	151,336,741	Total valuation and translation adjustments	335,310,608
Accrued revenue	84,601,936		
Advance deposits	171,701,449		
Suspense payments	130,137,895		
Others	105,481,751		
Deferred tax assets	4,611,207,571		
Reserve for bad debts	(29,395,018)	Total net assets	16,438,499,299
Total assets	88,686,461,664	Total liabilities and net assets	88,686,461,664

(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) A reserve for bad debts is stated on the basis of past experience.
- (7) A reserve for bonuses is provided for at the amount estimated at the balance sheet date for future payments.
- (8) 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 the end of this financial year, prepaid pension cost of ¥108 million is included in Other assets.
- (9) 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.
- (10) To provide for future losses arising from providing support to Hydra Insurance Company Ltd., which is a reinsurance company in Bermuda jointly established by the International Group of P&I Clubs, the reserve for losses of reinsurance is stated at the amount equivalent to cumulative losses of the reinsurance company attributable to the Association.
- (11) Consumption taxes are accounted for under the "tax inclusive" method.
- (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 (16)."
 - 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 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 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").

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

Reserves for outstanding claims	41,955,770,560
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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 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), as 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) The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Guidance on Accounting Standard for Measurement of Fair Value") is applied from the beginning of the current fiscal year, and the new accounting policy prescribed by the "Guidance on Accounting Standard for Measurement of Fair Value" is applied prospectively, in accordance with the transitional treatment prescribed in Section 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. This change has no impact on the financial statements.

(14) 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 Plan of Business Operation, 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 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 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 on the balance sheet, fair value and the difference as of 31

March 2023 are as follows:

(Unit : JPY millions)

	Amounts Balance sheet	Fair value	Difference
[1] Cash and deposits at banks	33,685	33,685	—
[2] Money trusts	14,522	14,522	—
[3] Securities			
Securities held to maturity	13,439	13,214	△225
Marketable securities held as available for sale	15,432	15,432	—
[4] Premiums receivables	1,000		
Reserve for bad debts	△29		
	971	971	—
Total assets	78,050	77,825	△225
[1] Foreign reinsurance payable	1,308	1,308	—
Total liabilities	1,308	1,308	—

(* 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 ¥3,429 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.

③ Breakdown of the fair value of financial instruments by appropriate classification

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: Fair values measured using inputs for determining fair values that are determined by quoted prices for the assets or liabilities subject to such fair values that are formed in active markets that are observable

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

Level 3 Fair Value: Fair values measured using inputs for determining fair values that are unobservable

If the Association uses multiple inputs that are important to the determination of fair value, the Association categorizes fair value into the level with the lowest priority within the inputs used to determine fair value.

Pursuant to paragraph 24-9 of ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Implementation Guidance on Fair Value Measurement"), investment trusts and stocks without market prices are not included in the table below (see Note 2 and Note3).

[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)	-	14,522	-	14,522
Securities (Marketable securities held as available for sale)				
Japanese government bonds	-	110	-	110
Japanese local government bonds	-	4,965	-	4,965
Corporate bonds	-	5,780	-	5,780
Foreign securities	1,882	1,001	-	2,884
Other securities				
Total assets	1,882	26,381	-	28,264

※ Investment trusts that have applied the treatment in which Net Asset Value is regarded as market value in accordance with Paragraph 24-9 of the Guidance on Market Value Calculation are not included in the table above. The amount of the investment trust in question on the balance sheet is 1,690 million yen.

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

Cash and deposits are excluded because these are settled in the short term and those fair values are approximately equal to the carrying amount.

(Unit : JPY millions)

Division	Fair value			
	Level 1	Level 2	Level 3	Total
Securities (Securities held to maturity)				
Japanese government bonds	-	2,719	-	2,719
Japanese local government bonds	-	4,791	-	4,791
Corporate bonds	-	5,928	-	5,928
Foreign securities				
Total assets	-	13,439	-	13,439

(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 method. 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 3,429 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, March 31, 2020).

(Note 3) Information on investment trusts to which the treatment in Paragraph 24-9 of the "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021) is applied.

Classification	Balance at the beginning of the period	Gain (loss) for the period or unrealized gains (losses) on stocks and other securities		Net purchases, sales, and redemptions	Net Asset Value of investment trusts deemed to be market value	Net Asset Value of investment trusts not deemed to be market value	Balance at the end of the period	Unrealized gains (losses) on investment trusts held on the balance sheet of the amount recognized in income for the period
		Recognized In profit or loss	Net unrealized gains (losses) on securities					
Investment trusts whose investments trust assets are real estate (Paragraph 24-9)	1,667	—	23	—	—	—	1,690	—

(15) Accumulated depreciation for property, plant and equipment amounts to ¥171 million and advanced depreciation amounts to ¥0 million.

(16) The total of deferred tax assets amounts to ¥4,880million and the total of deferred tax liabilities amounts to ¥244 million. The figure deducted from deferred tax assets as a valuation reserve amounts to ¥24 million.

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

Underwriting reserve ¥2,617 million

Reserve for outstanding claims ¥1,676million

Tax loss carried forward ¥241 million

Reserve for losses of reinsurance ¥173 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" ¥215 million

- (17) In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for copying machines.
- (18) Investment in subsidiaries amounts to ¥11 million.
- (19) 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 ¥46,384million.
- 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.
- (20) Underwriting reserve consists of ordinary underwriting reserve ¥16,078 million and catastrophe reserve ¥10,997 million.
- (21) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.