

## Balance Sheet

(as at 31 March 2013)

(Unit : JPY)

Subject	Amount	Subject	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Cash and deposits at banks</b>	<b>10,030,370,946</b>	<b>Technical provisions</b>	<b>48,268,448,757</b>
Cash	2,715,683	Outstanding claims	26,740,334,013
Deposits at banks	10,027,655,263	Underwriting reserve	21,528,114,744
<b>Money held in trusts</b>	<b>3,098,715,942</b>	<b>Other liabilities</b>	<b>1,977,002,278</b>
<b>Securities</b>	<b>33,618,361,386</b>	Foreign reinsurance payable	842,848,601
Government bonds	720,273,565	Accounts payable	193,827,604
Local government bonds	3,261,900,025	Corporate and other taxes payable	387,300,740
Corporate bonds	8,982,670,187	Suspense payable	539,020,846
Stocks	10,000,000	Lease liability	14,004,487
Foreign securities	17,715,709,567	<b>Reserve for bonus</b>	<b>77,654,295</b>
Other securities	2,927,808,042	<b>Reserve for director retirement benefits</b>	<b>78,400,001</b>
<b>Property, plant and equipment</b>	<b>1,133,990,559</b>	<b>Reserve for losses of reinsurance</b>	<b>556,206,264</b>
Land	989,506,872		
Buildings	78,552,773	<b>Total liabilities</b>	<b>50,957,711,595</b>
Lease assets	14,004,487	<b>Net assets</b>	
Others	51,926,427	<b>Capital contribution fund</b>	<b>137,825,000</b>
<b>Intangible assets</b>	<b>174,902,175</b>	<b>Retaining earnings</b>	<b>854,189,849</b>
Software	170,883,288	Reserve for offsetting losses	(175,277,000)
Other intangible assets	4,018,887	Other retaining earnings	(678,912,849)
<b>Other assets</b>	<b>1,903,189,717</b>	Special reserve	(470,000,000)
Premiums receivable	601,058,395	Unappropriated surplus	(208,912,849)
Foreign reinsurance recoveries	876,937,264	<b>Total capital contribution fund and retaining earnings</b>	<b>992,014,849</b>
Accounts receivable	30,297,234	Net unrealized gain on securities	752,163,213
Accrued revenue	171,644,888	<b>Total valuation and translation adjustments</b>	<b>752,163,213</b>
Advance deposits	92,279,535		
Suspense payments	113,561,391		
Others	17,411,010		
<b>Deferred tax assets</b>	<b>2,822,809,942</b>		
<b>Reserve for bad debts</b>	<b>△80,451,010</b>	<b>Total net assets</b>	<b>1,744,178,062</b>
<b>Total assets</b>	<b>52,701,889,657</b>	<b>Total liabilities and net assets</b>	<b>52,701,889,657</b>

(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 or amortized cost (straight line method) pursuant to the moving average method where the fair value is extremely difficult to determine.

(2) Money held in 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.

(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.

## ②Fair value of financial instruments

The amounts recorded in the balance sheet, fair value and the difference as of 31 March 2013 are as follows:

(Unit : JPY millions)

	Amounts of Balance sheet	Fair value	Difference
(1) Cash and deposits at banks	10,030	10,030	—
(2) Money held in trusts	3,098	3,098	—
(3) Securities			
Securities held to maturity	6,259	6,495	236
Marketable securities held as available for sale	26,847	26,847	—
(4) Premiums receivables	601	601	—

(Note 1)

### (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 held in 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. On the other hand, commingled money held in trusts are stated at the carrying amount as fair value is considered to approximate the carrying amount.

### (3)Securities

Bonds and marketable securities are mainly stated at the price presented by the financial institution. MMF are stated at the carrying amount as these are settled in the short term and fair value is considered to approximate the carrying amount.

(Note 2)

Unlisted stocks of ¥511 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 recorded at the amount estimated based on the liabilities 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 and the unamortized net transition liabilities. At the end of this financial year, prepaid pension cost of ¥17million 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) 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.

- (12) Financial Leases, except for those in which ownership is considered to be transferred, for which the commencement date of the lease transaction falls in the financial years that began before 1 April 2008, are accounted for using a method similar to that for ordinary operating lease contracts.
- (13) Consumption taxes are accounted for under the “tax inclusive” method.
- (14) Pursuant to the revisions to the Corporation Tax Act, the methods of depreciating Property, plant and equipment acquired on or after 1 April 2012 were changed to those based on the revised Corporation Tax Act. The effect of these changes on ordinary surplus and surplus before income taxes is immaterial.
- (15) Accumulated depreciation for property, plant and equipment amounts to ¥304 million and advanced depreciation amounts to ¥417 million.
- (16) The total of deferred tax assets amounts to ¥3,690 million and the total of deferred tax liabilities amounts to ¥324 million. The figure deducted from deferred tax assets as a valuation reserve amounts to ¥543 million.
- The breakdown of deferred tax assets by main cause of occurrence is as follows:
- Underwriting reserve    ¥2,627 million
  - Reserve for outstanding claims    ¥259 million
  - Reserve for losses of reinsurance    ¥162 million
  - Reserve for bonuses    ¥23 million
- The breakdown of deferred tax liabilities by main cause of occurrence is as follows:
- Unrealized gains on “Marketable securities held as available for sale”    ¥302million
- (17) In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for electronic computers.
- (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 ¥7,863 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.
- (20) Underwriting reserve consists of ordinary underwriting reserve ¥8,455 million and catastrophe reserve ¥13,073 million.
- (21) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.