

Balance Sheet
(as of 31 March 2017)

(Unit : JPY)

Subject	Amount	Subject	Amount
Assets		Liabilities	
Cash and deposits at banks	16,132,044,524	Technical provisions	58,265,795,761
Cash	1,362,714	Outstanding claims	32,904,448,545
Deposits at banks	16,130,681,810	Underwriting reserve	25,361,347,216
Money held in trusts	4,599,061,209	Other liabilities	3,939,371,360
Securities	40,953,800,428	Foreign reinsurance payable	774,216,745
Government bonds	718,012,999	Accounts payable	244,669,591
Local government bonds	3,372,179,711	Corporate and other taxes payable	2,062,703,895
Corporate bonds	14,490,255,750	Suspense payable	848,710,491
Stocks	10,000,000	Lease liability	9,070,638
Foreign securities	19,013,569,177	Reserve for bonus	92,876,322
Other securities	3,349,782,791	Reserve for director retirement benefits	114,600,001
Property, plant and equipment	1,091,080,491		
Land	989,506,872	Total liabilities	62,412,643,444
Buildings	64,071,198	Net assets	
Lease assets	9,070,638	Capital contribution fund	118,305,000
Others	28,431,783	Retaining earnings	7,336,475,331
Intangible assets	155,232,225	Reserve for offsetting losses	(175,277,000)
Software	151,263,738	Other retaining earnings	(7,161,198,331)
Other intangible assets	3,968,487	Special reserve	(5,210,000,000)
Other assets	2,783,596,634	Unappropriated surplus	(1,951,198,331)
Premiums receivable	1,746,989,098	Total capital contribution fund and retaining earnings	7,454,780,331
Foreign reinsurance recoveries	517,591,993	Net unrealized gain on securities	457,121,907
Accounts receivable	47,358,486	Total valuation and translation adjustments	457,121,907
Accrued revenue	173,897,152		
Advance deposits	97,701,315		
Suspense payments	91,532,277		
Others	108,526,313		
Deferred tax assets	4,687,063,369		
Reserve for bad debts	△77,333,198	Total net assets	7,911,902,238
Total assets	70,324,545,682	Total liabilities and net assets	70,324,545,682

(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 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. 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) 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.

② Fair value of financial instruments

The amounts recorded in the balance sheet, fair value and the difference as of 31 March 2017 are as follows:

(Unit : JPY millions)

	Amounts of Balance sheet	Fair value	Difference
(1) Cash and deposits at banks	16,132	16,132	—
(2) Money held in trusts	4,599	4,599	—
(3) Securities			
Securities held to maturity	15,851	16,368	517
Marketable securities held as available for sale	23,891	23,891	—
(4) Premiums receivables	1,746		
Reserve for bad debts	△77		
	1,669	1,669	—
Total assets	62,143	62,660	517
(1) Foreign reinsurance payable	774	774	—
Total liabilities	774	774	—

(* 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 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.

(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.

(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 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 ¥108million 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) Consumption taxes are accounted for under the “tax inclusive” method.
- (12) Pursuant to revisions made to Corporation Tax Act, the Association applies “Practical Treatment on Changes to Depreciation Method Pursuant to FY 2016 Tax Reform” (Practical Issues Task Force No. 32, 17 June 2016) from the beginning of this fiscal year and changes the method of depreciation from the decline-balance method to the straight-line method for fixtures attached to buildings and structures acquired on or after 1 April 2016.

The effect of this change on profit and loss is immaterial.

- (13) Accumulated depreciation for property, plant and equipment amounts to ¥372million and advanced depreciation amounts to ¥417 million.
- (14) The total of deferred tax assets amounts to ¥5,496 million and the total of deferred tax liabilities amounts to ¥244 million. The figure deducted from deferred tax assets as a valuation reserve amounts to ¥564 million.

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

Underwriting reserve ¥2,747million
Reserve for outstanding claims ¥1,959 million
Business tax ¥99 million
Special local corporation tax ¥40 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” ¥214million

- (15) In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for copying machines.
- (16) Investment in subsidiaries amounts to ¥11 million.
- (17) 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 ¥8,325million.
- 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.
- (18) Underwriting reserve consists of ordinary underwriting reserve ¥9,890 million and catastrophe reserve ¥15,471 million.
- (19) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.