

Balance Sheet
(as at 31 March 2015)

(Unit : JPY)

Subject	Amount	Subject	Amount
Assets		Liabilities	
Cash and deposits at banks	17,899,653,255	Technical provisions	56,664,489,593
Cash	1,329,773	Outstanding claims	30,755,411,775
Deposits at banks	17,898,323,482	Underwriting reserve	25,909,077,818
Money held in trusts	2,782,442,438	Other liabilities	3,795,768,400
Securities	39,314,117,835	Foreign reinsurance payable	1,179,350,225
Government bonds	720,159,583	Accounts payable	191,309,552
Local government bonds	3,165,742,990	Corporate and other taxes payable	1,438,009,933
Corporate bonds	9,378,774,826	Suspense payable	982,313,926
Stocks	10,000,000	Lease liability	4,784,764
Foreign securities	19,141,103,891	Reserve for bonus	94,773,096
Other securities	6,898,336,545	Reserve for director retirement benefits	79,366,668
Property, plant and equipment	1,093,961,782		
Land	989,506,872	Total liabilities	60,634,397,757
Buildings	67,161,824	Net assets	
Lease assets	4,784,764	Capital contribution fund	124,555,000
Others	32,508,322	Retaining earnings	5,525,067,070
Intangible assets	136,211,211	Reserve for offsetting losses	(175,277,000)
Software	132,217,524	Other retaining earnings	(5,349,790,070)
Other intangible assets	3,993,687	Special reserve	(1,580,000,000)
Other assets	2,943,333,485	Unappropriated surplus	(3,769,790,070)
Premiums receivable	1,141,705,035	Total capital contribution fund and retaining earnings	5,649,622,070
Foreign reinsurance recoveries	1,281,435,213	Net unrealized gain on securities	692,201,016
Accounts receivable	40,757,432	Total valuation and translation adjustments	692,201,016
Accrued revenue	185,754,834		
Advance deposits	103,148,665		
Suspense payments	102,754,175		
Others	87,778,131		
Deferred tax assets	2,919,254,680		
Reserve for bad debts	△112,753,843	Total net assets	6,341,823,086
Total assets	66,976,220,843	Total liabilities and net assets	66,976,220,843

(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 2015 are as follows:

(Unit : JPY millions)

	Amounts of Balance sheet	Fair value	Difference
(1) Cash and deposits at banks	17,899	17,899	—
(2) Money held in trusts	2,782	2,782	—
(3) Securities			
Securities held to maturity	11,871	12,508	637
Marketable securities held as available for sale	26,231	26,231	—
(4) Premiums receivables	1,141		
Reserve for bad debts	△112		
	1,028	1,028	—
Total assets	59,813	60,451	637
(1) Foreign reinsurance payable	1,179	1,179	—
Total liabilities	1,179	1,179	—

(* 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. Certificate of deposit is stated at the carrying amount as this is settled in the short term and its fair value is approximately equal to the carrying amount.

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 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 ¥87million 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) Accumulated depreciation for property, plant and equipment amounts to ¥357 million and advanced depreciation amounts to ¥417 million.
- (13) The total of deferred tax assets amounts to ¥3,780 million and the total of deferred tax liabilities amounts to ¥309 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 is as follows:
- Underwriting reserve ¥2,638million
 - Reserve for outstanding claims ¥428 million
 - Business tax ¥56 million
 - Special local corporation tax ¥43 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” ¥285million
- (14) In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for electronic computers.
- (15) Investment in subsidiaries amounts to ¥11 million.
- (16) 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 ¥10,969 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.
- (17) Underwriting reserve consists of ordinary underwriting reserve ¥11,537 million and catastrophe reserve ¥14,371 million.
- (18) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.