

Balance Sheet
(as of 31 March 2018)

(Unit : JPY)

Subject	Amount	Subject	Amount
Assets		Liabilities	
Cash and deposits at banks	15,610,974,238	Technical provisions	56,204,208,563
Cash	1,482,166	Outstanding claims	32,543,838,048
Deposits at banks	15,609,492,072	Underwriting reserve	23,660,370,515
Money held in trusts	5,230,329,625	Other liabilities	3,195,979,521
Securities	38,790,139,014	Foreign reinsurance payable	912,007,979
Government bonds	713,552,807	Accounts payable	177,856,073
Local government bonds	3,160,656,901	Corporate and other taxes payable	1,313,213,765
Corporate bonds	13,974,626,913	Suspense payable	771,498,470
Stocks	10,000,000	Lease liability	21,403,234
Foreign securities	17,469,274,268	Reserve for bonus	108,306,666
Other securities	3,462,028,125	Reserve for director retirement benefits	89,400,000
Property, plant and equipment	1,094,347,846	Total liabilities	59,597,894,750
Land	989,506,872	Net assets	
Buildings	61,738,965	Capital contribution fund	115,180,000
Lease assets	21,403,234	Retaining earnings	8,526,580,932
Others	21,698,775	Reserve for offsetting losses	(175,277,000)
Intangible assets	87,574,468	Other retaining earnings	(8,351,303,932)
Software	83,618,581	Special reserve	(7,160,000,000)
Other intangible assets	3,955,887	Unappropriated surplus	(1,191,303,932)
Other assets	2,117,022,286	Total capital contribution fund and retaining earnings	8,641,760,932
Premiums receivable	1,225,740,146	Net unrealized gain on securities	302,163,071
Foreign reinsurance recoveries	484,237,704	Total valuation and translation adjustments	302,163,071
Accounts receivable	41,533,680		
Accrued revenue	161,949,321		
Advance deposits	68,849,481		
Suspense payments	9,789,685		
Others	124,922,269		
Deferred tax assets	5,691,041,711		
Reserve for bad debts	(79,610,435)	Total net assets	8,943,924,003
Total assets	68,541,818,753	Total liabilities and net assets	68,541,818,753

(Notes)

- (1) The standards for valuation of securities are as follows:

Shares of subsidiaries are stated at cost pursuant to the moving average method.

Securities held to maturity are stated at amortized cost (straight line method) pursuant to the moving average method.

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.

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:

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.

Fair value of financial instruments

The amounts recorded in the balance sheet, fair value and the difference as of 31 March 2018 are as follows:

(Unit : JPY millions)

	Amounts of Balance sheet	Fair value	Difference
(1) Cash and deposits at banks	15,610	15,610	-
(2) Money held in trusts	5,230	5,230	-
(3) Securities			
Securities held to maturity	15,667	16,131	464
Marketable securities held as available for sale	21,910	21,910	-
(4) Premiums receivables	1,225		
Reserve for bad debts	79		
	1,146	1,146	-
Total assets	59,566	60,030	464
(1) Foreign reinsurance payable	912	912	-
Total liabilities	912	912	-

(* 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 deducting the fair value of the funded plan assets. At the end of this financial year, prepaid pension cost of ¥124 million 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 ¥394 million and advanced depreciation amounts to ¥417 million.
- (13) The total of deferred tax assets amounts to ¥6,490 million and the total of deferred tax liabilities amounts to ¥219 million. The figure deducted from deferred tax assets as a valuation reserve amounts to ¥579 million.

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

Reserve for outstanding claims ¥2,978 million

Underwriting reserve ¥2,747 million

Business tax ¥65 million

Reserve for bonuses ¥30 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" ¥184 million

- (14) In addition to the property, plant and equipment recorded on the balance sheet, lease contracts are in place for copying machines.
- (15) Investment in subsidiaries amounts to ¥11 million.
- (16) 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 ¥9,745 million.
There is no underwriting reserve with respect to reinsurance stipulated in Article 51 of the Regulations.
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 ¥8,538 million and catastrophe reserve ¥15,122 million.
- (18) Footnote amounts not shown as a single currency unit have been appropriately rounded down for presentation purposes.