

Consolidated Solvency Margin Ratio as of June 30, 2017

The following table summarizes the consolidated solvency margin ratio as of June 30, 2017

(Yen in millions)

	March 31, 2017	June 30, 2017
(A) Total amount of solvency margin	4,875,444	5,070,985
Total net assets	1,114,987	1,212,163
Reserve for price fluctuation	194,960	197,166
Contingency reserve	107,378	110,200
Catastrophe reserve	856,960	880,251
General bad debt reserve	528	514
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,691,455	1,768,592
Net unrealized gains/(losses) on land	18,232	18,457
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	(11,817)	(10,456)
Excess of policyholders' contract deposits (a)	392,649	346,383
Subordinated debts, etc. (b)	456,191	456,191
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	183,210	182,263
Others	237,128	273,784
(B) Total amount of risks	1,117,406	1,122,182
$\sqrt{\left(\sqrt{R_1^2 + R_2^2} + R_3 + R_4\right)^2 + \left(R_5 + R_6 + R_7\right)^2} + R_8 + R_9$		
General insurance risk of non-life insurance contracts (R ₁)	292,193	292,660
Insurance risk of life insurance contracts (R ₂)	16,748	17,023
Insurance risk of third sector insurance contracts (R ₃)	11,321	11,681
Insurance risk relating to small amount and short term insurance provider (R ₄)	-	-
Assumed interest rate risk (R ₅)	70,008	71,531
Minimum guarantee risk of life insurance contracts (R ₆)	9,773	9,071
Asset management risk (R ₇)	762,452	791,113
Business administration risk (R ₈)	27,146	27,289
Catastrophe risk of non-life insurance contracts (R ₉)	194,842	171,412
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	872.6%	903.7%

(Note) The consolidated solvency margin ratio is calculated pursuant to the provisions of Article 210.11.3 (the consolidated solvency margin) and Article 210.11.4 (the consolidated risk) of the Insurance Business Act Enforcement Regulations and Public Notice No. 23 issued by the Financial Services Agency in 2011.

The consolidated solvency margin ratio for June 30, 2017 is calculated by partially applying the simplified method where components are calculated based on the data used for March 31, 2017.

(Reference: Consolidated Solvency Margin Ratio)

The Group mainly runs non-life insurance business and life insurance business.

While insurance company groups set aside reserves to provide for payments of insurance claims in case that an insured event occurs and maturity refunds of savings-type insurance, they are also required to maintain sufficient funds to pay out in an event outside the normal range of expectations such as a major catastrophe and a significant drop in the value of their assets.

The consolidated solvency margin ratio, or item (C) in the above table, which is calculated in accordance with the Insurance Business Act, is the ratio of "solvency margin of insurance company groups calculated based on their capital and other reserves", or (A) the total amount of solvency margin, to "risks exceeding the normal range of estimates", or (B) the total amount of risks.

While the scope of consolidation in calculating the consolidated solvency margin ratio follows the scope of consolidation in accounting, all subsidiaries which fall within the definition of subsidiary set forth in the Insurance Business Act (i.e. subsidiaries whose more than 50% share of voting rights is owned by the Group) are, in principle, included in the calculation process regardless of their importance.

The consolidated solvency margin ratio is one of the objective indicators used by the insurance regulatory authorities to supervise insurance companies and insurance holding companies. A consolidated solvency margin ratio of 200% or over indicates adequate ability to satisfy insurance claims and other payment requirements.