Consolidated Solvency Margin Ratio as of September 30, 2015

The following table summarizes the consolidated solvency margin ratio as of September 30, 2015.

(Yen in millions)

	March 31, 2015	September 30, 2015
(A) Total amount of solvency margin	4,508,072	4,420,146
Total net assets	1,122,205	1,180,620
Reserve for price fluctuation	136,738	140,376
Contingency reserve	98,055	95,722
Catastrophe reserve	701,713	758,910
General bad debt reserve	755	632
Net unrealized gains/(losses) on investments in securities (Prior to tax effect deductions)	2,069,729	1,758,785
Net unrealized gains/(losses) on land	(2,571)	4,985
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	40,342	38,915
Excess of policyholders' contract deposits (a)	221,528	288,779
Subordinated debts, etc. (b)	156,191	156,191
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	205,770	193,230
Others	169,152	189,458
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	1,121,543	1,110,461
General insurance risk of non-life insurance contracts (R_1)	239,376	244,665
Insurance risk of life insurance contracts (R_2)	14,951	15,274
Insurance risk of third sector insurance contracts (R_3)	7,583	8,292
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	61,958	61,559
Minimum guarantee risk of life insurance contracts (R_6)	12,488	12,616
Asset management risk (R_7)	768,057	743,837
Business administration risk (R_8)	26,428	26,281
Catastrophe risk of non-life insurance contracts (R_9)	217,029	227,807
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	803.9%	796.0%

(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.

(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.