Consolidated Solvency Margin Ratio as of September 30, 2014

The following table summarizes the consolidated solvency margin ratio as of September 30, 2014.

(Yen in millions)

	March 31, 2014	September 30, 2014
(A) Total amount of solvency margin	3,661,639	4,035,175
Total net assets	1,065,081	1,150,974
Reserve for price fluctuation	67,054	70,275
Contingency reserve	89,035	97,328
Catastrophe reserve	669,563	666,453
General bad debt reserve	1,988	1,960
Net unrealized gains/(losses) on investments in securities (Prior to tax effect deductions)	1,373,265	1,635,097
Net unrealized gains/(losses) on land	(11,742)	(6,275)
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	15,211	15,081
Excess of policyholders' contract deposits (a)	274,287	255,187
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	195,572	198,911
Others	157,274	191,813
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	947,887	1,035,665
General insurance risk of non-life insurance contracts (R_1)	236,715	239,204
Insurance risk of life insurance contracts (R_2)	14,436	14,731
Insurance risk of third sector insurance contracts (R_3)	6,095	6,860
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	58,327	64,064
Minimum guarantee risk of life insurance contracts (R_6)	15,695	13,979
Asset management risk (R_7)	637,440	684,418
Business administration risk (R_8)	22,837	24,658
Catastrophe risk of non-life insurance contracts (R_9)	173,151	209,683
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	772.5%	779.2%

(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.