Consolidated Solvency Margin Ratio as of March 31, 2017

The following table summarizes the consolidated solvency margin ratio as of March 31, 2017

(Yen in millions)

	March 31, 2016	March 31, 2017
(A) Total amount of solvency margin	4,245,473	4,875,444
Total net assets	915,044	1,114,987
Reserve for price fluctuation	161,032	194,960
Contingency reserve	103,541	107,378
Catastrophe reserve	784,613	856,960
General bad debt reserve	663	528
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,660,182	1,691,455
Net unrealized gains/(losses) on land	6,215	18,232
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	(11,429)	(11,817)
Excess of policyholders' contract deposits (a)	312,389	392,649
Subordinated debts, etc. (b)	306,191	456,191
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	178,107	183,210
Others	185,137	237,128
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	1,142,234	1,117,406
General insurance risk of non-life insurance contracts (R_1)	296,894	292,193
Insurance risk of life insurance contracts (R_2)	16,049	16,748
Insurance risk of third sector insurance contracts (R_3)	9,667	11,321
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	66,052	70,008
Minimum guarantee risk of life insurance contracts (R_6)	10,022	9,773
Asset management risk (R_7)	741,515	762,452
Business administration risk (R_8)	27,629	27,146
Catastrophe risk of non-life insurance contracts (R_9)	241,277	194,842
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	743.3%	872.6%

(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.