Consolidated Solvency Margin Ratio as of December 31, 2016

The following table summarizes the consolidated solvency margin ratio as of December 31, 2016.

(Yen in millions)

	March 31, 2016	December 31, 2016
(A) Total amount of solvency margin	4,245,473	4,955,715
Total net assets	915,044	1,170,429
Reserve for price fluctuation	161,032	167,367
Contingency reserve	103,541	105,115
Catastrophe reserve	784,613	840,634
General bad debt reserve	663	498
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,660,182	1,800,595
Net unrealized gains/(losses) on land	6,215	14,784
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	(11,429)	(8,277)
Excess of policyholders' contract deposits (a)	312,389	374,802
Subordinated debts, etc. (b)	306,191	406,191
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	178,107	170,622
Others	185,137	254,198
(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	1,139,661
General insurance risk of non-life insurance contracts (R_1)	296,894	311,560
Insurance risk of life insurance contracts (R_2)	16,049	16,509
Insurance risk of third sector insurance contracts (R_3)	9,667	10,910
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	66,052	68,332
Minimum guarantee risk of life insurance contracts (R_6)	10,022	10,090
Asset management risk (R_7)	741,515	770,893
Business administration risk (R_8)	27,629	27,829
Catastrophe risk of non-life insurance contracts (R_9)	241,277	203,201
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	743.3%	869.6%

(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.
The consolidated solvency margin ratio for December 31, 2016 is calculated by partially applying the simplified method where components are calculated based on the data used for September 30, 2016.

(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.