

Consolidated Solvency Margin Ratio as of June 30, 2013

The following table summarizes the consolidated solvency margin ratio as of June 30, 2013.

(Yen in millions)

	March 31, 2013	June 30, 2013
(A) Total amount of solvency margin	3,314,532	3,441,980
Total net assets	1,042,184	1,098,520
Reserve for price fluctuation	33,953	35,327
Contingency reserve	69,216	69,805
Catastrophe reserve	671,289	651,129
General bad debt reserve	1,732	2,260
Net unrealized gains/(losses) on investments in securities (Prior to tax effect deductions)	1,165,423	1,235,788
Net unrealized gains/(losses) on land	(12,711)	(11,836)
Excess of policyholders' contract deposits (a)	244,849	240,397
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	209,788	210,918
Others	152,192	175,316
(B) Total amount of risks		
$\sqrt{(\sqrt{R_1^2 + R_2^2 + R_3^2 + R_4^2})^2 + (R_5 + R_6 + R_7)^2} + R_8 + R_9$	897,185	909,018
General insurance risk of non-life insurance contracts (R ₁)	233,158	233,524
Insurance risk of life insurance contracts (R ₂)	13,923	13,845
Insurance risk of third sector insurance contracts (R ₃)	4,929	4,949
Insurance risk relating to small amount and short term insurance provider (R ₄)	-	-
Assumed interest rate risk (R ₅)	48,964	47,205
Minimum guarantee risk of life insurance contracts (R ₆)	23,319	21,679
Asset management risk (R ₇)	592,148	618,488
Business administration risk (R ₈)	21,719	21,980
Catastrophe risk of non-life insurance contracts (R ₉)	169,524	159,337
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	738.8%	757.2%

(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.

The consolidated solvency margin ratio for June 30, 2013 is calculated by partially applying the simplified method where components are calculated based on the data used for March 31, 2013.

(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.