Consolidated Solvency Margin Ratio as of March 31, 2022

The following table summarizes the consolidated solvency margin ratio as of March 31, 2022.

(Yen in millions)

	March 31, 2021	March 31, 2022
(A) Total amount of solvency margin	5,827,727	5,778,630
Total net assets	1,393,233	1,481,474
Reserve for price fluctuation	244,975	266,381
Contingency reserve	121,972	120,841
Catastrophe reserve	912,793	986,270
General bad debt reserve	364	298
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	2,026,382	1,947,680
Net unrealized gains/(losses) on land	55,881	49,696
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	5,982	2,596
Excess of policyholders' contract deposits (a)	328,788	353,750
Subordinated debts, etc. (b)	691,493	510,902
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	1
Deductions	267,090	288,034
Others	312,951	346,769
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	1,272,348	1,347,114
General insurance risk of non-life insurance contracts (R_1)	330,809	337,139
Insurance risk of life insurance contracts (R_2)	19,277	19,284
Insurance risk of third sector insurance contracts (R_3)	17,636	18,278
Insurance risk relating to small amount and short term insurance provider (R_4)	-	11
Assumed interest rate risk (R_5)	58,638	49,312
Minimum guarantee risk of life insurance contracts (R_6)	6,727	6,025
Asset management risk (R_7)	924,726	966,103
Business administration risk (R_8)	30,987	32,579
Catastrophe risk of non-life insurance contracts (R_9)	191,555	232,839
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	916.0%	857.9%

(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.