Consolidated Solvency Margin Ratio as of June 30, 2023

The following table summarizes the consolidated solvency margin ratio as of June 30, 2023.

(Yen in millions)

	March 31, 2023	June 30, 2023
(A) Total amount of solvency margin	5,234,013	5,954,670
Total net assets	1,468,398	1,660,810
Reserve for price fluctuation	277,998	281,043
Contingency reserve	129,448	136,814
Catastrophe reserve	944,831	931,675
General bad debt reserve	550	575
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,507,783	1,973,834
Net unrealized gains/(losses) on land	35,607	35,966
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	(12,897)	(12,800)
Excess of policyholders' contract deposits (a)	383,361	399,567
Subordinated debts, etc. (b)	460,902	460,902
Amount excluded from the margin, out of (a) and (b)	-	-
Net unrealized gains/(losses) on policy liabilities for foreign subsidiaries, etc.	-	9,080
Total margin relating to small amount and short term insurance provider	16	16
Deductions	324,190	328,910
Others	362,201	406,094
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	1,345,950	1,481,891
General insurance risk of non-life insurance contracts (R_1)	383,219	384,328
Insurance risk of life insurance contracts (R_2)	19,259	19,193
Insurance risk of third sector insurance contracts (R_3)	18,720	18,680
Insurance risk relating to small amount and short term insurance provider (R_4)	78	78
Assumed interest rate risk (R_5)	56,250	61,555
Minimum guarantee risk of life insurance contracts (R_6)	4,612	4,983
Asset management risk (R_7)	971,894	1,071,203
Business administration risk (R_8)	33,167	35,974
Catastrophe risk of non-life insurance contracts (R_9)	204,362	238,720
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	777.7%	803.6%

(Notes) 1. 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, 2023 is calculated by partially applying the simplified method where components are calculated based on the data used for March 31, 2023.
2. Overseas consolidated subsidiaries and overseas equity method associates have applied International Financial Reporting Standards (IFRS) 17 "Insurance Contract" from the beginning of the period for the three months ended June 30, 2023, since these entities have been already adopted IFRS. Therefore, in terms of transition to IFRS 17, consolidated financial statements for the year ended March 31, 2023 were retrospectively restated. However, the consolidated solvency margin ratio for the year ended March 31, 2023 in the above, which is not retrospectively restated.

(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.