Consolidated Solvency Margin Ratio as of September 30, 2023

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

(Yen in millions)

	March 31, 2023	September 30, 2023
(A) Total amount of solvency margin	5,234,013	5,796,940
Total net assets	1,468,398	1,569,110
Reserve for price fluctuation	277,998	284,144
Contingency reserve	129,448	144,235
Catastrophe reserve	944,831	945,143
General bad debt reserve	550	593
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,507,783	1,918,378
Net unrealized gains/(losses) on land	35,607	41,396
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	(12,897)	(12,643)
Excess of policyholders' contract deposits (a)	383,361	406,849
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.	-	7,177
Total margin relating to small amount and short term insurance provider	16	30
Deductions	324,190	341,651
Others	362,201	373,272
(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	1,541,585
General insurance risk of non-life insurance contracts (R_1)	383,219	401,026
Insurance risk of life insurance contracts (R_2)	19,259	19,063
Insurance risk of third sector insurance contracts (R_3)	18,720	19,064
Insurance risk relating to small amount and short term insurance provider (R_4)	78	127
Assumed interest rate risk (R_5)	56,250	67,944
Minimum guarantee risk of life insurance contracts (R_6)	4,612	4,725
Asset management risk (R_7)	971,894	1,108,602
Business administration risk (R_8)	33,167	37,415
Catastrophe risk of non-life insurance contracts (R_9)	204,362	250,227
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	777.7%	752.0%

(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.

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 six months ended September 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.