Consolidated Solvency Margin Ratio as of June 30, 2018

The following table summarizes the consolidated solvency margin ratio as of June 30, 2018

(Yen in millions)

	March 31, 2018	June 30, 2018
(A) Total amount of solvency margin	5,067,184	5,325,758
Total net assets	1,044,964	1,149,710
Reserve for price fluctuation	152,928	161,907
Contingency reserve	109,235	111,772
Catastrophe reserve	902,216	925,712
General bad debt reserve	408	350
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,848,672	1,883,888
Net unrealized gains/(losses) on land	27,078	27,260
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	212	579
Excess of policyholders' contract deposits (a)	426,826	443,530
Subordinated debts, etc. (b)	553,791	553,791
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	266,893	235,428
Others	267,743	302,684
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	1,236,932	1,242,467
General insurance risk of non-life insurance contracts (R_1)	308,817	309,866
Insurance risk of life insurance contracts (R_2)	17,631	17,964
Insurance risk of third sector insurance contracts (R_3)	11,662	11,990
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	71,979	73,819
Minimum guarantee risk of life insurance contracts (R_6)	8,751	8,737
Asset management risk (R_7)	879,774	875,946
Business administration risk (R_8)	29,859	29,990
Catastrophe risk of non-life insurance contracts (R_9)	194,353	201,211
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	819.3%	857.2%

(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, 2018 is calculated by partially applying the simplified method where components are calculated based on the data used for March 31, 2018.

(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.