Consolidated Solvency Margin Ratio as of December 31, 2018

The following table summarizes the consolidated solvency margin ratio as of December 31, 2018.

(Yen in millions)

	March 31, 2018	December 31, 2018
(A) Total amount of solvency margin	5,067,184	4,855,602
Total net assets	1,044,964	1,212,934
Reserve for price fluctuation	152,928	157,985
Contingency reserve	109,235	115,565
Catastrophe reserve	902,216	806,691
General bad debt reserve	408	747
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	1,848,672	1,473,096
Net unrealized gains/(losses) on land	27,078	27,738
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	212	1,191
Excess of policyholders' contract deposits (a)	426,826	419,499
Subordinated debts, etc. (b)	553,791	549,391
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	266,893	243,533
Others	267,743	334,295
(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	1,194,741
General insurance risk of non-life insurance contracts (R_1)	308,817	313,714
Insurance risk of life insurance contracts (R_2)	17,631	18,419
Insurance risk of third sector insurance contracts (R_3)	11,662	12,640
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	71,979	79,180
Minimum guarantee risk of life insurance contracts (R_6)	8,751	7,898
Asset management risk (R_7)	879,774	815,587
Business administration risk (R_8)	29,859	29,061
Catastrophe risk of non-life insurance contracts (R_9)	194,353	205,643
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	819.3%	812.8%

(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 December 31, 2018 is calculated by partially applying the simplified method where components are calculated based on the data used for September 30, 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.