

Consolidated Solvency Margin Ratio as of December 31, 2014

The following table summarizes the consolidated solvency margin ratio as of December 31, 2014.

(Yen in millions)

	March 31, 2014	December 31, 2014
(A) Total amount of solvency margin	3,661,639	4,420,551
Total net assets	1,065,081	1,249,522
Reserve for price fluctuation	67,054	71,998
Contingency reserve	89,035	96,991
Catastrophe reserve	669,563	664,953
General bad debt reserve	1,988	1,657
Net unrealized gains/(losses) on investments in securities (Prior to tax effect deductions)	1,373,265	1,907,532
Net unrealized gains/(losses) on land	(11,742)	(6,504)
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	15,211	14,970
Excess of policyholders' contract deposits (a)	274,287	230,880
Subordinated debts, etc. (b)	156,191	156,191
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	195,572	205,319
Others	157,274	237,677
(B) Total amount of risks	947,887	1,081,737
$\sqrt{R_1^2 + R_2^2 + R_3^2 + R_4^2} + (R_5 + R_6 + R_7)^2 + R_8 + R_9$		
General insurance risk of non-life insurance contracts (R ₁)	236,715	240,472
Insurance risk of life insurance contracts (R ₂)	14,436	14,831
Insurance risk of third sector insurance contracts (R ₃)	6,095	7,212
Insurance risk relating to small amount and short term insurance provider (R ₄)	-	-
Assumed interest rate risk (R ₅)	58,327	63,283
Minimum guarantee risk of life insurance contracts (R ₆)	15,695	13,093
Asset management risk (R ₇)	637,440	731,375
Business administration risk (R ₈)	22,837	25,627
Catastrophe risk of non-life insurance contracts (R ₉)	173,151	211,101
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	772.5%	817.3%

(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, 2014 is calculated by partially applying the simplified method where components are calculated based on the data used for September 30, 2014.

(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.