Consolidated Solvency Margin Ratio as of March 31, 2016

The following table summarizes the consolidated solvency margin ratio as of March 31, 2016

(Yen in millions)

	March 31, 2015	March 31, 2016
(A) Total amount of solvency margin	4,508,072	4,245,473
Total net assets	1,122,205	915,044
Reserve for price fluctuation	136,738	161,032
Contingency reserve	98,055	103,541
Catastrophe reserve	701,713	784,613
General bad debt reserve	755	663
Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (Prior to tax effect deductions)	2,069,729	1,660,182
Net unrealized gains/(losses) on land	(2,571)	6,215
Total amount of unrecognized actuarial gains/(losses) and unrecognized past service costs (Prior to tax effect deductions)	40,342	(11,429)
Excess of policyholders' contract deposits (a)	221,528	312,389
Subordinated debts, etc. (b)	156,191	306,191
Amount excluded from the margin, out of (a) and (b)	-	-
Total margin relating to small amount and short term insurance provider	-	-
Deductions	205,770	178,107
Others	169,152	185,137
(B) Total amount of risks $\sqrt{\left(\sqrt{R_1^2+R_2^2}+R_3+R_4\right)^2+\left(R_5+R_6+R_7\right)^2}+R_8+R_9$	1,121,543	1,142,234
General insurance risk of non-life insurance contracts (R_1)	239,376	296,894
Insurance risk of life insurance contracts (R_2)	14,951	16,049
Insurance risk of third sector insurance contracts (R_3)	7,583	9,667
Insurance risk relating to small amount and short term insurance provider (R_4)	-	-
Assumed interest rate risk (R_5)	61,958	66,052
Minimum guarantee risk of life insurance contracts (R_6)	12,488	10,022
Asset management risk (R_7)	768,057	741,515
Business administration risk (R_8)	26,428	27,629
Catastrophe risk of non-life insurance contracts (R_9)	217,029	241,277
(C) Consolidated solvency margin ratio [(A)/{(B)×1/2}]×100	803.9%	743.3%

(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.

(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.

Since the consolidated solvency margin ratio as of March 31, 2015 was calculated based on the previous method which is before amendments under Cabinet Office Ordinance No. 16 in 2016 and Public Notice No. 10 issued by the Financial Services Agency in 2016, "Net unrealized gains/(losses) on investments in securities and net deferred gains/(losses) on hedges (prior to tax effect deductions)" in "(A) Total amount of solvency margin" represents the amount of net unrealized gains/(losses) on investments in securities (prior to tax effect deductions).