

May 24, 2013

SUMITOMO LIFE INSURANCE COMPANY

Disclosure of European Embedded Value (summary) as of March 31, 2013

This is the summarized translation of the European Embedded Value (“EEV”) of Sumitomo Life Insurance Company (hereinafter “Sumitomo Life”) and Medicare Life Insurance Co. (hereinafter “Medicare Life”) (collectively, the “Group”) as of March 31, 2013.

Sumitomo Life and Medicare Life have adopted EEV Principles and related guidance issued by the European CFO Forum, while also taking into account a market-consistent approach, in calculating its Embedded Value.

As a mutual life insurance company, Sumitomo Life regarded the surplus after policyholder dividends as the value attributable to the company in calculating its EEV. Also, foundation funds, classified as net assets in the statutory financial report, were classified as liabilities in the calculation of EEV.

1. EEV Results

a. EEV Results of the Group

(1) EEV Results

(billions of yen)

	March 31, 2012	March 31, 2013	Increase (Decrease)
EEV	2,318.5	2,662.2	343.7
Adjusted net worth	1,313.4	2,146.2	832.8
Value of in-force business	1,005.0	515.9	(489.0)

(billions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase (Decrease)
Value of new business	177.7	197.9	20.2

(Note1) The Group's EEV is calculated as follows: Sumitomo Life's EEV plus Medicare Life's EEV attributable to Sumitomo Life's equity stake in Medicare Life less Sumitomo Life's carrying amount of equity of Medicare Life.

(Note2) Sumitomo Life held 80% of the shares of Medicare Life as of March 31, 2013.

(Note3) Sumitomo Life's carrying amount of Medicare Life's equity was ¥20.0 billion as of March 31, 2013.

(Note4) As Medicare Life's EEV has been calculated since the fiscal year ended March 31, 2013, for the calculation of Group's EEV as of March 31, 2012 the fair value of Medicare Life stocks was calculated without using EEV figures and the unrealized losses of ¥2.6 billion were included in the Group's adjusted net worth. Group's EEV as of March 31, 2013 includes Medicare Life's EEV.

(Note5) Group's value of new business for the fiscal year ended March 31, 2013 includes Medicare Life's value of new business. Group's value of new business for the fiscal year ended March 31, 2012 does not include Medicare Life's value of new business.

(2) Adjusted Net Worth

(billions of yen)

	March 31, 2012	March 31, 2013	Increase (Decrease)
Adjusted net worth	1,313.4	2,146.2	832.8
Total net assets on the balance sheets(Note1)	492.6	558.1	65.4
Retained earnings in liabilities (after tax)	298.6	341.0	42.4
Unrealized gains (losses) on securities and miscellaneous items (after tax)	532.6	1,260.8	728.1
Unrealized gains (losses) on loans (after tax)	95.8	97.5	1.7
Unrealized gains (losses) on real estate (after tax)	(44.9)	(52.6)	(7.6)
Unrealized gains (losses) on liabilities (after tax)	(11.9)	(8.6)	3.3
Unfunded retirement benefit obligation (after tax)	(49.3)	(26.1)	23.2
Consolidation adjustment regarding Medicare Life(Note2)	—	(20.0)	(20.0)
Minority interest in Medicare Life's adjusted net worth	—	(3.9)	(3.9)

(Note1) Foundation funds, the total amount of valuation adjustments, and expected distributions from capital are excluded.

(Note2) Sumitomo Life's carrying amount of equity of Medicare Life, which is reported in "Total net assets on the balance sheets", is deducted to offset.

(3) Reconciliation of total net assets to adjusted net worth

(billions of yen)

	March 31, 2012	March 31, 2013	Increase (Decrease)
Total net assets on the consolidated balance sheets (Note)	496.6	544.1	47.5
<i>PLUS</i> Retained earnings in liabilities (after tax)	298.6	341.0	42.4
<i>PLUS</i> Unrealized gains (losses) (after tax)	567.6	1,291.1	723.4
<i>PLUS</i> Unfunded retirement benefit obligation (after tax)	(49.3)	(26.1)	23.2
<i>PLUS</i> Minority interest in Medicare Life's adjusted net worth	—	(3.9)	(3.9)
<i>LESS</i> Book value of businesses not covered	—	—	—
Adjusted net worth	1,313.4	2,146.2	832.8

(Note) Foundation funds, the total amount of valuation adjustments, and expected distributions from capital are excluded.

(4) Value of In-force Business (VIF)

(billions of yen)

	March 31, 2012	March 31, 2013	Increase (Decrease)
Value of in-force business	1,005.0	515.9	(489.0)
Certainty equivalent present value of future profits	1,388.8	897.8	(491.0)
Time value of financial options and guarantees	(150.8)	(138.0)	12.7
Cost of holding required capital	(69.8)	(56.4)	13.4
Cost of non-hedgeable risks	(163.0)	(187.3)	(24.2)

(5) Value of New Business

(billions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase (Decrease)
Value of new business	177.7	197.9	20.2
Certainty equivalent present value of future profits	200.7	221.3	20.6
Time value of financial options and guarantees	(6.5)	(5.2)	1.3
Cost of holding required capital	(4.9)	(4.1)	0.7
Cost of non-hedgeable risks	(11.5)	(13.9)	(2.4)

(Note) Group's value of new business for the fiscal year ended March 31, 2012 does not include Medicare Life's value of new business.

The new business margin (the ratio of the value of new business to the present value of premium income) is as follows:

(billions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase (Decrease)
Value of new business (a)	177.7	197.9	20.2
Present value of premium income (b) (Note)	1,897.3	2,537.7	640.4
New business Margin (a) ÷ (b)	9.4 %	7.8 %	▲1.6pt.

(Note) Future premium income is discounted by the risk-free rate used for the calculation of the value of new business.

b. EEV Results by company

(1) Sumitomo Life

(billions of yen)

	March 31, 2012	March 31, 2013	Increase (Decrease)
EEV(Notes 1)	2,318.5	2,647.5	329.0
Adjusted net worth	1,313.4	2,150.4	836.9
Total net assets on the balance sheets(Notes 2)	492.6	544.2	51.5
Retained earnings in liabilities (after tax)	298.6	340.7	42.1
Unrealized gains (losses) on securities and miscellaneous items (after tax)	532.6	1,255.2	722.6
Unrealized gains (losses) on loans (after tax)	95.8	97.5	1.7
Unrealized gains (losses) on real estate (after tax)	(44.9)	(52.6)	(7.6)
Unrealized gains (losses) on liabilities (after tax)	(11.9)	(8.6)	3.3
Unfunded retirement benefit obligation (after tax)	(49.3)	(26.1)	23.2
Value of in-force business	1,005.0	497.0	(507.9)
Certainty equivalent present value of future profits	1,388.8	873.7	(515.0)
Time value of financial options and guarantees	(150.8)	(137.3)	13.4
Cost of holding required capital	(69.8)	(56.1)	13.7
Cost of non-hedgeable risks	(163.0)	(183.1)	(20.0)

(billions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase (Decrease)
Value of new business	177.7	186.5	8.8
Certainty equivalent present value of future profits	200.7	206.8	6.0
Time value of financial options and guarantees	(6.5)	(5.1)	1.3
Cost of holding required capital	(4.9)	(3.9)	0.9
Cost of non-hedgeable risks	(11.5)	(11.1)	0.4

(Note1) Sumitomo Life's share of Medicare Life for the calculation as of March 31, 2013 is valued on a book value basis. The EEV of the Group is adjusted for consolidation.

(Note2) Foundation funds, the total amount of valuation adjustments, and expected distributions from capital are excluded.

The new business margin (the ratio of the value of new business to the present value of premium income) is as follows:

(billions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase (Decrease)
Value of new business (a)	177.7	186.5	8.8
Present value of premium income (b) (Note)	1,897.3	2,451.8	554.5
New business Margin (a) ÷ (b)	9.4 %	7.6 %	▲1.8pt.

(Note) Future premium income is discounted by the risk-free rate used for the calculation of the value of new business.

(2) Medicare Life

(billions of yen)

	March 31, 2012(Note3)	March 31, 2013	Increase (Decrease)
EEV(Note1)	28.9	43.4	14.4
Adjusted net worth	20.8	19.7	(1.0)
Total net assets on the balance sheets(Note2)	19.6	13.9	(5.6)
Retained earnings in liabilities (after tax)	0.0	0.3	0.2
Unrealized gains (losses) on securities and miscellaneous items (after tax)	1.1	5.5	4.3
Unrealized gains (losses) on loans (after tax)	—	—	—
Unrealized gains (losses) on real estate (after tax)	—	—	—
Unrealized gains (losses) on liabilities (after tax)	—	—	—
Unfunded retirement benefit obligation (after tax)	—	—	—
Value of in-force business	8.1	23.6	15.5
Certainty equivalent present value of future profits	9.5	30.0	20.5
Time value of financial options and guarantees	(0.1)	(0.8)	(0.7)
Cost of holding required capital	(0.1)	(0.3)	(0.1)
Cost of non-hedgeable risks	(1.1)	(5.2)	(4.1)

(billions of yen)

	Year ended March 31, 2013
Value of new business	14.2
Certainty equivalent present value of future profits	18.1
Time value of financial options and guarantees	(0.0)
Cost of holding required capital	(0.2)
Cost of non-hedgeable risks	(3.5)

(Note1) This table shows the full value of Medicare Life as an independent entity. When used in the calculation of Group's EEV as of March 31, 2013, the value is in proportion to Sumitomo Life's shareholding in Medicare life (80%).

(Note2) The total amount of valuation adjustments is excluded.

(Note3) EEV as of March 31, 2012 is calculated retroactively based on EEV Principles and shown for reference, although Medicare Life's EEV has only been included since the fiscal year ended March 31, 2013.

The new business margin (the ratio of the value of new business to the present value of premium income) is as follows:

(billions of yen)

	Year ended March 31, 2013
Value of new business (a)	14.2
Present value of premium income (b) (Note)	107.4
New business Margin (a) ÷ (b)	13.3 %

(Note) Future premium income is discounted by the risk-free rate used for the calculation of the value of new business.

2. Statement of changes in EEV

a. Statement of changes in EEV of the Group

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2012	1,313.4	1,005.0	2,318.5
Adjustments to the values as of March 31,2012 (Note)	(0.6)	6.5	5.8
Adjusted values as of March 31,2012	1,312.7	1,011.5	2,324.3
Value of new business	—	197.9	197.9
Expected existing business contribution (at the risk-free rate)	0.9	15.0	16.0
Expected existing business contribution (in excess of risk-free rate)	15.5	196.7	212.2
Expected transfer from VIF to adjusted net worth in-force at beginning of year	80.3	(80.3)	—
new business	204.4	(204.4)	—
	(124.1)	124.1	—
Non-economic experience variances	(34.3)	33.5	(0.8)
Non-economic assumptions changes	—	17.5	17.5
Economic variances	771.0	(876.1)	(105.1)
Values as of March 31, 2013	2,146.2	515.9	2,662.2

(Note) The value of Medicare Life is adjusted, to take account of the retroactive calculation of the EEV as of March 31, 2012.

b. Statement of changes in EEV by Company

(1) Sumitomo Life

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2012	1,313.4	1,005.0	2,318.5
Adjustments to the values as of March 31,2012	2.6	—	2.6
Adjusted values as of March 31,2012	1,316.1	1,005.0	2,321.1
Value of new business	—	186.5	186.5
Expected existing business contribution (at the risk-free rate)	0.9	15.0	15.9
Expected existing business contribution (in excess of risk-free rate)	15.3	196.1	211.4
Expected transfer from VIF to adjusted net worth in-force at beginning of year	85.0	(85.0)	—
new business	204.2	(204.2)	—
	(119.2)	119.2	—
Non-economic experience variances	(34.4)	33.2	(1.2)
Non-economic assumptions changes	—	16.8	16.8
Economic variances	767.4	(870.7)	(103.2)
Values as of March 31, 2013	2,150.4	497.0	2,647.5

(2) Medicare Life

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2012	20.8	8.1	28.9
Value of new business	—	14.2	14.2
Expected existing business contribution (at the risk-free rate)	0.0	0.0	0.1
Expected existing business contribution (in excess of risk-free rate)	0.1	0.7	0.9
Expected transfer from VIF to adjusted net worth in-force at beginning of year	(5.8)	5.8	—
new business	0.1	(0.1)	—
Non-economic experience variances	(6.0)	6.0	—
Non-economic assumptions changes	0.1	0.3	0.5
Economic variances	—	0.8	0.8
	4.4	(6.7)	(2.2)
Values as of March 31, 2013	19.7	23.6	43.4

(Note) EEV as of March 31, 2012 is calculated retroactively based on EEV Principles and shown for reference, although Medicare Life's EEV has only been included since the fiscal year ended March 31, 2013.

3. Sensitivity Analysis

a. Sensitivity Analysis of EEV of the Group

(billions of yen)

	EEV	Increase (Decrease)
EEV as of March 31, 2013	2,662.2	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	2,947.9	285.6
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	2,329.4	(332.8)
Sensitivity 3: 10% decline in equity and real estate values	2,531.4	(130.8)
Sensitivity 4: 10% decline in maintenance expenses	2,749.5	87.2
Sensitivity 5: 10% decline in surrender and lapse rates	2,809.5	147.2
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	2,850.2	187.9
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	2,658.0	(4.2)
Sensitivity 8: Setting required capital at statutory minimum level	2,691.0	28.8
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	2,654.8	(7.3)
Sensitivity 10: 25% increase in implied volatilities of swaptions	2,618.5	(43.7)

Only the value of in-force business is affected in sensitivities 4 through 10.

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth.

(billions of yen)

	Increase (Decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(618.6)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	467.4
Sensitivity 3: 10% decline in equity and real estate values	(123.5)

Sensitivity analysis of the Group's value of new business

(billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the fiscal year ended March 31, 2013	197.9	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	253.3	55.4
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	141.6	(56.3)
Sensitivity 3: 10% decline in equity and real estate values	197.9	(0.0)
Sensitivity 4: 10% decline in maintenance expenses	203.8	5.8
Sensitivity 5: 10% decline in surrender and lapse rates	216.8	18.8
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	206.5	8.5
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	197.7	(0.2)
Sensitivity 8: Setting required capital at statutory minimum level	200.1	2.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	197.9	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	196.2	(1.7)

b. Sensitivity Analysis of EEV by Company

(1) Sumitomo Life

(billions of yen)

	EEV	Increase (Decrease)
EEV as of March 31, 2013	2,647.5	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	2,932.9	285.4
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	2,315.6	(331.8)
Sensitivity 3: 10% decline in equity and real estate values	2,516.7	(130.8)
Sensitivity 4: 10% decline in maintenance expenses	2,734.2	86.7
Sensitivity 5: 10% decline in surrender and lapse rates	2,794.6	147.0
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	2,834.2	186.7
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	2,643.2	(4.2)
Sensitivity 8: Setting required capital at statutory minimum level	2,676.2	28.6
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	2,640.1	(7.3)
Sensitivity 10: 25% increase in implied volatilities of swaptions	2,603.9	(43.5)

Only the value of in-force business is affected in sensitivities 4 through 10.

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth.

(billions of yen)

	Increase (Decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(613.9)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	463.8
Sensitivity 3: 10% decline in equity and real estate values	(123.5)

Sensitivity analysis of the value of new business

(billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the fiscal year ended March 31, 2013	186.5	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	240.0	53.4
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	132.3	(54.2)
Sensitivity 3: 10% decline in equity and real estate values	186.5	(0.0)
Sensitivity 4: 10% decline in maintenance expenses	192.0	5.4
Sensitivity 5: 10% decline in surrender and lapse rates	205.2	18.6
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	194.2	7.6
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	186.3	(0.2)
Sensitivity 8: Setting required capital at statutory minimum level	188.6	2.0
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	186.5	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	184.8	(1.7)

(2) Medicare Life

(billions of yen)

	EEV	Increase (Decrease)
EEV as of March 31, 2013	43.4	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	43.7	0.3
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	42.1	(1.2)
Sensitivity 3: 10% decline in equity and real estate values	43.4	—
Sensitivity 4: 10% decline in maintenance expenses	44.0	0.6
Sensitivity 5: 10% decline in surrender and lapse rates	43.6	0.2
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	44.9	1.5
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	43.4	—
Sensitivity 8: Setting required capital at statutory minimum level	43.5	0.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	43.4	—
Sensitivity 10: 25% increase in implied volatilities of swaptions	43.1	(0.2)

Only the value of in-force business is affected in sensitivities 4 through 10.

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth.

(billions of yen)

	Increase (Decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(5.7)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	4.4
Sensitivity 3: 10% decline in equity and real estate values	—

Sensitivity analysis of the value of new business

(billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the fiscal year ended March 31, 2013	14.2	—
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	16.6	2.4
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	11.6	(2.6)
Sensitivity 3: 10% decline in equity and real estate values	14.2	—
Sensitivity 4: 10% decline in maintenance expenses	14.7	0.4
Sensitivity 5: 10% decline in surrender and lapse rates	14.5	0.2
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	15.3	1.1
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	14.2	—
Sensitivity 8: Setting required capital at statutory minimum level	14.3	0.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	14.2	—
Sensitivity 10: 25% increase in implied volatilities of swaptions	14.1	(0.0)

4. Note

The calculation of EEV requires numerous assumptions regarding future projections that are subject to risks and uncertainties. Future results may differ from those assumptions used in the calculation of EEV.

Appendix: Principal EEV Assumptions

1. Economic assumptions

a. Risk-free rate

In the certainty equivalent calculation and the interest rate model calibration, Japanese Government Bonds (JGBs) are used as a proxy for risk-free rates.

Given the poor liquidity of ultra-long JGBs, we have extrapolated risk-free rates for tenors greater than 30 years with reference to the shape of the Japanese swap rates as the observable market rates.

The table below shows, for selected tenors, the risk-free rates (spot rates) which are used in the calculations.

Tenor	March 31, 2012	March 31, 2013
1 year	0.104%	0.069%
2 years	0.123%	0.049%
3 years	0.173%	0.076%
4 years	0.250%	0.102%
5 years	0.332%	0.148%
10 years	1.050%	0.557%
15 years	1.600%	1.112%
20 years	1.914%	1.566%
25 years	1.998%	1.631%
30 years	2.106%	1.678%
35 years	2.200%	1.746%
40 years	2.271%	1.830%
45 years	2.327%	1.908%
50 years	2.375%	1.970%

(Source: Bloomberg (interpolated/extrapolated))

b. Principal dynamic assumption

(1) Interest rate model

As an interest rate model, Sumitomo Life has adopted a single-factor Hull-White model, in which interest rates associated with Japanese yen, U.S. dollars, Euros and British pounds are calculated. The model has been adjusted to be in line with a risk-neutral approach in which Japanese yen is set as a base currency, and correlations between the interest rates have also been taken into account. The interest rate model has been calibrated to be consistent with the market environment as of each reporting date, and parameters used are estimated from the yield curve and implied volatilities of interest rate swaptions with various maturities. 5,000 scenarios are used in calculating the time value of financial options and guarantees through the stochastic method.

A summary of implied volatilities of interest rate swaptions used to calibrate the scenarios is as follows:

Interest rate swaptions implied volatilities

		March 31, 2012				March 31, 2013			
Option Tenor	Swap Tenor	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 years	5 years	34.8%	30.3%	27.5%	25.1%	45.0%	30.0%	28.7%	27.6%
5 years	7 years	31.7%	29.0%	26.5%	23.1%	38.0%	27.8%	27.1%	23.4%
5 years	10 years	29.4%	28.0%	25.8%	21.4%	30.9%	25.9%	25.7%	21.6%
7 years	5 years	30.1%	27.3%	24.4%	20.1%	35.9%	26.2%	24.9%	20.9%
7 years	7 years	29.5%	26.6%	24.1%	19.3%	31.2%	25.1%	24.3%	20.0%
7 years	10 years	27.1%	26.5%	24.4%	19.0%	27.3%	24.2%	24.1%	19.1%
10 years	5 years	26.8%	24.9%	22.5%	17.4%	27.0%	22.8%	22.1%	18.7%
10 years	7 years	26.3%	24.9%	23.1%	17.5%	25.3%	23.3%	22.2%	17.4%
10 years	10 years	26.2%	24.2%	24.2%	17.1%	23.6%	22.3%	22.8%	18.3%

(Source: Bloomberg)

(2) Implied volatilities of equities and currencies

Volatilities of major equity indices and currencies are calibrated based on implied volatilities of options traded in the market. Implied volatilities used to calibrate the scenarios are as follows:

Stock options

Currency	Underlying Asset	Option Tenor	Volatility	
			March 31, 2012	March 31, 2013
JPY	Nikkei225	3 years	21.4%	19.3%
		4 years	21.9%	19.7%
		5 years	22.5%	20.3%
USD	S&P 500	3 years	22.5%	19.7%
		4 years	23.4%	20.8%
		5 years	24.2%	21.6%
EUR	Euro Stoxx50	3 years	24.7%	21.7%
		4 years	25.1%	22.0%
		5 years	25.3%	22.2%
GBP	FTSE 100	3 years	22.2%	18.1%
		4 years	23.2%	19.2%
		5 years	24.1%	20.2%

(Source: several investment banks)

Currency options

Currency	Option Tenor	Volatility	
		March 31, 2012	March 31, 2013
USD	5 years	15.0%	12.9%
EUR	5 years	17.7%	14.9%
GBP	5 years	16.6%	12.8%

(Source: Bloomberg)

(3) Correlations

In addition to the implied volatilities described above, each company has calculated implied volatilities reflecting its asset portfolio and correlation factors. The share of each asset is assumed to be unchanged over the projection periods.

With regard to correlation factors, market-consistent data from exotic options with sufficient liquidity have not been observed in the market. Therefore, Sumitomo Life estimated correlation factors based on historical market data. Specifically, the monthly data from March 31, 2003 to March 31, 2013 have been used. The following table shows correlation factors between major variables.

	1year Rate /JPY	1year Rate /USD	1year Rate /EUR	1year Rate /GBP	USD/JPY	EUR/JPY	GBP/JPY	NIKKEI 225	S&P 500	Euro Stoxx50	FTSE 100
1year Rate /JPY	1.00	0.45	0.41	0.44	0.17	0.07	0.20	0.38	0.18	0.20	0.16
1year Rate /USD	0.45	1.00	0.72	0.70	0.51	0.24	0.40	0.37	0.28	0.38	0.33
1year Rate /EUR	0.41	0.72	1.00	0.74	0.34	0.40	0.43	0.32	0.39	0.44	0.38
1year Rate /GBP	0.44	0.70	0.74	1.00	0.34	0.21	0.41	0.30	0.29	0.30	0.27
USD/JPY	0.17	0.51	0.34	0.34	1.00	0.58	0.69	0.49	0.19	0.27	0.24
EUR/JPY	0.07	0.24	0.40	0.21	0.58	1.00	0.79	0.59	0.56	0.50	0.51
GBP/JPY	0.20	0.40	0.43	0.41	0.69	0.79	1.00	0.56	0.45	0.42	0.34
NIKKEI 225	0.38	0.37	0.32	0.30	0.49	0.59	0.56	1.00	0.70	0.68	0.69
S&P 500	0.18	0.28	0.39	0.29	0.19	0.56	0.45	0.70	1.00	0.86	0.87
Euro Stoxx50	0.20	0.38	0.44	0.30	0.27	0.50	0.42	0.68	0.86	1.00	0.88
FTSE 100	0.16	0.33	0.38	0.27	0.24	0.51	0.34	0.69	0.87	0.88	1.00

(Source: Bloomberg)

c. Assumed investment yield used for the calculation of expected returns

Assumed investment yields on major asset categories used for the calculation of “Expected existing business contribution” in “2. Statement of changes in EEV” are as follows. For Sumitomo Life, the weighted-average assumed investment yield is 1.8% and for Medicare Life, 1.2%.

	Assumed investment yield
Fixed income assets	1.2%
Foreign bonds	3.1%
Stocks	6.1%

2. Non-economic assumptions

All cash flows (premiums, operating expenses, benefits and claims, cash surrender value, tax, etc.) are projected applying the best estimate assumptions, by product, referring to past, current and expected future experience.

a. Operating expenses

Operating expenses are set based on the experience of each company. The look-through basis is applied in terms of operating expenses of insurance business.

For Medicare Life, operating expenses are assumed to decrease for a certain period of time, because it has operated for only a short period of time and the improvement of operating efficiency is expected in the future. Therefore, the assumption for operating expenses incorporates recent developments, and decrease of unit-cost (by 10% per annum on average) until the fiscal year ending March 31, 2020 is assumed.

Future inflation rates are assumed to be zero.

Increases in consumption tax in future years are assumed due to revision of the consumption tax system.

b. Policyholder dividends

(1) Sumitomo Life

Policyholder dividend rates are based on the current dividend policy, and set according to market-consistent, risk-neutral scenarios.

(2) Medicare Life

No assumption of policyholder dividend rate is set, as it sells only non-participating policies.

c. Effective tax rate

In the projection of future profits, effective tax rate is set at the following rates, reflecting the change in corporate tax rates.

(1) Sumitomo Life

33.28% for the fiscal years ending March 31, 2013, 2014, and 2015

30.73% for the fiscal year ending March 31, 2016, and each fiscal year thereafter

(2) Medicare Life

33.33% for the fiscal years ending March 31, 2013, 2014, and 2015

30.78% for the fiscal year ending March 31, 2016, and each fiscal year thereafter