

Disclosure of European Embedded Value (summary) as of March 31, 2015

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, 2015.

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 31,2014	March 31,2015	Increase (Decrease)
EEV	3,146.6	3,651.7	505.0
Adjusted net worth	2,273.9	3,334.8	1,060.8
Value of in-force business	872.6	316.8	(555.8)

(billions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015	Increase (Decrease)
Value of new business	166.4	154.0	(12.4)

(Note1) The EEV of the Group 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 90.9% and 100% of the shares of Medicare Life as of March 31, 2014 and as of March 31, 2015, respectively.

(Note3) Sumitomo Life's carrying amount of Medicare Life's equity was ¥50.0 billion as of March 31, 2014 and ¥55.0 billion as of March 31, 2015.

(Note4) When Group's value of new business is calculated, the value includes Medicare Life's value which is in proportion to Sumitomo Life's shareholding in Medicare Life.

## (2) Adjusted Net Worth

(billions of yen)

	March 31,2014	March 31,2015	Increase (Decrease)
Adjusted net worth	2,273.9	3,334.8	1,060.8
Total net assets on the balance sheets(Note1)	648.8	703.6	54.7
Retained earnings in liabilities (after tax)	370.5	406.8	36.2
Unrealized gains (losses) on securities and miscellaneous items (after tax)	1,280.3	2,213.7	933.3
Unrealized gains (losses) on loans (after tax)	83.3	81.3	(2.0)
Unrealized gains (losses) on real estate (after tax)	(41.1)	(29.0)	12.1
Unrealized gains (losses) on liabilities (after tax)	(11.2)	(9.2)	2.0
Unfunded retirement benefit obligation (after tax)	(2.6)	22.6	25.2
Consolidation adjustment regarding Medicare Life(Note2)	(50.0)	(55.0)	(5.0)
Minority interest in Medicare Life's adjusted net worth	(4.1)	0.0	4.1

(Note1) Figures do not include foundation funds, net unrealized gains (losses) on available-for-sale securities and expected disbursements from capital outside the company.

(Note2) Deduction consists of the carrying amount of the equity of Medicare Life held by Sumitomo Life, which is recorded under "Total net assets on the balance sheet" in the table above.

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

(billions of yen)

	March 31,2014	March 31,2015	Increase (Decrease)
Total net assets on the consolidated balance sheets (Note)	592.5	676.4	83.9
<i>PLUS</i> Retained earnings in liabilities (after tax)	370.5	406.8	36.2
<i>PLUS</i> Unrealized gains (losses) (after tax)	1,314.9	2,251.5	936.5
<i>PLUS</i> Minority interest in Medicare Life's adjusted net worth	(4.1)	0.0	4.1
<i>LESS</i> Book value of businesses not covered	-	-	-
Adjusted net worth	2,273.9	3,334.8	1,060.8

(Note) Figures do not include foundation funds, net unrealized gains (losses) on available-for-sale securities and expected disbursements from capital outside the company.

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

(billions of yen)

	March 31,2014	March 31,2015	Increase (Decrease)
Value of in-force business	872.6	316.8	(555.8)
Certainty equivalent present value of future profits	1,250.7	736.1	(514.5)
Time value of financial options and guarantees	(119.2)	(137.0)	(17.7)
Cost of holding required capital	(59.5)	(62.0)	(2.5)
Cost of non-hedgeable risks	(199.2)	(220.1)	(20.9)

## (5) Value of New Business

(billions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015	Increase (Decrease)
Value of new business	166.4	154.0	(12.4)
Certainty equivalent present value of future profits	188.1	179.0	(9.0)
Time value of financial options and guarantees	(5.0)	(7.9)	(2.9)
Cost of holding required capital	(3.3)	(3.6)	(0.2)
Cost of non-hedgeable risks	(13.2)	(13.4)	(0.2)

(Note) When Group's value of new business is calculated, the value includes Medicare Life's value which is in proportion to Sumitomo Life's shareholding in Medicare Life. (90.9% as of March 31, 2014 and 100% as of March 31, 2015).

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, 2014	Year ended March 31, 2015	Increase (Decrease)
Value of new business (a)	166.4	154.0	(12.4)
Present value of premium income (b) (Note)	1,847.3	1,916.4	69.1
New business Margin (a) ÷ (b)	9.0 %	8.0 %	-1.0 points

(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, 2014	March 31, 2015	Increase (Decrease)
EEV(Note1)	3,119.8	3,619.9	500.1
Adjusted net worth	2,282.4	3,345.3	1,062.8
Total net assets on the balance sheets(Note2)	609.4	670.2	60.7
Retained earnings in liabilities (after tax)	370.0	406.0	35.9
Unrealized gains (losses) on securities and miscellaneous items (after tax)	1,274.6	2,203.2	928.6
Unrealized gains (losses) on loans (after tax)	83.3	81.3	(2.0)
Unrealized gains (losses) on real estate (after tax)	(41.1)	(29.0)	12.1
Unrealized gains (losses) on liabilities (after tax)	(11.2)	(9.2)	2.0
Unfunded retirement benefit obligation (after tax)	(2.6)	22.6	25.2
Value of in-force business	837.3	274.6	(562.6)
Certainty equivalent present value of future profits	1,206.9	679.0	(527.9)
Time value of financial options and guarantees	(118.7)	(136.1)	(17.4)
Cost of holding required capital	(59.1)	(61.7)	(2.5)
Cost of non-hedgeable risks	(191.7)	(206.5)	(14.7)

(billions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015	Increase (Decrease)
Value of new business	157.3	146.8	(10.5)
Certainty equivalent present value of future profits	176.2	168.5	(7.7)
Time value of financial options and guarantees	(4.9)	(7.9)	(2.9)
Cost of holding required capital	(3.2)	(3.5)	(0.2)
Cost of non-hedgeable risks	(10.6)	(10.1)	0.4

(Note1) The shares of Medicare Life held by Sumitomo Life are valued on a book value basis for purposes of calculating the embedded value of Sumitomo Life on a stand-alone basis. For purposes of calculating the embedded value of the Group, consolidation adjustments are required.

(Note2) Figures do not include foundation funds, net unrealized gains (losses) on available-for-sale securities and expected disbursements from capital outside the company.

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, 2014	Year ended March 31, 2015	Increase (Decrease)
Value of new business (a)	157.3	146.8	(10.5)
Present value of premium income (b) (Note)	1,781.6	1,850.5	68.9
New business Margin (a) ÷ (b)	8.8 %	7.9 %	-0.9 points

(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, 2014	March 31, 2015	Increase (Decrease)
EEV(Note1)	84.5	86.7	2.2
Adjusted net worth	45.6	44.5	(1.0)
Total net assets on the balance sheets(Note2)	39.4	33.3	(6.0)
Retained earnings in liabilities (after tax)	0.5	0.7	0.2
Unrealized gains (losses) on securities and miscellaneous items (after tax)	5.6	10.4	4.7
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	38.8	42.2	3.3
Certainty equivalent present value of future profits	48.1	57.1	9.0
Time value of financial options and guarantees	(0.6)	(0.9)	(0.2)
Cost of holding required capital	(0.3)	(0.3)	0.0
Cost of non-hedgeable risks	(8.2)	(13.6)	(5.4)

(billions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015	Increase (Decrease)
Value of new business(Note3)	9.9	7.1	(2.8)
Certainty equivalent present value of future profits	13.0	10.5	(2.5)
Time value of financial options and guarantees	(0.0)	(0.0)	0.0
Cost of holding required capital	(0.1)	(0.0)	0.0
Cost of non-hedgeable risks	(2.9)	(3.2)	(0.3)

(Note1) The embedded value figures in the table above present the full embedded value of Medicare Life as an independent entity. In contrast, the embedded value of Medicare Life used in calculating the embedded value of the Group is a fraction of the full embedded value of Medicare Life that is proportional to Sumitomo Life's equity stake in Medicare Life (90.9% as of March 31, 2014 and 100% as of March 31, 2015).

(Note2) Figures do not include net unrealized gains (losses) on available-for-sale securities.

(Note3) The value of new business figures in the table above present the full value of new business of Medicare Life as an independent entity. In contrast, the value of new business of Medicare Life used in calculating the value of new business of the Group is a fraction of the full value of new business of Medicare Life that is proportional to Sumitomo Life's equity stake in Medicare Life.

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, 2014	Year ended March 31, 2015	Increase (Decrease)
Value of new business (a)	9.9	7.1	(2.8)
Present value of premium income (b) (Note)	72.2	65.8	(6.3)
New business Margin (a) ÷ (b)	13.8 %	10.8 %	-3.0 points

(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, 2014	2,273.9	872.6	3,146.6
Adjustments to the values as of March 31, 2014 (Note)	(0.8)	3.5	2.6
Adjusted values as of March 31, 2014	2,273.1	876.2	3,149.3
Value of new business	–	154.0	154.0
Expected existing business contribution (at the risk-free rate)	0.9	15.8	16.8
Expected existing business contribution (in excess of risk-free rate)	28.5	233.6	262.1
Expected transfer from VIF to adjusted net worth in-force at beginning of year	77.1	(77.1)	–
new business	212.1	(212.1)	–
	(134.9)	134.9	–
Non-economic experience variances	(45.4)	16.1	(29.3)
Non-economic assumptions changes	–	60.1	60.1
Economic variances	947.8	(967.7)	(19.9)
Change of tax rate	52.6	5.7	58.4
Values as of March 31, 2015	3,334.8	316.8	3,651.7

(Note) An adjustment is made in relation to an acquisition of 100% ownership of Medicare Life by Sumitomo Life during the fiscal year ended March 31, 2015.

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, 2014	2,282.4	837.3	3,119.8
Adjustments to the values as of March 31,2014	-	-	-
Adjusted values as of March 31, 2014	2,282.4	837.3	3,119.8
Value of new business	-	146.8	146.8
Expected existing business contribution (at the risk-free rate)	0.9	15.4	16.3
Expected existing business contribution (in excess of risk-free rate)	28.0	232.4	260.4
Expected transfer from VIF to adjusted net worth in-force at beginning of year	83.3	(83.3)	-
new business	211.5	(211.5)	-
	(128.1)	128.1	-
Non-economic experience variances	(45.5)	15.7	(29.7)
Non-economic assumptions changes	-	61.7	61.7
Economic variances	943.3	(956.6)	(13.3)
Change of tax rate	52.6	5.0	57.7
Values as of March 31, 2015	3,345.3	274.6	3,619.9

(2) Medicare Life

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2014	45.6	38.8	84.5
Adjustments to the values as of March 31,2014	-	-	-
Adjusted values as of March 31, 2014	45.6	38.8	84.5
Value of new business	-	7.1	7.1
Expected existing business contribution (at the risk-free rate)	0.0	0.4	0.4
Expected existing business contribution (in excess of risk-free rate)	0.4	1.2	1.7
Expected transfer from VIF to adjusted net worth in-force at beginning of year	(6.1)	6.1	-
new business	0.6	(0.6)	-
	(6.7)	6.7	-
Non-economic experience variances	0.0	0.3	0.4
Non-economic assumptions changes	-	(1.6)	(1.6)
Economic variances	4.5	(11.0)	(6.5)
Change of tax rate	-	0.7	0.7
Values as of March 31, 2015	44.5	42.2	86.7



### 3. Sensitivity Analysis

#### a. Sensitivity Analysis of EEV of the Group

(billions of yen)

	EEV	Increase (Decrease)
EEV as of March 31, 2015	3,651.7	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	4,018.6	366.9
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3,231.9	(419.8)
Sensitivity 3: 10% decline in equity and real estate values	3,495.9	(155.7)
Sensitivity 4: 10% decline in maintenance expenses	3,745.2	93.4
Sensitivity 5: 10% decline in surrender and lapse rates	3,793.2	141.4
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	3,867.4	215.6
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3,646.6	(5.0)
Sensitivity 8: Setting required capital at statutory minimum level	3,686.4	34.7
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3,646.6	(5.1)
Sensitivity 10: 25% increase in implied volatilities of swaptions	3,610.0	(41.7)

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	(702.1)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	491.7
Sensitivity 3: 10% decline in equity and real estate values	(150.4)

#### 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, 2015	154.0	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	183.5	29.5
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	120.7	(33.2)
Sensitivity 3: 10% decline in equity and real estate values	154.0	-
Sensitivity 4: 10% decline in maintenance expenses	158.8	4.8
Sensitivity 5: 10% decline in surrender and lapse rates	170.1	16.1
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	162.2	8.2
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	154.0	0.0
Sensitivity 8: Setting required capital at statutory minimum level	156.0	2.0
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	153.9	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	151.2	(2.7)

## b. Sensitivity Analysis of EEV by Company

### (1) Sumitomo Life

(billions of yen)

	EEV	Increase (Decrease)
EEV as of March 31, 2015	3,619.9	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	3,985.0	365.0
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3,204.3	(415.5)
Sensitivity 3: 10% decline in equity and real estate values	3,464.1	(155.7)
Sensitivity 4: 10% decline in maintenance expenses	3,711.6	91.6
Sensitivity 5: 10% decline in surrender and lapse rates	3,762.5	142.5
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	3,831.9	211.9
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3,614.8	(5.0)
Sensitivity 8: Setting required capital at statutory minimum level	3,654.5	34.5
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3,614.8	(5.1)
Sensitivity 10: 25% increase in implied volatilities of swaptions	3,578.4	(41.4)

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	(695.2)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	487.0
Sensitivity 3: 10% decline in equity and real estate values	(150.4)

### 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, 2015	146.8	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	175.7	28.9
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	114.6	(32.2)
Sensitivity 3: 10% decline in equity and real estate values	146.8	-
Sensitivity 4: 10% decline in maintenance expenses	151.2	4.3
Sensitivity 5: 10% decline in surrender and lapse rates	163.0	16.1
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	154.1	7.2
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	146.9	0.0
Sensitivity 8: Setting required capital at statutory minimum level	148.8	1.9
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	146.8	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	144.0	(2.7)

## (2) Medicare Life

(billions of yen)

	EEV	Increase (Decrease)
EEV as of March 31, 2015	86.7	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	88.6	1.8
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	82.5	(4.2)
Sensitivity 3: 10% decline in equity and real estate values	86.7	–
Sensitivity 4: 10% decline in maintenance expenses	88.5	1.8
Sensitivity 5: 10% decline in surrender and lapse rates	85.6	(1.0)
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	90.4	3.6
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	86.7	–
Sensitivity 8: Setting required capital at statutory minimum level	86.9	0.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	86.7	–
Sensitivity 10: 25% increase in implied volatilities of swaptions	86.5	(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	(6.8)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	4.7
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, 2015	7.1	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	7.7	0.6
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	6.1	(1.0)
Sensitivity 3: 10% decline in equity and real estate values	7.1	–
Sensitivity 4: 10% decline in maintenance expenses	7.6	0.4
Sensitivity 5: 10% decline in surrender and lapse rates	7.1	(0.0)
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	8.1	0.9
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	7.1	–
Sensitivity 8: Setting required capital at statutory minimum level	7.1	0.0
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	7.1	–
Sensitivity 10: 25% increase in implied volatilities of swaptions	7.1	(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 terms 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 terms, the risk-free rates (spot rates) which are used in the calculations.

Term	March 31, 2014	March 31, 2015
1 year	0.058%	0.030%
2 years	0.072%	0.037%
3 years	0.112%	0.057%
4 years	0.150%	0.093%
5 years	0.174%	0.131%
10 years	0.641%	0.402%
15 years	1.129%	0.817%
20 years	1.679%	1.198%
25 years	1.811%	1.406%
30 years	1.849%	1.450%
35 years	1.903%	1.480%
40 years	1.980%	1.504%
45 years	2.054%	1.522%
50 years	2.112%	1.537%

(Source : Bloomberg (after interpolation/extrapolation)(March 31,2014) ,  
Ministry of Finance and Bloomberg (after interpolation/extrapolation)(March 31,2015) )

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

		March 31, 2014				March 31, 2015			
Option Term	Swap Term	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 years	5 years	36.8%	23.6%	30.9%	23.2%	47.0%	37.3%	84.6%	42.9%
5 years	7 years	32.2%	22.4%	28.7%	21.8%	43.3%	35.8%	82.3%	41.3%
5 years	10 years	27.8%	21.0%	26.8%	20.4%	38.5%	34.6%	83.6%	39.2%
7 years	5 years	29.1%	21.4%	26.1%	20.5%	38.7%	34.6%	83.5%	39.5%
7 years	7 years	26.7%	20.7%	25.2%	19.9%	35.9%	33.7%	82.5%	38.2%
7 years	10 years	24.6%	19.8%	24.7%	19.2%	33.7%	32.8%	84.3%	36.6%
10 years	5 years	23.9%	19.2%	23.4%	18.6%	32.8%	31.9%	95.0%	34.8%
10 years	7 years	22.9%	18.8%	23.4%	18.3%	30.9%	31.3%	95.7%	33.9%
10 years	10 years	22.5%	18.3%	23.7%	17.8%	29.8%	30.1%	101.0%	32.8%

(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 Term	Volatility	
			March 31, 2014	March 31, 2015
JPY	Nikkei225	3 years	20.7%	20.3%
		4 years	20.6%	20.4%
		5 years	20.6%	20.6%
USD	S&P 500	3 years	17.2%	19.6%
		4 years	18.1%	21.0%
		5 years	19.1%	22.2%
EUR	Euro Stoxx50	3 years	18.4%	21.1%
		4 years	18.6%	21.5%
		5 years	18.8%	21.7%
GBP	FTSE 100	3 years	15.8%	17.9%
		4 years	16.6%	18.7%
		5 years	17.4%	19.4%

(Source: Markit (after interpolation/extrapolation))

Currency options

Currency	Option Term	Volatility	
		March 31, 2014	March 31, 2015
USD	5 years	13.4%	11.7%
EUR	5 years	15.7%	13.0%
GBP	5 years	14.5%	13.7%

(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, 2005 to March 31, 2015 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	0.52	0.48	0.48	0.31	0.21	0.31	0.35	0.21	0.24	0.22
1year Rate /USD	0.52	1.00	0.71	0.74	0.52	0.34	0.49	0.39	0.31	0.30	0.27
1year Rate /EUR	0.48	0.71	1.00	0.72	0.34	0.47	0.48	0.35	0.39	0.39	0.35
1year Rate /GBP	0.48	0.74	0.72	1.00	0.34	0.29	0.47	0.31	0.28	0.23	0.19
USD/JPY	0.31	0.52	0.34	0.34	1.00	0.61	0.72	0.60	0.25	0.29	0.22
EUR/JPY	0.21	0.34	0.47	0.29	0.61	1.00	0.79	0.67	0.59	0.49	0.48
GBP/JPY	0.31	0.49	0.48	0.47	0.72	0.79	1.00	0.66	0.47	0.42	0.31
NIKKEI 225	0.35	0.39	0.35	0.31	0.60	0.67	0.66	1.00	0.69	0.69	0.66
S&P 500	0.21	0.31	0.39	0.28	0.25	0.59	0.47	0.69	1.00	0.84	0.85
Euro Stoxx50	0.24	0.30	0.39	0.23	0.29	0.49	0.42	0.69	0.84	1.00	0.87
FTSE 100	0.22	0.27	0.35	0.19	0.22	0.48	0.31	0.66	0.85	0.87	1.00

(Source: Ministry of Finance(1 year Rate/JPY) and Bloomberg(the others))

#### 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. The Weighted-average assumed investment yield (annual rate) for Sumitomo Life is 1.8% and, for Medicare Life, is 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 approximately 5% per annum on average) until the fiscal year ending March 31, 2020 is assumed.

Future inflation rates are assumed to be zero.

The rise of consumption tax rate after April 2017 is considered.

### 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 rates

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

30.73% for the fiscal year ending March 31, 2015

28.80% for the fiscal year ending March 31, 2016, and each fiscal year thereafter

#### (2) Medicare Life

30.78% for the fiscal year ending March 31, 2015

28.85% for the fiscal year ending March 31, 2016, and each fiscal year thereafter