

May 25, 2018

SUMITOMO LIFE INSURANCE COMPANY

Disclosure of European Embedded Value (summary) as of March 31, 2018

This is the summarized translation of disclosure of the European Embedded Value (“EEV”) of Sumitomo Life Insurance Company (hereinafter “Sumitomo Life”), Medicare Life Insurance Co. (hereinafter “Medicare Life”) and Symetra Financial Corporation (hereinafter “Symetra”) (collectively, the “Group”) as of March 31, 2018.

We calculate EV based on European Embedded Value Principles. In the calculation of EEV, the Group has mainly adopted a market-consistent approach. More specifically, the EEV for Sumitomo Life and Medicare Life are calculated based on a market-consistent approach, while the EEV for Symetra is calculated based on a top-down approach. Both approaches are permitted under the EEV Principles.

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.

Contents

1. Results

a. EEV Results of the Group

(1) EEV Results

(2) Adjusted Net Worth

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

(4) Value of In-force Business

(5) Value of New Business

b. EEV Results by company

2. Statement of changes in EEV

a. Statement of changes in EEV of the Group

b. Statement of changes in EEV by company

3. Sensitivity Analysis

a. Sensitivity Analysis of EEV of the Group and the Group's value of new business

b. Sensitivity Analysis by company

4. Note

Appendix A: Principal EEV Assumptions (Sumitomo Life and Medicare Life)

Appendix B: Principal EEV Assumptions (Symetra)

1. Results

a. EEV Results of the Group

(1) EEV Results

(billions of yen)

	March 31, 2017	March 31, 2018	increase (decrease)
EEV	3,523.8	3,778.9	255.0
Adjusted net worth	3,558.5	3,786.3	227.7
Value of in-force business	(34.7)	(7.4)	27.2

	Year ended March 31, 2017	Year ended March 31, 2018	increase (decrease)
Value of new business	8.8	153.3	144.4

(Note1) The Group EEV is calculated as follows: Sumitomo Life's EEV plus Medicare Life's EEV and Symetra's EEV less Sumitomo Life's carrying amount of equity of Medicare Life and Symetra.

(Note2) Sumitomo Life's carrying amount of Medicare Life's equity was ¥80.0 billion as of March 31, 2017 and as of March 31, 2018. Sumitomo Life's carrying amount of Symetra's equity was ¥466.5 billion as of March 31, 2017 and as of March 31, 2018.

(Note3) Symetra became a wholly owned subsidiary of Sumitomo Life on February 1, 2016. The Group EEV as of March 31, 2017 and as of March 31, 2018 includes Symetra's EEV as of December 31, 2016 and as of December 31, 2017, respectively, in accordance with Symetra's closing date for the Group's consolidated financial statements. The Group's value of new business for the year ended March 31, 2017 and the year ended March 31, 2018 includes Symetra's value of new business for the eleven months ended December 31, 2016 and the year ended December 31, 2017, respectively.

(Reference)

As life insurance products are long term liabilities, Sumitomo Life is investing primarily in yen-denominated interest-bearing assets such as long-term bonds and loans in our ALM strategy.

When interest rates reduce, value of in-force business is decreased reflecting lower expected future prospects of investment return. On the other hand, adjusted net worth is increased by unrealized gains on assets.

The sum of unrealized gains and value of in-force business represents expected future profits from in-force business.

Breakdown of Group EEV based on this idea is as follows.

(billions of yen)

	March 31, 2017	March 31, 2018	increase (decrease)
EEV	3,523.8	3,778.9	255.0
Total net asset on the balance sheet +Retained earnings liabilities (Note1)	1,061.1	1,199.2	138.0
Value of in-force business +Unrealized gains (losses) on Yen-denominated interest-bearing assets and others (Note2)	1,747.4	1,716.7	(30.7)
Unrealized gains (losses) of assets other than Yen-denominated interest-bearing assets and others (Note3)	715.3	862.9	147.6

(Note1) The sum of the total net assets on balance sheet, the retained earnings in liabilities (after tax) of Group, consolidation adjustment regarding Medicare Life and Symetra and deferred tax assets of Symetra is reported.

(Note2) The sum of value of in-force business of Group and unrealized gains (losses) on yen-denominated interest-bearing assets and others (after tax) of Sumitomo Life and Medicare Life is reported. Yen-denominated interest-bearing assets and others (after tax) include yen-denominated bonds, loans and hedged foreign bonds corresponding to yen-denominated insurance, and foreign currency-denominated bonds corresponding to foreign currency-denominated insurance.

(Note3) The sum of unrealized gains (losses) on securities and loans (after tax) (excluding yen-denominated interest-bearing assets and others), unrealized gains (losses) on estate and liabilities (after tax), unfunded retirement benefit obligations (after tax) is reported.

(2) Adjusted Net Worth

(billions of yen)

	March 31, 2017	March 31, 2018	increase (decrease)
Adjusted net worth	3,558.5	3,786.3	227.7
Total net asset on the balance sheet (Note1)	976.0	981.8	5.7
Retained earnings in liabilities (after tax)	645.0	767.0	121.9
Unrealized gains (losses) on securities and miscellaneous items (after tax)	2,398.3	2,451.6	53.2
Unrealized gains (losses) on loans (after tax)	66.9	60.5	(6.4)
Unrealized gains (losses) on real estate (after tax)	13.8	47.8	34.0
Unrealized gains (losses) on liabilities (after tax)	(10.4)	(11.1)	(0.6)
Unfunded retirement benefit obligation (after tax)	28.7	38.2	9.4
Consolidation adjustment regarding Medicare Life (Note2)	(80.0)	(80.0)	0.0
Adjustment for deferred tax assets in Symetra and miscellaneous items	(13.3)	(3.0)	10.3
Consolidation adjustment regarding Symetra (Note3)	(466.5)	(466.5)	0.0

(Note1) Figures do not include foundation funds, net unrealized gains (losses) on available-for-sale securities and expected disbursements from capital outside the company. In addition, this item includes an adjustment for shareholder dividends Symetra paid to Sumitomo Life on February 2017 and March 2018.

(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 sheets" in the table above.

(Note3) Deduction consists of the carrying amount of the equity of Symetra held by Sumitomo Life, which is recorded under "Total net assets on the balance sheets" in the table above.

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

(billions of yen)

	March 31, 2017	March 31, 2018	increase (decrease)
Total Net Assets of consolidated base (Note1)	683.0	731.2	48.1
PLUS Retained earnings in liabilities (after tax)	645.0	767.0	121.9
PLUS Unrealized gains/losses (after tax)	2,470.3	2,555.9	85.6
PLUS Adjustment for deferred tax assets in Symetra and miscellaneous items	(13.3)	(3.0)	10.3
PLUS Difference between Symetra's net assets based on its statutory accounting and US-GAAP (Note2)	(226.4)	(264.7)	(38.3)
LESS Book value of businesses not covered (Note3)	-	-	-
Adjusted net worth	3,558.5	3,786.3	227.7

(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) The difference between net assets based on statutory accounting and US-GAAP is shown because Symetra's EEV is calculated based on its statutory accounting while the Group's consolidated balance sheet is prepared based on Symetra's US-GAAP balance sheet.

(Note3) There are no subsidiaries and affiliate companies which are deducted from covered business.

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

(billions of yen)

	March 31, 2017	March 31, 2018	increase (decrease)
Value of in-force business	(34.7)	(7.4)	27.2
Present value of future profits (Note1)	481.6	512.7	31.1
Time value of financial options and guarantees	(125.7)	(100.9)	24.8
Cost of holding required capital (Note2)	(137.7)	(130.2)	7.5
Cost of non-hedgeable risks	(252.7)	(289.0)	(36.2)

(Note1) Includes the certainty equivalent present value of future profits for business valued using a market-consistent approach and present value of future profits for business valued using a top-down approach.

(Note2) Includes the cost of holding required capital for business valued using a market-consistent approach and the cost of capital for business valued using a top-down approach.

(5) Value of New Business (VNB)

(billions of yen)

	Year ended March 31,2017	Year ended March 31,2018	increase (decrease)
Value of new business	8.8	153.3	144.4
Present value of future profits	48.5	185.6	137.0
Time value of financial options and guarantees	(11.1)	(4.0)	7.0
Cost of holding required capital	(9.6)	(11.8)	(2.1)
Cost of non-hedgeable risks	(18.8)	(16.3)	2.4

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 31,2017	Year ended March 31,2018	increase (decrease)
Value of new business (a)	8.8	153.3	144.4
Present value of premium income (b) (Note)	4,149.8	2,581.6	(1,568.1)
New business Margin (a) ÷ (b)	0.2 %	5.9 %	5.7 points

(Note) Future premium income (as for Symetra, based on the statutory accounting) is discounted by the risk-free rate or the risk discount rate used for the calculation of the value of new business.

(Reference)

The VNB is calculated based on a market consistent method using risk neutral valuation techniques, where the expected excess return of investments over risk free rates is offset by allowing for the price that market participants require for taking on the investment risks. This is achieved by assuming the investment return for all assets will be equal to the risk free rates.

However, Sumitomo Life actually invests in corporate bonds, foreign bonds, and equities, in addition to Japanese government bonds, and expects to achieve investment returns in excess of risk-free returns. If Sumitomo Life achieves investment returns in excess of risk-free returns, its embedded value will increase over the term of the policy.

When Sumitomo Life assumes excess returns on investments over risk-free rates, Group's VNB, on the reference basis, will be as set out in the following table. In order to reflect some uncertainty of realizing the expected excess return, discount rates are assumed to be the same as the return on investments.

Please note that this reference basis differs from the risk neutral valuation which is used for Sumitomo Life's EEV and VNB. Further, the VNB in following table is not the VNB which forms part of Sumitomo Life's EEV.

(billions of yen)

	Year ended March 31,2018
Value of new business assuming excess return, on the reference basis (Note)	199.8

(Note) Sumitomo Life's expected investment return in FY2017 is 1.4%. Sumitomo Life assumes the excess return on investments over risk-free rates is 0.8%.

b. EEV Results by company

(1) Sumitomo Life

(billions of yen)

	March 31, 2017	March 31, 2018	increase (decrease)
EEV (Note1)	3,720.3	3,968.1	247.8
Adjusted net worth	3,819.5	4,042.8	223.2
Total net asset on the balance sheet (Note2)	730.9	742.5	11.6
Retained earnings in liabilities (after tax)	603.4	726.2	122.7
Unrealized gains (losses) on securities and miscellaneous items (after tax)	2,386.1	2,438.5	52.4
Unrealized gains (losses) on loans (after tax)	66.9	60.5	(6.4)
Unrealized gains (losses) on real estate (after tax)	13.8	47.8	34.0
Unrealized gains (losses) on liabilities (after tax)	(10.4)	(11.1)	(0.6)
Unfunded retirement benefit obligation (after tax)	28.7	38.2	9.4
Value of in-force business	(99.2)	(74.7)	24.5
Certainty equivalent present value of future profits	312.0	333.8	21.7
Time value of financial options and guarantees	(117.0)	(89.3)	27.6
Cost of holding required capital	(65.2)	(61.3)	3.9
Cost of non-hedgeable risks	(229.0)	(257.8)	(28.8)

(billions of yen)

	Year ended March 31,2017	Year ended March 31,2018	increase (decrease)
Value of new business	14.3	155.4	141.1
Certainty equivalent present value of future profits	39.7	169.7	130.0
Time value of financial options and guarantees	(9.8)	(3.0)	6.7
Cost of holding required capital	(2.8)	(2.2)	0.6
Cost of non-hedgeable risks	(12.6)	(8.9)	3.7

(Note1) The shares of Medicare Life and Symetra 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 31,2017	Year ended March 31,2018	increase (decrease)
Value of new business (a)	14.3	155.4	141.1
Present value of premium income (b) (Note)	3,538.3	1,869.5	(1,668.7)
New business Margin (a) ÷ (b)	0.4 %	8.3 %	7.9 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, 2017	March 31, 2018	increase (decrease)
EEV	125.6	137.5	11.8
Adjusted net worth	58.2	49.4	(8.8)
Total net asset on the balance sheet (Note)	44.5	34.9	(9.6)
Retained earnings in liabilities (after tax)	1.4	1.3	(0.0)
Unrealized gains (losses) on securities and miscellaneous items (after tax)	12.2	13.0	0.8
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	67.4	88.0	20.6
Certainty equivalent present value of future profits	92.3	120.4	28.0
Time value of financial options and guarantees	(0.6)	(0.4)	0.2
Cost of holding required capital	(0.6)	(0.7)	(0.1)
Cost of non-hedgeable risks	(23.6)	(31.1)	(7.4)

(billions of yen)

	Year ended March 31,2017	Year ended March 31,2018	increase (decrease)
Value of new business	5.9	9.5	3.6
Certainty equivalent present value of future profits	12.2	17.2	4.9
Time value of financial options and guarantees	(0.0)	0.0	0.0
Cost of holding required capital	(0.1)	(0.1)	(0.0)
Cost of non-hedgeable risks	(6.1)	(7.4)	(1.2)

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

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 31,2017	Year ended March 31,2018	increase (decrease)
Value of new business (a)	5.9	9.5	3.6
Present value of premium income (b) (Note)	107.3	136.3	29.0
New business Margin (a) ÷ (b)	5.5 %	7.0 %	1.5 points

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

(3) Symetra

(billions of yen)

	December 31, 2016	December 31, 2017	increase (decrease)
EEV	244.5	227.1	(17.3)
Adjusted net worth	247.4	247.9	0.5
Total net asset on the balance sheet (Note1)	220.7	211.7	(9.0)
Retained earnings in liabilities (after tax) (Note2)	40.0	39.3	(0.7)
Adjustment for deferred tax assets and miscellaneous items	(13.3)	(3.0)	10.3
Value of in-force business	(2.8)	(20.7)	(17.9)
Present value of future profits	77.2	58.5	(18.7)
Time value of financial options and guarantees	(8.1)	(11.1)	(3.0)
Cost of capital	(71.9)	(68.1)	3.8

(billions of yen)

	Eleven months ended December 31,2016	year ended December 31,2017	increase (decrease)
Value of new business	(11.3)	(11.6)	(0.3)
Present value of future profits	(3.3)	(1.2)	2.0
Time value of financial options and guarantees	(1.2)	(0.9)	0.3
Cost of capital	(6.7)	(9.3)	(2.6)

(Note1) The sum of net assets based on statutory capital and surplus, value of non-life entities and holding company's equity.

(Note2) Asset valuation reserve is reported.

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)

	Eleven months ended December 31,2016	year ended December 31,2017	increase (decrease)
Value of new business (a)	(11.3)	(11.6)	(0.3)
Present value of premium income (b) (Note)	504.1	575.7	71.5
New business Margin (a) ÷ (b)	(2.2)%	(2.0)%	0.2 points

(Note) Future premium income (based on the statutory accounting) is discounted by the risk discount rate used for the value of new business calculation.

(Reference) Symetra's EEV in US Dollar

(millions of USD)

	December 31, 2016	December 31, 2017	increase (decrease)
EEV	2,099	2,010	(88)
Adjusted net worth	2,123	2,194	70
Total net asset on the balance sheet	1,894	1,873	(21)
Retained earnings in liabilities (after tax)	344	348	4
Adjustment for deferred tax assets and miscellaneous items	(114)	(27)	87
Value of in-force business	(24)	(183)	(159)
Present value of future profits	662	517	(145)
Time value of financial options and guarantees	(69)	(98)	(29)
Cost of capital	(617)	(602)	14

(millions of USD)

	Eleven months ended December 31,2016	year ended December 31,2017	increase (decrease)
Value of new business	(97)	(103)	(5)
Present value of future profits	(28)	(11)	17
Time value of financial options and guarantees	(10)	(8)	2
Cost of capital	(57)	(83)	(25)

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, 2017	3,558.5	(34.7)	3,523.8
Adjustments to the values as of March 31, 2017 (Note)	(7.5)	0.0	(7.4)
Adjusted values as of March 31, 2017	3,551.0	(34.6)	3,516.3
Value of new business	-	153.3	153.3
Expected existing business contribution (market-consistent approach)	38.8	286.3	325.1
Risk-free rate	(7.1)	16.5	9.4
In excess of risk-free rate	45.9	269.8	315.7
Expected existing business contribution (top-down approach)	(1.0)	22.6	21.6
Expected transfer from VIF to adjusted net worth	47.0	(47.0)	-
on in-force at beginning of year	207.3	(207.3)	-
on new business	(160.2)	160.2	-
Non-economic experience variances	(47.1)	(0.2)	(47.4)
Non-economic assumptions changes	-	43.8	43.8
Economic variances	197.6	(431.8)	(234.1)
Values as of March 31, 2018	3,786.3	(7.4)	3,778.9

(Note) This item represents the effects of the foreign exchange variance, because the EEV of Symetra is converted into yen.

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, 2017	3,819.5	(99.2)	3,720.3
Value of new business	-	155.4	155.4
Expected existing business contribution (market-consistent approach)	38.6	284.6	323.2
Risk-free rate	(6.9)	15.6	8.6
In excess of risk-free rate	45.6	269.0	314.6
Expected transfer from VIF to adjusted net worth	41.5	(41.5)	-
on in-force at beginning of year	180.2	(180.2)	-
on new business	(138.7)	138.7	-
Non-economic experience variances	(48.0)	(7.6)	(55.7)
Non-economic assumptions changes	-	40.8	40.8
Economic variances	191.2	(407.2)	(215.9)
Values as of March 31, 2018	4,042.8	(74.7)	3,968.1

(2) Medicare Life

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2017	58.2	67.4	125.6
Value of new business	-	9.5	9.5
Expected existing business contribution (market-consistent approach)	0.2	1.7	1.9
Risk-free rate	(0.1)	0.9	0.8
In excess of risk-free rate	0.3	0.8	1.1
Expected transfer from VIF to adjusted net worth	(9.2)	9.2	-
on in-force at beginning of year	0.4	(0.4)	-
on new business	(9.7)	9.7	-
Non-economic experience variances	(1.2)	1.5	0.2
Non-economic assumptions changes	-	4.1	4.1
Economic variances	1.5	(5.6)	(4.1)
Values as of March 31, 2018	49.4	88.0	137.5

(3) Symetra

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of December 31, 2016	247.4	(2.8)	244.5
Adjustments to the values as of December 31, 2016	(27.7)	0.0	(27.6)
for shareholder dividends (Note)	(20.1)	-	(20.1)
of the foreign exchange variance	(7.5)	0.0	(7.4)
Adjusted values as of December 31, 2016	219.6	(2.7)	216.8
Value of new business	-	(11.6)	(11.6)
Expected existing business contribution (top-down approach)	(1.0)	22.6	21.6
Expected transfer from VIF to adjusted net worth	14.8	(14.8)	-
on in-force as of December 31, 2016	26.6	(26.6)	-
on new business	(11.7)	11.7	-
Non-economic experience variances	2.2	5.7	8.0
Non-economic assumptions changes	-	(1.0)	(1.0)
Economic variances	12.3	(18.9)	(6.5)
Values as of December 31, 2017	247.9	(20.7)	227.1

(Note) This item represents an adjustment for shareholder dividends Symetra paid to Sumitomo Life on February 2017.

3. Sensitivity Analysis

a. Sensitivity Analysis of EEV of the Group and the Group's value of new business

(1) Sensitivity analysis of EEV of the Group

		(billions of yen)	
		EEV	increase (decrease)
EEV as of March 31, 2018		3,778.9	-
Sensitivity 1:	50bp upward parallel shift in risk-free yield curve	4,219.6	440.7
Sensitivity 2:	50bp downward parallel shift in risk-free yield curve	3,385.2	(393.6)
Sensitivity 3:	10% decline in equity and real estate values	3,583.5	(195.3)
Sensitivity 4:	10% decline in maintenance expenses	3,889.4	110.5
Sensitivity 5:	10% decline in surrender and lapse rate	3,911.6	132.7
Sensitivity 6:	5% decline in mortality and morbidity rates for life insurance products	4,032.6	253.7
Sensitivity 7:	5% decline in mortality and morbidity rates for annuities	3,769.1	(9.7)
Sensitivity 8:	Setting required capital at statutory minimum level	3,869.4	90.5
Sensitivity 9:	25% increase in implied volatilities of equity and real estate values	3,778.4	(0.4)
Sensitivity 10:	25% increase in implied volatilities of swaptions	3,738.5	(40.3)

The following table shows the effect of sensitivities 1 through 3 and 8 on adjusted net worth.

Only the value of in-force business is affected in sensitivities 4 through 7, 9 and 10 in the above table.

		(billions of yen)
		increase (decrease)
Sensitivity 1:	50bp upward parallel shift in risk-free yield curve	(890.2)
Sensitivity 2:	50bp downward parallel shift in risk-free yield curve	482.0
Sensitivity 3:	10% decline in equity and real estate values	(182.5)
Sensitivity 8:	Setting required capital at statutory minimum level	2.3

(2) 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 31,2018	153.3	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	180.4	27.0
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	124.6	(28.7)
Sensitivity 3: 10% decline in equity and real estate values	152.9	(0.4)
Sensitivity 4: 10% decline in maintenance expenses	159.9	6.5
Sensitivity 5: 10% decline in surrender and lapse rate	166.5	13.1
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	167.1	13.7
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	153.4	0.0
Sensitivity 8: Setting required capital at statutory minimum level	161.8	8.5
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	153.3	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	152.0	(1.2)

b. Sensitivity Analysis by company

(1) Sumitomo Life

i . Sensitivity Analysis of EEV

(billions of yen)

	EEV	increase (decrease)
EEV as of March 31, 2018	3,968.1	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	4,389.9	421.8
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3,596.9	(371.1)
Sensitivity 3: 10% decline in equity and real estate values	3,783.4	(184.6)
Sensitivity 4: 10% decline in maintenance expenses	4,063.0	94.8
Sensitivity 5: 10% decline in surrender and lapse rate	4,096.9	128.8
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	4,204.5	236.4
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3,961.2	(6.8)
Sensitivity 8: Setting required capital at statutory minimum level	4,004.8	36.7
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3,967.6	(0.4)
Sensitivity 10: 25% increase in implied volatilities of swaptions	3,927.9	(40.2)

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth. Only the value of in-force business is affected in sensitivities 4 through 10 in the above table.

(billions of yen)

	increase (decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(883.0)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	479.3
Sensitivity 3: 10% decline in equity and real estate values	(182.5)

ii . 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 31,2018	155.4	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	180.9	25.5
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	129.8	(25.5)
Sensitivity 3: 10% decline in equity and real estate values	155.4	-
Sensitivity 4: 10% decline in maintenance expenses	159.4	4.0
Sensitivity 5: 10% decline in surrender and lapse rate	168.4	13.0
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	165.5	10.1
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	155.4	0.0
Sensitivity 8: Setting required capital at statutory minimum level	156.7	1.3
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	155.4	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	154.1	(1.2)

(2) Medicare Life

i . Sensitivity Analysis of EEV

		(billions of yen)	
		EEV	increase (decrease)
EEV as of March 31, 2018		137.5	-
Sensitivity 1:	50bp upward parallel shift in risk-free yield curve	140.3	2.7
Sensitivity 2:	50bp downward parallel shift in risk-free yield curve	130.1	(7.3)
Sensitivity 3:	10% decline in equity and real estate values	137.5	-
Sensitivity 4:	10% decline in maintenance expenses	141.0	3.5
Sensitivity 5:	10% decline in surrender and lapse rate	134.5	(2.9)
Sensitivity 6:	5% decline in mortality and morbidity rates for life insurance products	145.9	8.4
Sensitivity 7:	5% decline in mortality and morbidity rates for annuities	137.5	-
Sensitivity 8:	Setting required capital at statutory minimum level	137.9	0.4
Sensitivity 9:	25% increase in implied volatilities of equity and real estate values	137.5	-
Sensitivity 10:	25% increase in implied volatilities of swaptions	137.3	(0.1)

The following table shows the effect of sensitivities 1 through 3 on adjusted net worth. Only the value of in-force business is affected in sensitivities 4 through 10 in the above table.

		(billions of yen)
		increase (decrease)
Sensitivity 1:	50bp upward parallel shift in risk-free yield curve	(8.0)
Sensitivity 2:	50bp downward parallel shift in risk-free yield curve	3.5
Sensitivity 3:	10% decline in equity and real estate values	-

ii . 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 31,2018	9.5	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	10.6	1.0
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	7.7	(1.8)
Sensitivity 3: 10% decline in equity and real estate values	9.5	-
Sensitivity 4: 10% decline in maintenance expenses	10.5	0.9
Sensitivity 5: 10% decline in surrender and lapse rate	9.0	(0.5)
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	11.5	1.9
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	9.5	-
Sensitivity 8: Setting required capital at statutory minimum level	9.7	0.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	9.5	-
Sensitivity 10: 25% increase in implied volatilities of swaptions	9.5	-

(3) Symetra

i . Sensitivity Analysis of EEV

(billions of yen)

	EEV	increase (decrease)
EEV as of December 31, 2017	227.1	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	243.3	16.1
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	212.0	(15.1)
Sensitivity 3: 10% decline in equity and real estate values	216.5	(10.6)
Sensitivity 4: 10% decline in maintenance expenses	239.2	12.0
Sensitivity 5: 10% decline in surrender and lapse rate	234.0	6.8
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	236.0	8.8
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	224.2	(2.9)
Sensitivity 8: Setting required capital at statutory minimum level	280.5	53.3
Sensitivity 9: 1% increase in equity and real estate yield	234.7	7.5
Sensitivity 10: 50bp upward shift in risk discount rate	223.7	(3.4)
Sensitivity 11: 50bp downward shift in risk discount rate	233.9	6.7

The following table shows the effect on the adjusted net worth of sensitivities 1, 2 and 8. Only the value of in-force business is affected in sensitivities 3 through 7 and 9 through 11 in the above table.

(billions of yen)

	increase (decrease)
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	0.8
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	(0.8)
Sensitivity 8: Setting required capital at statutory minimum level	2.3

ii . Sensitivity analysis of the value of new business

(billions of yen)

	Value of new business	increase (decrease)
Value of new business for the year ended December 31,2017	(11.6)	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	(11.1)	0.4
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	(12.9)	(1.2)
Sensitivity 3: 10% decline in equity and real estate values	(12.0)	(0.4)
Sensitivity 4: 10% decline in maintenance expenses	(10.0)	1.5
Sensitivity 5: 10% decline in surrender and lapse rate	(10.9)	0.6
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	(9.9)	1.7
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	(11.6)	0.0
Sensitivity 8: Setting required capital at statutory minimum level	(4.5)	7.0
Sensitivity 9: 1% increase in equity and real estate yield	(10.4)	1.2
Sensitivity 10: 50bp upward shift in risk discount rate	(12.8)	(1.2)
Sensitivity 11: 50bp downward shift in risk discount rate	(10.0)	1.5

For the business valued using a top-down approach, sensitivity 1 is calculated based on simultaneous upward parallel shift of 50bp in both the investment yields and the risk discount rate. (sensitivity 2 too)

Sensitivity 10 represents the effect on EEV of an upward shift of 50bp of the risk discount rate for a top-down approach. (sensitivity 11 too)

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 A: Principal EEV Assumptions (Sumitomo Life and Medicare Life)

1. Economic assumptions

a. Risk-free rate

In the certainty equivalent calculation and the interest rate model calibration, the Japanese, U.S. and Australian Government Bond are used as proxies for risk-free rates.

As the term of life insurance policies is generally longer than financial instruments in the market, the ultra-long term rate data which is not available in the market should be set. Because of low liquidity of long-term Japanese, U.S. and Australian Government Bond in the market, we extrapolated the risk-free rates.

In the extrapolation method using an ultimate forward rate, interest rate, which is not available in the market, converges to an ultimate forward rate which is future forward rate based on macro-economic analysis. The extrapolation method using an ultimate forward rate is used in EU Solvency II and is permitted in the MCEV Principles and is considered to be used in the Insurance Capital Standard (ICS) being developed by the International Association of Insurance Supervisors.

For risk-free rates (forward rates) of each currency, the ultimate forward rate, last point of liquidity and convergence point are set as below in consideration of ICS version 1.0. We extrapolate the yield curve to the ultimate forward rate by using the Smith-Wilson method.

	JPY		USD	AUD
	March 31, 2017	March 31, 2018	March 31, 2018 (Note)	March 31, 2018 (Note)
ultimate forward rate	3.5%	3.5%	3.5%	4.0%
last point of liquidity	30 years	30 years	30 years	30 years
convergence point	60 years	60 years	60 years	60 years

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

Term	JPY		USD	AUD
	March 31, 2017	March 31, 2018	March 31, 2018 (Note)	March 31, 2018 (Note)
1 year	(0.254)%	(0.134)%	2.090%	1.924%
2 year	(0.204)%	(0.137)%	2.265%	2.010%
3 year	(0.179)%	(0.118)%	2.392%	2.105%
4 year	(0.148)%	(0.118)%	2.501%	2.227%
5 year	(0.124)%	(0.108)%	2.574%	2.343%
10 year	0.068%	0.043%	2.756%	2.624%
15 year	0.375%	0.292%	2.828%	2.880%
20 year	0.663%	0.542%	2.888%	3.131%
25 year	0.828%	0.709%	2.962%	3.272%
30 year	0.881%	0.778%	3.035%	3.356%
35 year	1.044%	0.960%	3.092%	3.422%
40 year	1.278%	1.206%	3.138%	3.481%
45 year	1.498%	1.434%	3.176%	3.532%
50 year	1.688%	1.630%	3.207%	3.575%

(Source: Ministry of Finance(JPY) and bloomberg(the other) (after interpolation/extrapolation))

(Note) We set risk-free rates for USD and AUD from FY2017, following the launch of foreign currency-denominated insurance products.

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, British pounds and Australian dollars 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

(bp)

		March 31,2017				March 31,2018				
Option Term	Swap Term	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP	AUD
5 year	10 year	31.7	79.9	70.8	76.0	25.2	71.7	61.7	68.6	60.7
7 year	10 year	33.3	76.7	71.4	73.4	27.4	68.8	62.9	67.8	59.8
10 year	10 year	35.7	71.8	69.6	69.5	30.3	64.4	62.4	65.8	58.6
15 year	10 year	38.8	62.1	64.0	62.7	32.7	56.8	58.3	61.2	-
20 year	10 year	41.4	54.9	58.4	57.9	35.0	50.3	54.1	57.1	-

(Source : Bloomberg (adjusted))

(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, 2017	March 31, 2018
JPY	Nikkei225	3 year	19.4%	18.5%
		4 year	19.4%	18.5%
		5 year	19.4%	18.6%
USD	S&P 500	3 year	17.1%	18.6%
		4 year	18.4%	19.2%
		5 year	19.7%	19.9%
EUR	Euro Stoxx50	3 year	18.6%	16.2%
		4 year	19.1%	16.4%
		5 year	19.6%	16.6%
GBP	FTSE 100	3 year	16.1%	14.7%
		4 year	17.1%	15.3%
		5 year	18.0%	15.9%

(Source: Markit (after interpolation/extrapolation))

Currency options

Currency	Option Term	Volatility	
		March 31, 2017	March 31, 2018
USD	5 year	9.9%	9.2%
EUR	5 year	11.0%	10.1%
GBP	5 year	12.4%	11.8%
AUD	5 year	-	13.4%

(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, 2008 to March 31, 2018 have been used. The following table shows correlation factors between major variables.

	1year Rate /JPY	1year Rate /USD	1year Rate /EUR	1year Rate /GBP	1year Rate /AUD	USD/JPY	EUR/JPY	GBP/JPY	AUD/JPY	NIKKEI 225	S&P500	EuroStoxx 50	FTSE100
1year Rate /JPY	1.00	0.50	0.48	0.46	0.30	0.35	0.26	0.39	0.28	0.37	0.23	0.23	0.12
1year Rate /USD	0.50	1.00	0.68	0.75	0.59	0.47	0.34	0.51	0.32	0.40	0.29	0.25	0.13
1year Rate /EUR	0.48	0.68	1.00	0.74	0.52	0.25	0.46	0.45	0.35	0.33	0.35	0.30	0.23
1year Rate /GBP	0.46	0.75	0.74	1.00	0.55	0.28	0.28	0.45	0.24	0.32	0.25	0.21	0.08
1year Rate /AUD	0.30	0.59	0.52	0.55	1.00	0.38	0.53	0.55	0.64	0.50	0.44	0.37	0.34
USD/JPY	0.35	0.47	0.25	0.28	0.38	1.00	0.64	0.75	0.54	0.59	0.19	0.25	0.11
EUR/JPY	0.26	0.34	0.46	0.28	0.53	0.64	1.00	0.78	0.84	0.68	0.55	0.46	0.41
GBP/JPY	0.39	0.51	0.45	0.45	0.55	0.75	0.78	1.00	0.71	0.69	0.45	0.43	0.20
AUD/JPY	0.28	0.32	0.35	0.24	0.64	0.54	0.84	0.71	1.00	0.74	0.67	0.54	0.54
NIKKEI 225	0.37	0.40	0.33	0.32	0.50	0.59	0.68	0.69	0.74	1.00	0.71	0.70	0.59
S&P500	0.23	0.29	0.35	0.25	0.44	0.19	0.55	0.45	0.67	0.71	1.00	0.82	0.82
EuroStoxx 50	0.23	0.25	0.30	0.21	0.37	0.25	0.46	0.43	0.54	0.70	0.82	1.00	0.81
FTSE100	0.12	0.13	0.23	0.08	0.34	0.11	0.41	0.20	0.54	0.59	0.82	0.81	1.00

(Source: Ministry of Finance (1year 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 (the sum of risk-free rate and excess of risk-free rate)” in “2. Statement of changes in EEV” are as follows. The Weighted-average assumed investment yield (annual rate) is based on the asset portfolio at the beginning of the year. The yield for Sumitomo Life is 1.4% and, for Medicare Life, is 0.5%.

	Assumed investment yield (annual rate)
Fixed income assets	0.5%
Foreign bonds	2.7%
Stocks	5.8%

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 1% 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 October 2019 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 rate

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

Sumitomo Life :	FY2017	28.20%
	FY2018-	27.96%
Medicare Life :	FY2017	28.24%
	FY2018-	28.00%

Appendix B: Principal EEV Assumptions (Symetra)

1. Economic Assumptions and Risk Discount Rate

a. Economic assumptions

Investment cash flows for the top-down approach are based on current and expected asset allocations and the economic environment on the reporting date. Key economic assumptions include the level of government bond rates, credit spreads, default rates and investment expenses. Government bond rates and credit spreads were set equal to the levels of the reporting date.

Existing yields are as follows:

	Current yield (%)	
	December 31,2016	December 31,2017
Corporate Bonds	4.43%	4.24%
Grand Total	4.39%	4.21%

(Note) Statutory basis, before default, excluding investment costs

Reinvestment yields vary by liability group, in accordance with the characteristics of the liabilities and actual practice, and are determined based on the current and expected future reinvestment strategy.

Reinvestment rates by main liability group are as follows:

Main Products	Reinvestment rates (Note3,4)	
	December 31,2016	December 31,2017
Life	3.70-4.33%	3.41-3.95%
Annuities (Note1)	3.65-4.37%	3.40-3.87%
Benefits	3.72%	2.75-3.29%
VA (Note2)	7.50%	7.50%

- (Note1) VA is not included
- (Note2) Separate account
- (Note3) Before default, excluding investment costs
- (Note4) Rates vary by product type

Default rates, which apply to existing assets and reinvestments, are determined by asset type and rating, where applicable, based on historical studies.

Expected default cost net of recovery are as follows:

	Default cost (bp)	
	December 31,2016	December 31,2017
Existing Assets		
AAA-A	10	8
BBB	19	17
Reinvestment Assets		
AAA-A	13	11
BBB	21	19

b. Risk discount rate

The risk discount rate is set using a weighted average cost of capital approach (WACC) taking into account the cost of equity and cost of debt.

Risk discount rate are as follows:

	In-force business			
	December 31,2016	December 31,2017		
Risk discount rate	7.75%	7.75%		
Risk-free rate (Note)	2.45%	2.40%		
Risk margin	5.30%	5.35%		
	New business			
	Five months ended June 30, 2016	Six months ended December 31, 2016	Six months ended June 30, 2017	Six months ended December 31, 2017
Risk discount rate	6.50%	7.75%	7.50%	7.75%
Risk-free rate (Note)	1.49%	2.45%	2.31%	2.40%
Risk margin	5.01%	5.30%	5.19%	5.35%

(Note)10 year U.S. government bond yield

2. Non-economic assumptions

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

For interest sensitive business, future credited rates are based on current credited rate setting methods and are consistent with the projected economic assumptions. Dynamic policyholder behavior is applied where appropriate.

The future inflation rate is assumed to be 2.0% p.a. and is applied to the best estimate unit expense assumptions.

By the change of tax rate, we use the following tax rates and applied to the projected taxable income.

2017	35.00%
2018-	21.00%

3. Exchange rate

The EEV of Symetra is calculated in local currency and converted into JPY using the following rate:

	December 31,2016	December 31,2017
USD1.00	JPY116.49	JPY113.00