

Disclosure of European Embedded Value (summary) as of September 30, 2011

This is the summarized translation of the European Embedded Value (“EEV”) of Sumitomo Life Insurance Company (hereinafter “Sumitomo Life”) as of September 30, 2011.

Sumitomo Life has 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

(billions of yen)

	March 31, 2011	September 30, 2011	Increase (Decrease)
EEV	1,969.5	1,926.7	-42.7
Adjusted net worth	861.2	1,125.0	263.8
Value of in-force business	1,108.2	801.7	-306.5

(billions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011	Increase (Decrease)	Year ended March 31, 2011
Value of new business	77.7	74.3	-3.3	156.7

b. Adjusted Net Worth

(billions of yen)

	March 31, 2011	September 30, 2011	Increase (Decrease)
Adjusted net worth	861.2	1,125.0	263.8
Total net assets on the non-consolidated balance sheets (Note)	444.4	462.9	18.5
Retained earnings in liabilities (after tax)	287.0	287.6	0.6
Unrealized gains/losses on securities and miscellaneous items (after tax)	140.3	389.5	249.2
Unrealized gains/losses on loans (after tax)	92.9	94.5	1.6
Unrealized gains/losses on real estate (after tax)	-37.5	-38.6	-1.1
Unrealized gains/losses on liabilities (after tax)	-14.9	-12.4	2.5
Unfunded retirement benefit obligation (after tax)	-51.0	-58.5	-7.5

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

c. Reconciliation of total net assets to adjusted net worth

(billions of yen)

	March 31, 2011	September 30, 2011	Increase (Decrease)
Total net assets on the consolidated balance sheets (Note)	450.4	467.9	17.5
PLUS Retained earnings in liabilities (after tax)	287.0	287.6	0.6
PLUS Unrealized gains/losses (after tax)	174.8	427.9	253.1
PLUS Unfunded retirement benefit obligation (after tax)	-51.0	-58.5	-7.5
LESS Book value of businesses not covered	-	-	-
Adjusted net worth	861.2	1,125.0	263.8

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

d. Value of In-force Business (VIF)

(billions of yen)

	March 31, 2011	September 30, 2011	Increase (Decrease)
Value of in-force business	1,108.2	801.7	-306.5
Certainty equivalent present value of future profits	1,473.6	1,169.9	-303.6
Time value of financial options and guarantees	-126.7	-139.7	-13.0
Cost of holding required capital (Note)	-90.3	-79.1	11.1
Cost of non-hedgeable risks	-148.2	-149.2	-1.0

(Note) Sumitomo Life defines required capital as the amount required to maintain a solvency margin ratio of 600%.

e. Value of New Business

(billions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011	Increase (Decrease)	Year ended March 31, 2011
Value of new business	77.7	74.3	-3.3	156.7
Certainty equivalent present value of future profits	117.2	85.5	-31.6	203.9
Time value of financial options and guarantees	-27.4	-3.3	24.1	-27.6
Cost of holding required capital	-4.2	-2.7	1.5	-7.4
Cost of non-hedgeable risks	-7.7	-5.1	2.5	-12.1

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)

	Six months ended September 30, 2010	Six months ended September 30, 2011	Increase (Decrease)	Year ended March 31, 2011
Value of new business (a)	77.7	74.3	-3.3	156.7
Present value of premium income (b) (Note)	1,645.9	918.6	-727.3	2,291.0
New business Margin (a) ÷ (b)	4.7 %	8.1 %	3.4pt.	6.8 %

(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

(billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2011	861.2	1,108.2	1,969.5
(1) Value of new business	-	74.3	74.3
(2) Expected existing business contribution (at the risk-free rate)	0.4	7.4	7.8
(3) Expected existing business contribution (in excess of risk-free rate)	6.1	113.9	120.1
(4) Expected transfer from VIF to adjusted net worth	70.4	-70.4	-
in-force at beginning of year	125.2	-125.2	-
new business	-54.8	54.8	-
(5) Non-economic experience variances	-18.7	15.1	-3.5
(6) Non-economic assumptions changes	-	4.7	4.7
(7) Economic variances	205.5	-451.8	-246.2
Values as of September 30, 2011	1,125.0	801.7	1,926.7

3. Sensitivity Analysis

a. Sensitivity Analysis of EEV

(billions of yen)

	EEV	Increase (Decrease)
EEV as of September 30, 2011	1,926.7	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	2,157.3	230.5
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	1,646.0	-280.7
Sensitivity 3: 10% decline in equity and real estate values	1,784.1	-142.6
Sensitivity 4: 10% decline in maintenance expenses	2,003.7	76.9
Sensitivity 5: 10% decline in surrender and lapse rates	2,066.2	139.4
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	2,096.5	169.8
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	1,924.2	-2.5
Sensitivity 8: Setting required capital at statutory minimum level	2,005.9	79.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	1,913.5	-13.2
Sensitivity 10: 25% increase in implied volatilities of swaptions	1,890.1	-36.6

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	-470.2
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	415.2
Sensitivity 3: 10% decline in equity and real estate values	-136.5

b. Sensitivity analysis of the value of new business

(billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for six months ended September 30, 2011	74.3	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	82.8	8.5
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	62.0	-12.3
Sensitivity 3: 10% decline in equity and real estate values	74.3	-0.0
Sensitivity 4: 10% decline in maintenance expenses	76.4	2.0
Sensitivity 5: 10% decline in surrender and lapse rates	82.4	8.0
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	77.5	3.1
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	74.3	0.0
Sensitivity 8: Setting required capital at statutory minimum level	77.0	2.7
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	74.2	-0.1
Sensitivity 10: 25% increase in implied volatilities of swaptions	73.3	-1.0

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 with 30 to 50 year tenors 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, 2011	September 30, 2011
1 year	0.151%	0.121%
2 years	0.198%	0.136%
3 years	0.281%	0.194%
4 years	0.408%	0.310%
5 years	0.492%	0.395%
10 years	1.268%	1.080%
15 years	1.884%	1.609%
20 years	2.198%	1.862%
25 years	2.278%	1.972%
30 years	2.335%	2.075%
35 years	2.383%	2.158%
40 years	2.419%	2.221%
45 years	2.452%	2.269%
50 years	2.511%	2.308%

(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, 2011				September 30, 2011			
Option Tenor	Swap Tenor	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 years	5 years	32.5%	22.9%	19.2%	16.5%	36.0%	34.3%	27.6%	22.8%
5 years	7 years	30.1%	21.9%	18.7%	15.8%	33.2%	33.3%	27.0%	21.4%
5 years	10 years	28.2%	21.0%	18.6%	15.1%	30.8%	32.6%	26.9%	19.9%
7 years	5 years	26.7%	20.7%	17.5%	14.4%	30.9%	31.6%	24.5%	19.0%
7 years	7 years	25.7%	20.0%	17.2%	13.9%	29.3%	31.1%	24.3%	18.2%
7 years	10 years	25.3%	19.4%	17.5%	13.8%	28.4%	31.2%	24.6%	17.2%
10 years	5 years	23.6%	18.3%	15.9%	13.0%	27.7%	29.5%	22.1%	16.4%
10 years	7 years	23.6%	17.9%	16.0%	13.1%	27.5%	29.6%	22.3%	16.0%
10 years	10 years	24.0%	17.7%	16.5%	12.7%	27.3%	30.2%	23.6%	15.0%

(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, 2011	September 30, 2011
JPY	Nikkei 225	3 years	21.4%	24.2%
		4 years	21.5%	24.4%
		5 years	21.7%	24.7%
USD	S&P 500	3 years	20.7%	29.2%
		4 years	21.5%	29.0%
		5 years	22.4%	28.9%
EUR	Euro Stoxx50	3 years	20.6%	29.1%
		4 years	20.7%	28.8%
		5 years	21.1%	28.7%
GBP	FTSE 100	3 years	18.8%	26.4%
		4 years	19.4%	26.2%
		5 years	20.1%	26.1%

(Source: several investment banks)

Currency options

Currency	Option Tenor	Volatility	
		March 31, 2011	September 30, 2011
USD	5 years	16.4%	14.4%
EUR	5 years	19.2%	21.3%
GBP	5 years	17.8%	20.2%

(Source: Bloomberg)

(3) Correlations

In addition to the implied volatilities described above, Sumitomo Life 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 September 30, 2001 to September 30, 2011 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	0.38	0.36	0.40	0.19	0.04	0.19	0.37	0.14	0.11	0.12
1year Rate /USD	0.38	1.00	0.77	0.72	0.46	0.17	0.32	0.36	0.40	0.47	0.39
1year Rate /EUR	0.36	0.77	1.00	0.79	0.34	0.32	0.39	0.32	0.45	0.48	0.41
1year Rate /GBP	0.40	0.72	0.79	1.00	0.33	0.12	0.36	0.27	0.33	0.34	0.29
USD/JPY	0.19	0.46	0.34	0.33	1.00	0.51	0.67	0.37	0.15	0.22	0.17
EUR/JPY	0.04	0.17	0.32	0.12	0.51	1.00	0.75	0.47	0.46	0.35	0.36
GBP/JPY	0.19	0.32	0.39	0.36	0.67	0.75	1.00	0.42	0.32	0.27	0.18
NIKKEI 225	0.37	0.36	0.32	0.27	0.37	0.47	0.42	1.00	0.64	0.61	0.64
S&P 500	0.14	0.40	0.45	0.33	0.15	0.46	0.32	0.64	1.00	0.88	0.87
Euro Stoxx50	0.11	0.47	0.48	0.34	0.22	0.35	0.27	0.61	0.88	1.00	0.89
FTSE 100	0.12	0.39	0.41	0.29	0.17	0.36	0.18	0.64	0.87	0.89	1.00

(Source: Bloomberg)

(4) 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:

	Assumed investment yield (annual rate)
Fixed income assets	1.6%
Foreign bonds	3.0%
Stocks	7.0%
Total	2.3%

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 Sumitomo Life. The look-through basis is applied in terms of operating expenses of insurance business. Future unit cost reductions are not assumed.

Adjustment is made for one-time expenses which are considered to be non-recurrent in the future. The amount excluded from the expense assumption analysis is about ¥1.0 billion which is mainly caused by the Great East Japan Earthquake.

Future inflation rates are assumed to be zero.

b. Policyholder dividends

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

c. Effective tax rate

Effective tax rate is set at 36.15% based on the most recent effective tax rate.