

Disclosure of European Embedded Value (summary) as of March 31, 2010

This is the summarized translation of the European Embedded Value (“EEV”) of Sumitomo Life Insurance Company (hereinafter “Sumitomo Life”) as of March 31, 2010.

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 (“EV”).

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, 2009	March 31, 2010	Increase (Decrease)
EEV	1,390.0	1,970.2	580.1
Adjusted net worth	550.1	833.6	283.4
Value of in-force business	839.8	1,136.5	296.7

  

	Year ended March 31, 2010
Value of new business	149.0

### b. Adjusted Net Worth

(billions of yen)

	March 31, 2009	March 31, 2010	Increase (Decrease)
Adjusted net worth	550.1	833.6	283.4
Total net assets on the balance sheet (Note)	354.6	396.5	41.8
Retained earnings in liabilities (after tax)	205.8	256.4	50.5
Unrealized gains (losses) on securities and miscellaneous items (after tax)	-32.3	174.7	207.0
Unrealized gains (losses) on loans (after tax)	45.4	87.5	42.1
Unrealized gains (losses) on real estate (after tax)	65.5	-15.9	-81.5
Unrealized gains (losses) on liabilities (after tax)	-15.5	-15.0	0.4
Unfunded retirement benefit obligation (after tax)	-73.5	-50.5	22.9

(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, 2009	March 31, 2010	Increase (Decrease)
Total Net Assets (Note)	354.4	399.4	45.0
PLUS Retained earnings in liabilities (After tax)	205.8	256.4	50.5
PLUS Unrealized gains/losses (After tax)	63.3	228.2	164.9
PLUS Unfunded retirement benefit obligation (After tax)	-73.5	-50.5	22.9
LESS Book value of businesses not covered	-	-	-
Adjusted net worth	550.1	833.6	283.4

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

d. Value of In-force Business

(billions of yen)

	March 31, 2009	March 31, 2010	Increase (Decrease)
Value of in-force business	839.8	1,136.5	296.7
Certainty equivalent present value of future profits	1,164.9	1,470.4	305.4
Time value of financial options and guarantees	-84.0	-92.5	-8.4
Cost of holding required capital (Note)	-97.8	-100.5	-2.7
Cost of non-hedgeable risks	-143.1	-140.7	2.4

(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)

	Year ended March 31, 2010
Value of new business	149.0
Certainty equivalent present value of future profits	191.9
Time value of financial options and guarantees	-23.9
Cost of holding required capital	-7.8
Cost of non-hedgeable risks	-11.0

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, 2010
Value of new business (a)	149.0
Present value of premium income (b) (Note)	2,289.9
New business Margin (a) ÷ (b)	6.5 %

(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, 2009	550.1	839.8	1,390.0
(1) Value of new business	-	149.0	149.0
(2) Expected existing business contribution (at the risk-free rate)	1.2	16.7	17.9
(3) Expected existing business contribution (in excess of risk-free rate)	8.1	200.2	208.3
(4) Expected transfer from VIF to adjusted net worth	125.3	-125.3	-
in-force at beginning of year	259.3	-259.3	-
new business	-134.0	134.0	-
(5) Non-economic experience variances	-10.1	-19.2	-29.4
(6) Non-economic assumptions changes	-	-	-
(7) Economic variances	158.9	75.3	234.2
Values as of March 31, 2010	833.6	1,136.5	1,970.2

### 3. Sensitivity Analysis

#### a. Sensitivity Analysis of EEV

(billions of yen)

	EEV	Increase (Decrease)
EEV as of March 31, 2010	1,970.2	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	2,202.3	232.1
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	1,695.5	-274.6
Sensitivity 3: 10% decline in equity and real estate values	1,793.0	-177.1
Sensitivity 4: 10% decline in maintenance expenses	2,046.5	76.3
Sensitivity 5: 10% decline in surrender and lapse rates	2,111.4	141.2
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	2,133.4	163.2
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	1,968.4	-1.8
Sensitivity 8: Setting required capital at statutory minimum level	2,070.7	100.5
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	1,956.0	-14.2
Sensitivity 10: 25% increase in implied volatilities of swaptions	1,942.9	-27.2

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	-384.2
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	351.7
Sensitivity 3: 10% decline in equity and real estate values	-169.0

b. Sensitivity analysis of the value of new business

(billions of yen)

Assumptions	Value of new business	Increase (Decrease)
Value of new business for the year ended March 31, 2010	149.0	-
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	159.4	10.3
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	138.3	-10.7
Sensitivity 3: 10% decline in equity and real estate values	143.3	-5.6
Sensitivity 4: 10% decline in maintenance expenses	153.4	4.4
Sensitivity 5: 10% decline in surrender and lapse rates	165.8	16.7
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	161.9	12.9
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	149.0	0.0
Sensitivity 8: Setting required capital at statutory minimum level	156.9	7.8
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	146.0	-2.9
Sensitivity 10: 25% increase in implied volatilities of swaptions	143.3	-5.6

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, Japanese Government Bonds (JGB) are used as a proxy for risk-free rates.

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

Tenor	March 31, 2009	March 31, 2010
1 year	0.329%	0.108%
2 years	0.418%	0.157%
3 years	0.555%	0.289%
4 years	0.697%	0.416%
5 years	0.810%	0.575%
10 years	1.404%	1.454%
15 years	1.845%	2.023%
20 years	2.065%	2.338%
25 years	2.156%	2.418%
30 years	2.202%	2.444%

(Source: Bloomberg (interpolated))

We assumed that forward rates in the 31st year and beyond were equal to those in the 30th year.

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, 2009				March 31, 2010			
Option Tenor	Swap Tenor	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 years	5 years	29.7%	26.9%	17.5%	15.8%	27.3%	21.0%	16.4%	14.9%
5 years	7 years	27.4%	25.9%	17.7%	15.3%	25.2%	20.2%	16.0%	14.3%
5 years	10 years	25.2%	25.0%	17.5%	14.7%	23.6%	19.2%	15.9%	13.5%
7 years	5 years	25.1%	24.3%	16.0%	13.2%	23.1%	19.1%	14.6%	13.1%
7 years	7 years	23.8%	23.6%	15.9%	13.0%	22.2%	18.4%	14.6%	12.7%
7 years	10 years	22.3%	23.4%	15.9%	12.9%	21.6%	17.8%	14.9%	12.5%
10 years	5 years	22.0%	21.6%	14.5%	11.0%	20.9%	16.6%	13.6%	11.6%
10 years	7 years	21.0%	21.7%	14.7%	11.2%	20.7%	16.3%	13.8%	11.5%
10 years	10 years	20.0%	21.7%	15.2%	11.8%	20.6%	16.0%	14.4%	11.7%

(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, 2009	March 31, 2010
JPY	Nikkei 225	3 years	34.3%	21.5%
		4 years	34.1%	21.9%
		5 years	33.9%	22.1%
USD	S&P 500	3 years	34.9%	21.2%
		4 years	34.8%	22.5%
		5 years	34.8%	23.6%
EUR	Euro Stoxx 50	3 years	33.3%	21.7%
		4 years	32.7%	21.9%
		5 years	32.3%	22.3%
GBP	FTSE 100	3 years	31.2%	19.9%
		4 years	30.8%	20.2%
		5 years	30.7%	20.5%

(Source: several investment banks)

## Currency options

Currency	Option Tenor	Volatility	
		March 31, 2009	March 31, 2010
USD	5 years	11.6%	14.8%
EUR	5 years	20.8%	17.8%
GBP	5 years	24.1%	17.5%

(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 March 2000 to March 2010 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 Stoxx 50	FTSE 100
1year Rate /JPY	1.00	0.32	0.33	0.35	0.08	▲ 0.00	0.13	0.34	0.16	0.11	0.14
1year Rate /USD	0.32	1.00	0.79	0.71	0.38	0.07	0.27	0.33	0.39	0.49	0.40
1year Rate /EUR	0.33	0.79	1.00	0.76	0.25	0.09	0.26	0.28	0.41	0.45	0.39
1year Rate /GBP	0.35	0.71	0.76	1.00	0.23	▲ 0.03	0.28	0.22	0.31	0.33	0.29
USD/JPY	0.08	0.38	0.25	0.23	1.00	0.55	0.71	0.24	0.07	0.20	0.12
EUR/JPY	▲ 0.00	0.07	0.09	▲ 0.03	0.55	1.00	0.76	0.32	0.25	0.21	0.22
GBP/JPY	0.13	0.27	0.26	0.28	0.71	0.76	1.00	0.28	0.17	0.18	0.07
NIKKEI 225	0.34	0.33	0.28	0.22	0.24	0.32	0.28	1.00	0.63	0.60	0.62
S&P 500	0.16	0.39	0.41	0.31	0.07	0.25	0.17	0.63	1.00	0.89	0.87
Euro Stoxx 50	0.11	0.49	0.45	0.33	0.20	0.21	0.18	0.60	0.89	1.00	0.90
FTSE 100	0.14	0.40	0.39	0.29	0.12	0.22	0.07	0.62	0.87	0.90	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
Fixed income assets	1.6%
Foreign bonds	3.0%
Stocks	7.0%
Total	2.4%

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.

Because Sumitomo Life starts to disclose EEV from this year, the calculation of EEV as of March 31, 2009 is ex-post and retroactive and non-economic assumptions as of March 31, 2010 and March 31, 2009 are identical.

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.

Adjustment is made for one-time expenses which are considered to be non-recurrent in the future. The amount excluded from the expense assumption is 600 million yen which corresponds to a one-time cost for system investment, relating to the recent revision of Japanese insurance law.

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.