

Disclosure of European Embedded Value (summary) as of September 30, 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 September 30, 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, 2015	September 30, 2015	Increase (Decrease)
EEV	3,651.7	3,756.7	105.0
Adjusted net worth	3,334.8	3,255.0	(79.8)
Value of in-force business	316.8	501.7	184.8

(Billions of yen)

	Six months ended September 30,2014	Six months ended September 30,2015	Increase (Decrease)	Year ended March 31,2015
Value of new business	74.4	80.3	5.9	154.0

(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 100% of the shares of Medicare Life as of March 31, 2015 and as of September 30, 2015.

(Note3) Sumitomo Life's carrying amount of Medicare Life's equity was ¥55.0 billion as of March 31, 2015 and as of September 30, 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, 2015	September 30, 2015	Increase (Decrease)
Adjusted net worth	3,334.8	3,255.0	(79.8)
Total net assets on the balance sheets(Note1)	703.6	699.7	(3.8)
Retained earnings in liabilities (after tax)	406.8	472.2	65.4
Unrealized gains (losses) on securities and miscellaneous items (after tax)	2,213.7	2,068.4	(145.2)
Unrealized gains (losses) on loans (after tax)	81.3	75.7	(5.6)
Unrealized gains (losses) on real estate (after tax)	(29.0)	(20.0)	9.0
Unrealized gains (losses) on liabilities (after tax)	(9.2)	(5.1)	4.0
Unfunded retirement benefit obligation (after tax)	22.6	19.0	(3.6)
Consolidation adjustment regarding Medicare Life(Note2)	(55.0)	(55.0)	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.

(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.

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

(Billions of yen)

	March 31, 2015	September 30, 2015	Increase (Decrease)
Total net assets on the consolidated balance sheets (Note)	676.4	665.3	(11.1)
<i>PLUS</i> Retained earnings in liabilities (after tax)	406.8	472.2	65.4
<i>PLUS</i> Unrealized gains (losses) (after tax)	2,251.5	2,117.4	(134.1)
<i>LESS</i> Book value of businesses not covered	-	-	-
Adjusted net worth	3,334.8	3,255.0	(79.8)

(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, 2015	September 30, 2015	Increase (Decrease)
Value of in-force business	316.8	501.7	184.8
Certainty equivalent present value of future profits	736.1	922.1	185.9
Time value of financial options and guarantees	(137.0)	(120.0)	17.0
Cost of holding required capital	(62.0)	(69.3)	(7.2)
Cost of non-hedgeable risks	(220.1)	(231.0)	(10.8)

(5) Value of New Business

(Billions of yen)

	Six months ended September 30,2014	Six months ended September 30,2015	Increase (Decrease)	Year ended March 31,2015
Value of new business	74.4	80.3	5.9	154.0
Certainty equivalent present value of future profits	86.6	94.4	7.8	179.0
Time value of financial options and guarantees	(3.9)	(4.6)	(0.7)	(7.9)
Cost of holding required capital	(1.7)	(2.0)	(0.2)	(3.6)
Cost of non-hedgeable risks	(6.5)	(7.4)	(0.8)	(13.4)

(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. (100% as of September 30, 2014, as of March 31, 2015 and as of September 30, 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)

	Six months ended September 30,2014	Six months ended September 30,2015	Increase (Decrease)	Year ended March 31,2015
Value of new business (a)	74.4	80.3	5.9	154.0
Present value of premium income (b) (Note)	992.3	1,077.4	85.0	1,916.4
New business Margin (a) ÷ (b)	7.5 %	7.5 %	(0.0) points	8.0 %

(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, 2015	September 30, 2015	Increase (Decrease)
EEV(Note1)	3,619.9	3,720.3	100.3
Adjusted net worth	3,345.3	3,267.8	(77.4)
Total net assets on the balance sheets(Note2)	670.2	669.3	(0.9)
Retained earnings in liabilities (after tax)	406.0	471.3	65.2
Unrealized gains (losses) on securities and miscellaneous items (after tax)	2,203.2	2,057.6	(145.6)
Unrealized gains (losses) on loans (after tax)	81.3	75.7	(5.6)
Unrealized gains (losses) on real estate (after tax)	(29.0)	(20.0)	9.0
Unrealized gains (losses) on liabilities (after tax)	(9.2)	(5.1)	4.0
Unfunded retirement benefit obligation (after tax)	22.6	19.0	(3.6)
Value of in-force business	274.6	452.4	177.8
Certainty equivalent present value of future profits	679.0	856.8	177.7
Time value of financial options and guarantees	(136.1)	(119.2)	16.8
Cost of holding required capital	(61.7)	(69.0)	(7.2)
Cost of non-hedgeable risks	(206.5)	(216.0)	(9.5)

(Billions of yen)

	Six months ended September 30,2014	Six months ended September 30,2015	Increase (Decrease)	Year ended March 31,2015
Value of new business	70.5	77.1	6.6	146.8
Certainty equivalent present value of future profits	81.2	89.7	8.4	168.5
Time value of financial options and guarantees	(3.9)	(4.6)	(0.7)	(7.9)
Cost of holding required capital	(1.6)	(1.9)	(0.3)	(3.5)
Cost of non-hedgeable risks	(5.1)	(5.9)	(0.8)	(10.1)

(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)

	Six months ended September 30,2014	Six months ended September 30,2015	Increase (Decrease)	Year ended March 31,2015
Value of new business (a)	70.5	77.1	6.6	146.8
Present value of premium income (b) (Note)	958.8	1,044.6	85.7	1,850.5
New business Margin (a) ÷ (b)	7.4 %	7.4 %	0.0 points	7.9 %

(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, 2015	September 30, 2015	Increase (Decrease)
EEV	86.7	91.4	4.6
Adjusted net worth	44.5	42.1	(2.4)
Total net assets on the balance sheets(Note)	33.3	30.4	(2.9)
Retained earnings in liabilities (after tax)	0.7	0.9	0.1
Unrealized gains (losses) on securities and miscellaneous items (after tax)	10.4	10.8	0.4
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	42.2	49.2	7.0
Certainty equivalent present value of future profits	57.1	65.3	8.1
Time value of financial options and guarantees	(0.9)	(0.7)	0.1
Cost of holding required capital	(0.3)	(0.3)	(0.0)
Cost of non-hedgeable risks	(13.6)	(14.9)	(1.2)

(Billions of yen)

	Six months ended September 30,2014	Six months ended September 30,2015	Increase (Decrease)	Year ended March 31,2015
Value of new business	3.8	3.1	(0.7)	7.1
Certainty equivalent present value of future profits	5.3	4.7	(0.6)	10.5
Time value of financial options and guarantees	(0.0)	(0.0)	(0.0)	(0.0)
Cost of holding required capital	(0.0)	(0.0)	0.0	(0.0)
Cost of non-hedgeable risks	(1.4)	(1.5)	(0.0)	(3.2)

(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)

	Six months ended September 30,2014	Six months ended September 30,2015	Increase (Decrease)	Year ended March 31,2015
Value of new business (a)	3.8	3.1	(0.7)	7.1
Present value of premium income (b) (Note)	33.4	32.7	(0.6)	65.8
New business Margin (a) ÷ (b)	11.6 %	9.7 %	(2.0) points	10.8 %

(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

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, 2015	3,334.8	316.8	3,651.7
Value of new business	-	80.3	80.3
Expected existing business contribution (at the risk-free rate)	0.3	8.1	8.5
Expected existing business contribution (in excess of risk-free rate)	22.7	133.2	155.9
Expected transfer from VIF to adjusted net worth	54.2	(54.2)	-
in-force at beginning of year	124.7	(124.7)	-
new business	(70.4)	70.4	-
Non-economic experience variances	(24.1)	11.4	(12.6)
Non-economic assumptions changes	-	25.8	25.8
Economic variances	(133.0)	(19.9)	(152.9)
Values as of September 30, 2015	3,255.0	501.7	3,756.7

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, 2015	3,345.3	274.6	3,619.9
Value of new business	-	77.1	77.1
Expected existing business contribution (at the risk-free rate)	0.3	7.8	8.1
Expected existing business contribution (in excess of risk-free rate)	22.4	132.6	155.0
Expected transfer from VIF to adjusted net worth	57.1	(57.1)	-
in-force at beginning of year	124.4	(124.4)	-
new business	(67.3)	67.3	-
Non-economic experience variances	(24.0)	11.4	(12.5)
Non-economic assumptions changes	-	27.5	27.5
Economic variances	(133.3)	(21.6)	(155.0)
Values as of September 30, 2015	3,267.8	452.4	3,720.3

(2) Medicare Life

(Billions of yen)

	Adjusted net worth	Value of in-force business	EEV
Values as of March 31, 2015	44.5	42.2	86.7
Value of new business	-	3.1	3.1
Expected existing business contribution (at the risk-free rate)	0.0	0.3	0.3
Expected existing business contribution (in excess of risk-free rate)	0.2	0.6	0.9
Expected transfer from VIF to adjusted net worth	(2.8)	2.8	-
in-force at beginning of year	0.2	(0.2)	-
new business	(3.1)	3.1	-
Non-economic experience variances	(0.0)	(0.0)	(0.1)
Non-economic assumptions changes	-	(1.6)	(1.6)
Economic variances	0.3	1.7	2.0
Values as of September 30, 2015	42.1	49.2	91.4

3. Sensitivity Analysis

a. Sensitivity Analysis of EEV of the Group

(Billions of yen)

	EEV	Increase (Decrease)
EEV as of September 30, 2015	3,756.7	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	4,119.6	362.8
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3,354.1	(402.6)
Sensitivity 3: 10% decline in equity and real estate values	3,605.2	(151.5)
Sensitivity 4: 10% decline in maintenance expenses	3,849.8	93.0
Sensitivity 5: 10% decline in surrender and lapse rates	3,902.3	145.6
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	3,979.1	222.3
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3,751.7	(5.0)
Sensitivity 8: Setting required capital at statutory minimum level	3,796.6	39.8
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3,753.0	(3.7)
Sensitivity 10: 25% increase in implied volatilities of swaptions	3,715.9	(40.8)

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	(697.9)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	429.9
Sensitivity 3: 10% decline in equity and real estate values	(147.9)

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 six months ended September 30, 2015	80.3	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	98.8	18.4
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	59.2	(21.0)
Sensitivity 3: 10% decline in equity and real estate values	80.3	–
Sensitivity 4: 10% decline in maintenance expenses	83.0	2.6
Sensitivity 5: 10% decline in surrender and lapse rates	87.8	7.4
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	85.1	4.8
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	80.3	0.0
Sensitivity 8: Setting required capital at statutory minimum level	81.5	1.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	80.3	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	78.8	(1.5)

b. Sensitivity Analysis of EEV by Company

(1) Sumitomo Life

(Billions of yen)

	EEV	Increase (Decrease)
EEV as of September 30, 2015	3,720.3	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	4,081.5	361.1
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	3,322.0	(398.2)
Sensitivity 3: 10% decline in equity and real estate values	3,568.8	(151.5)
Sensitivity 4: 10% decline in maintenance expenses	3,811.1	90.7
Sensitivity 5: 10% decline in surrender and lapse rates	3,867.0	146.7
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	3,938.5	218.1
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3,715.2	(5.0)
Sensitivity 8: Setting required capital at statutory minimum level	3,759.9	39.6
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3,716.5	(3.7)
Sensitivity 10: 25% increase in implied volatilities of swaptions	3,679.6	(40.6)

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	(690.7)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	425.4
Sensitivity 3: 10% decline in equity and real estate values	(147.9)

Sensitivity analysis of the value of new business

(Billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the six months ended September 30, 2015	77.1	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	95.3	18.1
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	56.6	(20.5)
Sensitivity 3: 10% decline in equity and real estate values	77.1	–
Sensitivity 4: 10% decline in maintenance expenses	79.6	2.4
Sensitivity 5: 10% decline in surrender and lapse rates	84.6	7.5
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	81.5	4.3
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	77.2	0.0
Sensitivity 8: Setting required capital at statutory minimum level	78.3	1.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	77.1	(0.0)
Sensitivity 10: 25% increase in implied volatilities of swaptions	75.6	(1.5)

(2) Medicare Life

(Billions of yen)

	EEV	Increase (Decrease)
EEV as of September 30, 2015	91.4	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	93.1	1.6
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	87.1	(4.3)
Sensitivity 3: 10% decline in equity and real estate values	91.4	–
Sensitivity 4: 10% decline in maintenance expenses	93.6	2.2
Sensitivity 5: 10% decline in surrender and lapse rates	90.3	(1.1)
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	95.6	4.1
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	91.4	–
Sensitivity 8: Setting required capital at statutory minimum level	91.6	0.1
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	91.4	–
Sensitivity 10: 25% increase in implied volatilities of swaptions	91.2	(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	(7.1)
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	4.4
Sensitivity 3: 10% decline in equity and real estate values	–

Sensitivity analysis of the value of new business

(Billions of yen)

	Value of new business	Increase (Decrease)
Value of new business for the six months ended September 30, 2015	3.1	–
Sensitivity 1: 50bp upward parallel shift in risk-free yield curve	3.5	0.3
Sensitivity 2: 50bp downward parallel shift in risk-free yield curve	2.6	(0.5)
Sensitivity 3: 10% decline in equity and real estate values	3.1	–
Sensitivity 4: 10% decline in maintenance expenses	3.4	0.2
Sensitivity 5: 10% decline in surrender and lapse rates	3.1	(0.0)
Sensitivity 6: 5% decline in mortality and morbidity rates for life insurance products	3.6	0.5
Sensitivity 7: 5% decline in mortality and morbidity rates for annuities	3.1	–
Sensitivity 8: Setting required capital at statutory minimum level	3.1	0.0
Sensitivity 9: 25% increase in implied volatilities of equity and real estate values	3.1	–
Sensitivity 10: 25% increase in implied volatilities of swaptions	3.1	(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, 2015	September 30, 2015
1 year	0.030%	0.010%
2 years	0.037%	0.015%
3 years	0.057%	0.018%
4 years	0.093%	0.037%
5 years	0.131%	0.062%
10 years	0.402%	0.352%
15 years	0.817%	0.785%
20 years	1.198%	1.203%
25 years	1.406%	1.430%
30 years	1.450%	1.497%
35 years	1.480%	1.550%
40 years	1.504%	1.626%
45 years	1.522%	1.694%
50 years	1.537%	1.749%

(Source: Ministry of Finance and Bloomberg (after interpolation/extrapolation))

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, 2015				September 30, 2015			
Option Term	Swap Term	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 years	5 years	47.0%	37.3%	84.6%	42.9%	50.5%	35.0%	46.5%	38.5%
5 years	7 years	43.3%	35.8%	82.3%	41.3%	43.0%	33.3%	43.5%	36.9%
5 years	10 years	38.5%	34.6%	83.6%	39.2%	37.4%	31.7%	41.1%	35.4%
7 years	5 years	38.7%	34.6%	83.5%	39.5%	39.0%	31.7%	39.6%	35.3%
7 years	7 years	35.9%	33.7%	82.5%	38.2%	35.0%	30.6%	38.3%	34.1%
7 years	10 years	33.7%	32.8%	84.3%	36.6%	32.0%	29.3%	37.6%	33.3%
10 years	5 years	32.8%	31.9%	95.0%	34.8%	31.0%	28.4%	36.0%	31.7%
10 years	7 years	30.9%	31.3%	95.7%	33.9%	29.0%	27.6%	36.0%	31.0%
10 years	10 years	29.8%	30.1%	101.0%	32.8%	28.0%	26.7%	36.6%	30.8%

(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, 2015	September 30, 2015
JPY	Nikkei225	3 years	20.3%	20.4%
		4 years	20.4%	19.8%
		5 years	20.6%	19.6%
USD	S&P 500	3 years	19.6%	20.4%
		4 years	21.0%	21.2%
		5 years	22.2%	22.2%
EUR	Euro Stoxx50	3 years	21.1%	20.7%
		4 years	21.5%	20.5%
		5 years	21.7%	20.5%
GBP	FTSE 100	3 years	17.9%	18.4%
		4 years	18.7%	18.8%
		5 years	19.4%	19.2%

(Source: Markit(after interpolation/extrapolation))

Currency options

Currency	Option Term	Volatility	
		March 31, 2015	September 30, 2015
USD	5 years	11.7%	11.3%
EUR	5 years	13.0%	13.1%
GBP	5 years	13.7%	13.0%

(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 September 30, 2005 to September 30, 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	0.51	0.47	0.48	0.31	0.20	0.32	0.33	0.21	0.21	0.19
1year Rate /USD	0.51	1.00	0.71	0.74	0.51	0.34	0.50	0.38	0.30	0.27	0.24
1year Rate /EUR	0.47	0.71	1.00	0.72	0.33	0.47	0.48	0.34	0.37	0.36	0.32
1year Rate /GBP	0.48	0.74	0.72	1.00	0.34	0.29	0.47	0.30	0.27	0.22	0.18
USD/JPY	0.31	0.51	0.33	0.34	1.00	0.61	0.73	0.61	0.26	0.28	0.22
EUR/JPY	0.20	0.34	0.47	0.29	0.61	1.00	0.79	0.67	0.58	0.48	0.47
GBP/JPY	0.32	0.50	0.48	0.47	0.73	0.79	1.00	0.67	0.48	0.43	0.32
NIKKEI 225	0.33	0.38	0.34	0.30	0.61	0.67	0.67	1.00	0.71	0.70	0.66
S&P 500	0.21	0.30	0.37	0.27	0.26	0.58	0.48	0.71	1.00	0.84	0.86
Euro Stoxx50	0.21	0.27	0.36	0.22	0.28	0.48	0.43	0.70	0.84	1.00	0.87
FTSE 100	0.19	0.24	0.32	0.18	0.22	0.47	0.32	0.66	0.86	0.87	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” in “2. Statement of changes in EEV” are as follows. The Weighted-average assumed investment yield (annual rate) for Sumitomo Life is 1.9% 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 4% 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 rate

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

Sumitomo Life : 28.80%

Medicare Life : 28.85%