

November 24, 2020
SUMITOMO LIFE INSURANCE COMPANY

European Embedded Value (summary) as of September 30, 2020

This is the translation of the 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 September 30, 2020.

We calculate EV based on European Embedded Value Principles.

1. EEV Results of the Group

(Billions of yen)

	March 31, 2020	September 30, 2020	Increase (Decrease)
EEV	3,584.1	4,297.5	713.3
Adjusted net worth	4,005.4	4,337.6	332.1
Value of in-force business	(421.3)	(40.1)	381.1

	Six months ended September 30, 2019	Six months ended September 30, 2020	Increase (Decrease)	Year ended March 31, 2020
Value of new business	64.7	26.7	(37.9)	113.9

(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. In addition, The Group EEV as of March 31, 2020 includes an adjustment for shareholder dividends Symetra paid to Sumitomo Life in March 2020.

(Note2) Sumitomo Life's carrying amount of Medicare Life's equity was ¥80.0 billion as of March 31, 2020 and as of September 30, 2020. Sumitomo Life's carrying amount of Symetra's equity was ¥466.5 billion as of March 31, 2020 and as of September 30, 2020.

(Note3) The Group EEV as of March 31, 2020 and as of September 30, 2020 includes Symetra's EEV as of December 31, 2019 and as of June 30, 2020, respectively, in accordance with Symetra's closing date for the Group's consolidated financial statements.

(Note4) The Group's value of new business for the six months ended September 30, 2019 includes Symetra's value of new business for the six months ended June 30, 2019. The Group's value of new business for the year ended March 31, 2020 includes Symetra's value of new business for the year ended December 31, 2019. The Group's value of new business for the six months ended September 30, 2020 includes Symetra's value of new business for the six months ended June 30, 2020.

(Note5) With reference to ICS Version 2.0, etc., the ultimate forward rates used for EEV and value of new business of the Group as of September 30, 2020 are set as follows:
JPY and USD are set at 3.8% changed from 3.5% as of March 31, 2020
AUD is set at 3.8% changed from 4.0% as of March 31, 2020

(Reference 1)

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 the Group EEV based on this idea is as follows.

(Billions of yen)

	March 31, 2020	September 30, 2020	Increase (Decrease)
EEV	3,584.1	4,297.5	713.3
Total net asset on the balance sheet +Retained earnings in liabilities (Note1)	1,316.6	1,350.1	33.5
Value of in-force business +Unrealized gains (losses) on Yen-denominated interest-bearing assets and others (Note2)	1,597.8	2,007.5	409.7
Unrealized gains (losses) of assets other than Yen-denominated interest-bearing assets and others (Note3)	669.7	939.8	270.1

(Note1) The sum of the total net assets on balance sheet, the retained earnings in liabilities (after tax) of the 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 the 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.

(Reference 2)

The value of new business (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, Japanese insurance companies actually invest in corporate bonds, foreign bonds, and equities, in addition to Japanese government bonds, and expect to achieve investment returns in excess of risk-free returns. If they achieve investment returns in excess of risk-free returns, their EEV will increase over the term of the policy.

When Sumitomo Life and Medicare Life assume excess returns on investments over risk-free rates, the 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 EEV and VNB of Sumitomo Life and Medicare Life, respectively. Further, the VNB in following table is not the VNB which forms part of each EEV.

(Billions of yen)	
	Six months ended September 30, 2020
Value of new business assuming excess return, on the reference basis (Note)	48.4

(Note) Sumitomo Life's expected investment return in FY2020 is 1.4%. Sumitomo Life assumes the excess return on investments over risk-free rates is 1.0%. Medicare Life's expected investment return in FY2020 is 0.9%. Medicare Life assumes the excess return on investments over risk-free rates is 0.3%.

2. EEV Results by company

a. Sumitomo Life

(Billions of yen)			
	March 31, 2020	September 30, 2020	Increase (Decrease)
EEV	3,742.4	4,502.0	759.5
Adjusted net worth	4,295.1	4,652.6	357.4
Value of in-force business	(552.7)	(150.6)	402.1

	Six months ended September 30, 2019	Six months ended September 30, 2020	Increase (Decrease)	Year ended March 31, 2020
Value of new business	62.2	21.5	(40.6)	112.6

(Note) The value of new business of six months ended September 30, 2020 is calculated excluding the following costs:
 Part of sales representative salary, sales expenses, etc.: ¥3.3 billion
 Part of administrative staff salary, system expenses, etc.: ¥19 billion
 In calculating the costs required to acquire new policies, the impact of refraining from sales visits due to the expansion of the new coronavirus outbreak (COVID-19¹) is taken into consideration, and the costs (after tax) are deducted directly from the adjusted net worth of EEV.

b. Medicare Life

(Billions of yen)			
	March 31, 2020	September 30, 2020	Increase (Decrease)
EEV	146.6	167.7	21.0
Adjusted net worth	35.2	28.5	(6.7)
Value of in-force business	111.3	139.2	27.8

	Six months ended September 30, 2019	Six months ended September 30, 2020	Increase (Decrease)	Year ended March 31, 2020
Value of new business	2.7	8.6	5.9	5.3

¹ The new coronavirus outbreak named as COVID-19 by the World Health Organization on February 11, 2020.

c. Symetra

(Billions of yen)			
	December 31, 2019	June 30, 2020	Increase (Decrease)
EEV	246.4	174.3	(72.1)
Adjusted net worth	226.3	203.0	(23.3)
Value of in-force business	20.0	(28.7)	(48.7)

	Six months ended June 30, 2019	Six months ended June 30, 2020	Increase (Decrease)	Year ended December 31, 2019
Value of new business	(0.2)	(3.4)	(3.2)	(4.0)

(Note) The EEV and value of new business of Symetra are calculated in local currency and converted into JPY. Exchange rates to convert are as follows:

JPY109.56 to USD1.00 for the EEV as of December 31, 2019 and the value of new business for the year ended December 31, 2019

JPY107.74 to USD1.00 for the EEV as of June 30, 2020 and the value of new business for the six months ended June 30, 2020

JPY107.79 to USD1.00 for the value of new business for the six months ended June 30, 2019

(Reference) Symetra's EEV in US Dollar

(Millions of USD)			
	December 31, 2019	June 30, 2020	Increase (Decrease)
EEV	2,249	1,617	(631)
Adjusted net worth	2,066	1,884	(181)
Value of in-force business	182	(266)	(449)

	Six months ended June 30, 2019	Six months ended June 30, 2020	Increase (Decrease)	Year ended December 31, 2019
Value of new business	(2)	(32)	(30)	(36)

3. Statement of changes in EEV of the Group

(Billions of yen)

	EEV
Values as of March 31, 2020	3,584.1
Adjustments to the values as of March 31, 2020 (Note)	(4.1)
Adjusted values as of March 31, 2020	3,580.0
Value of new business	26.7
Expected existing business contribution (market-consistent approach)	167.6
Risk-free rate	7.4
In excess of risk-free rate	160.2
Expected existing business contribution (top-down approach)	8.2
Non-economic experience variances	(9.0)
Non-economic assumptions changes	(52.4)
Economic variances	576.2
Values as of September 30, 2020	4,297.5

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