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# 1H FY2017 Business Results

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**SUMITOMO LIFE**

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# Sumitomo Life at a Glance

## Company Overview

- Established: May 1907  
(110 years of history)
- Key Figures<sup>1</sup> – 1H FY2017 (as of Sep. 2017)
- Premium income: JPY 1.35tn  
(JPY 3.45tn in FY2016)
  - Core business profit<sup>2</sup>: JPY 166.4bn  
(JPY 331.2bn in FY2016)
  - Total assets: JPY 35.6tn
  - Annualized premiums from policies in force<sup>3</sup>: JPY 2.76tn
  - Solvency margin ratio: 872.0%
  - Embedded value<sup>4</sup> (EEV): JPY 3.82tn
  - Number of sales representatives: 32,313
  - Insurer financial strength rating<sup>5</sup>: A1 (Moody's), A (S&P),  
A (Fitch), A+ (R&I), A+ (JCR)

Source: Company disclosure

1 Consolidated figures

2 Adjusted core business profit of the group (see page 6 for details)

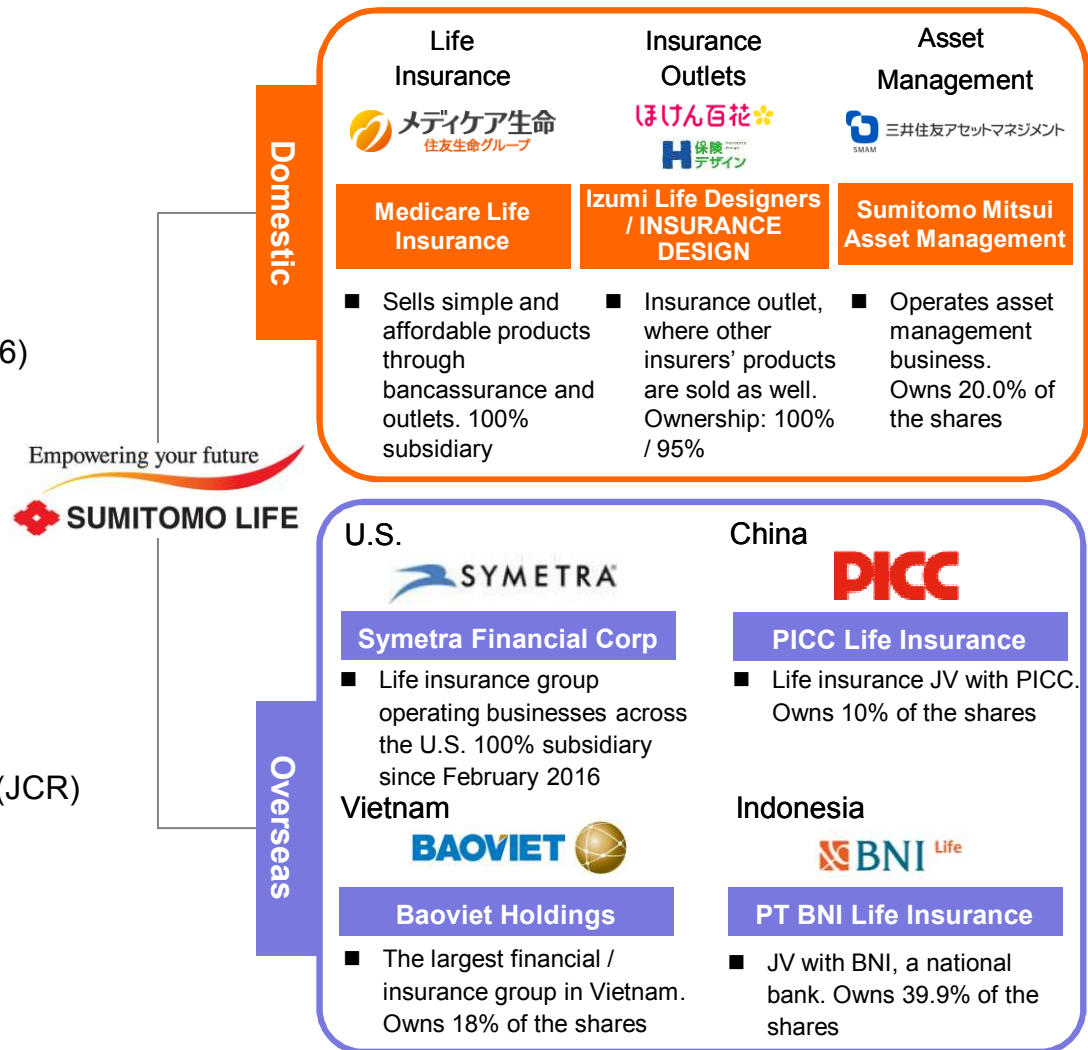
3 Figures for individual life and individual annuity for domestic business (see page 4 for details)

4 Combined figures of Sumitomo Life's EEV, Medicare Life's EEV and Symetra's EEV (see page 7 for details)

5 As of October 31, 2017. The rating from Fitch is based on public information

6 As of September 30, 2017 on ownership

## Group Overview<sup>6</sup>



# Key Highlights

## ◇ 1H FY2017 Results

- ✓ Annualized premiums from policies in force has increased steadily. Annualized premiums from new policies for the Third sector, which is our focus, increased by expanding sales of protection type products . . . P.4
- ✓ Core business profit increased due to increase in interest income as a result of increase in foreign bond exposure and weak JPY . . . P.6
- ✓ EEV increased due to income from insurance businesses and rise in domestic stock prices . . . P.7
- ✓ Capital base was further strengthened through issuance of \$1.34bn of subordinated bonds in September 2017 . . . P.13

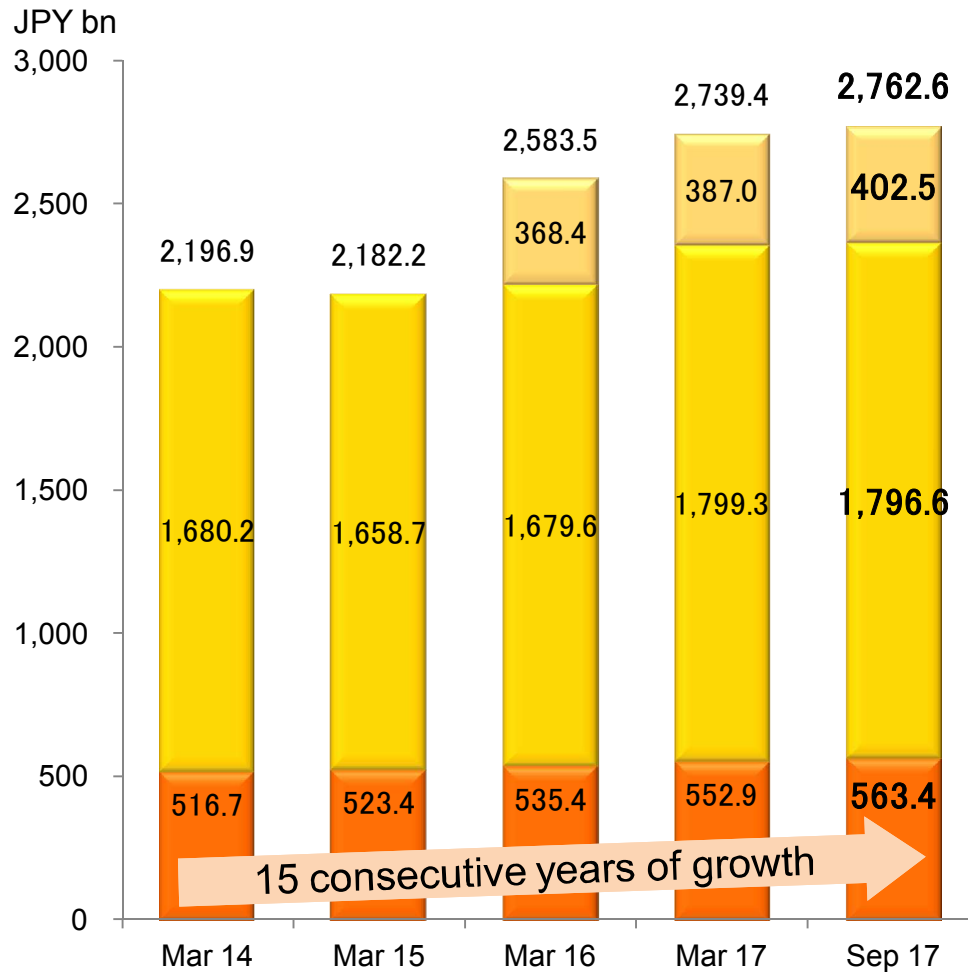


# I . 1H FY2017 Business Results

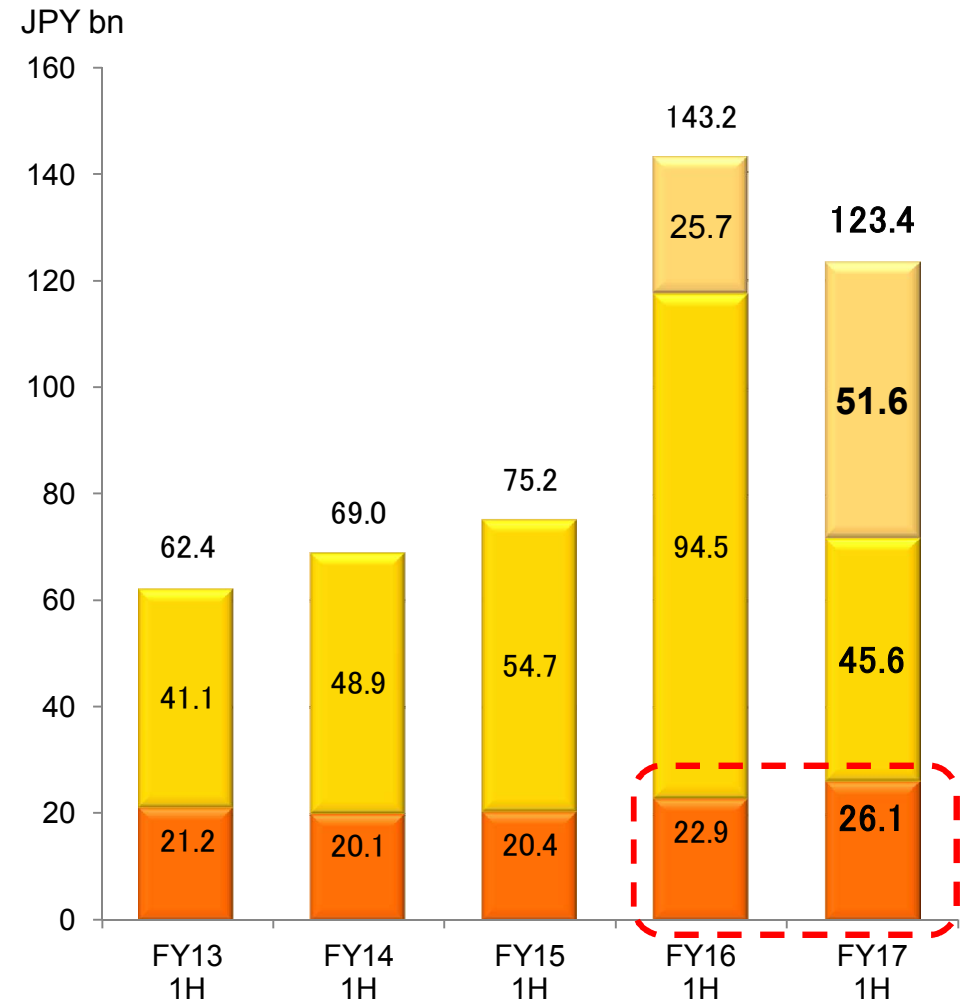
# Operating Performance ①

Annualized premiums (AP) from policies in force has increased steadily. AP from new policies decreased as we recorded high sales for saving type products last year, while the figures for the Third sector increased

**Annualized Premiums from Policies in Force (Group)**



**Annualized Premiums from New Policies (Group)**



■ Third sector ■ Excl. third sector ■ Overseas (Symetra)

■ Third sector ■ Excl. third sector ■ Overseas (Symetra)

Note: Figures for domestic business are individual life and individual annuity  
 Figures for Symetra is included since February 2016

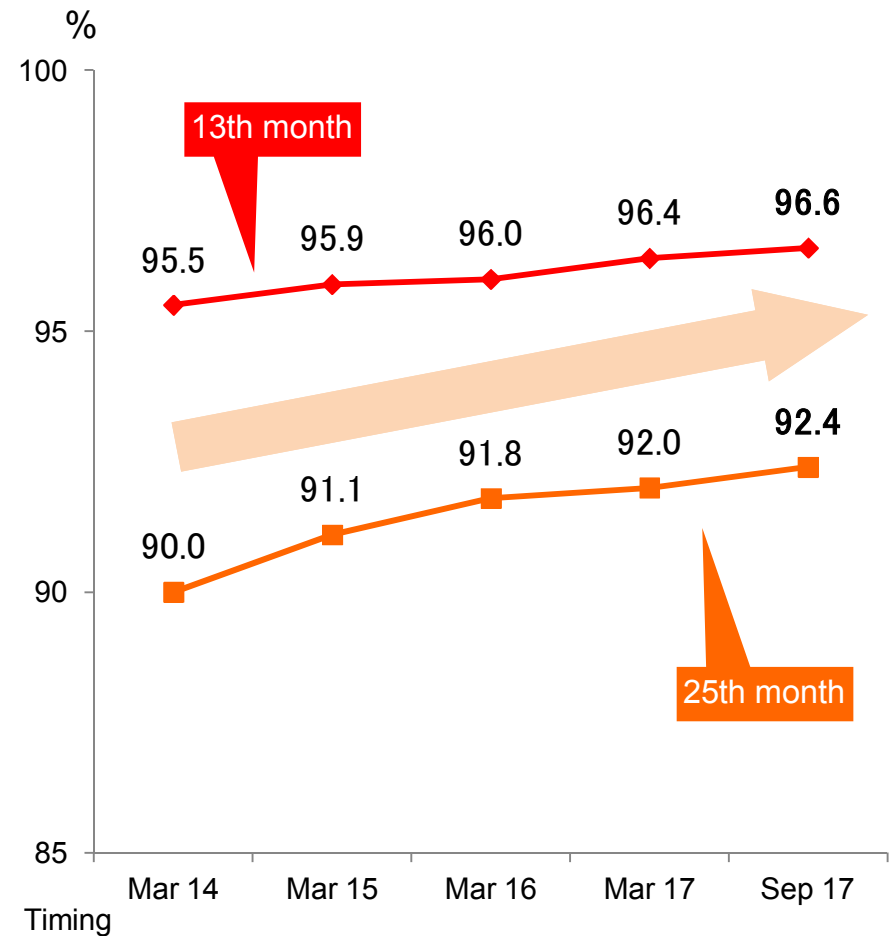
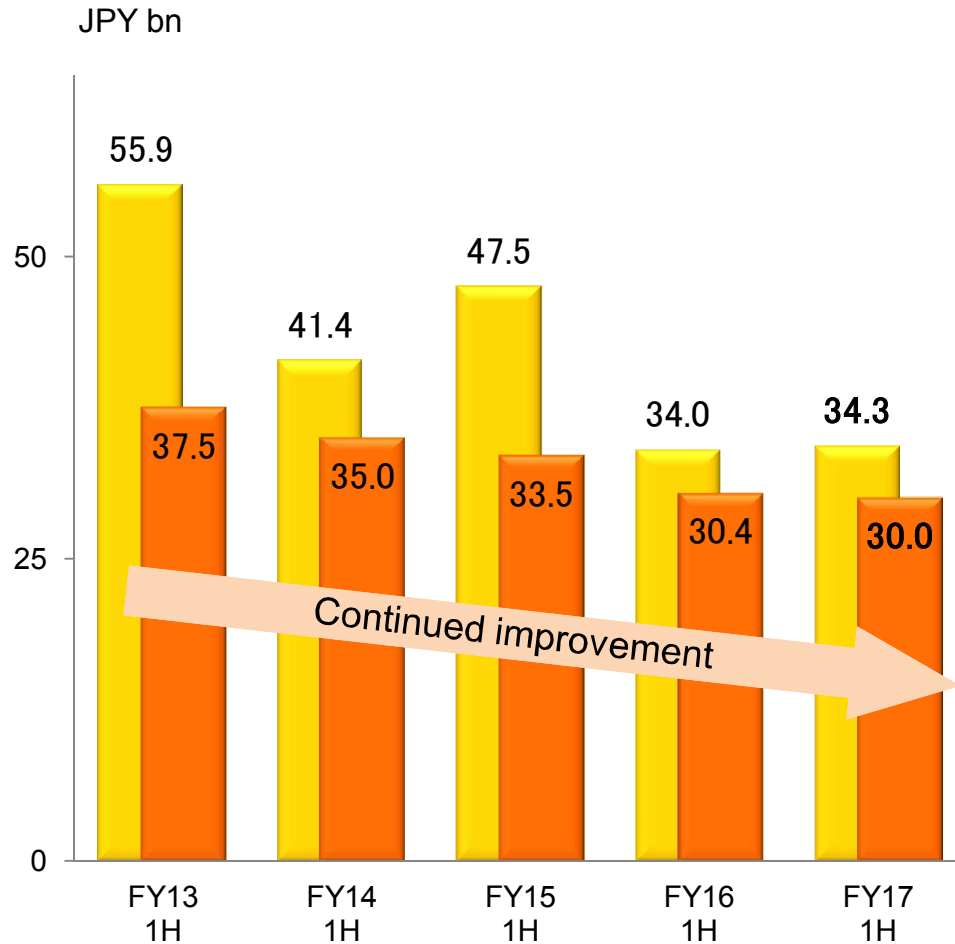
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# Operating Performance ②

Surrender and Lapse trends for sales representative channel continue to improve.  
 Persistency rate has also shown an improving trend

## Surrendered / Lapsed AP (Non-consolidated)

## Persistency Rate (Non-consolidated)



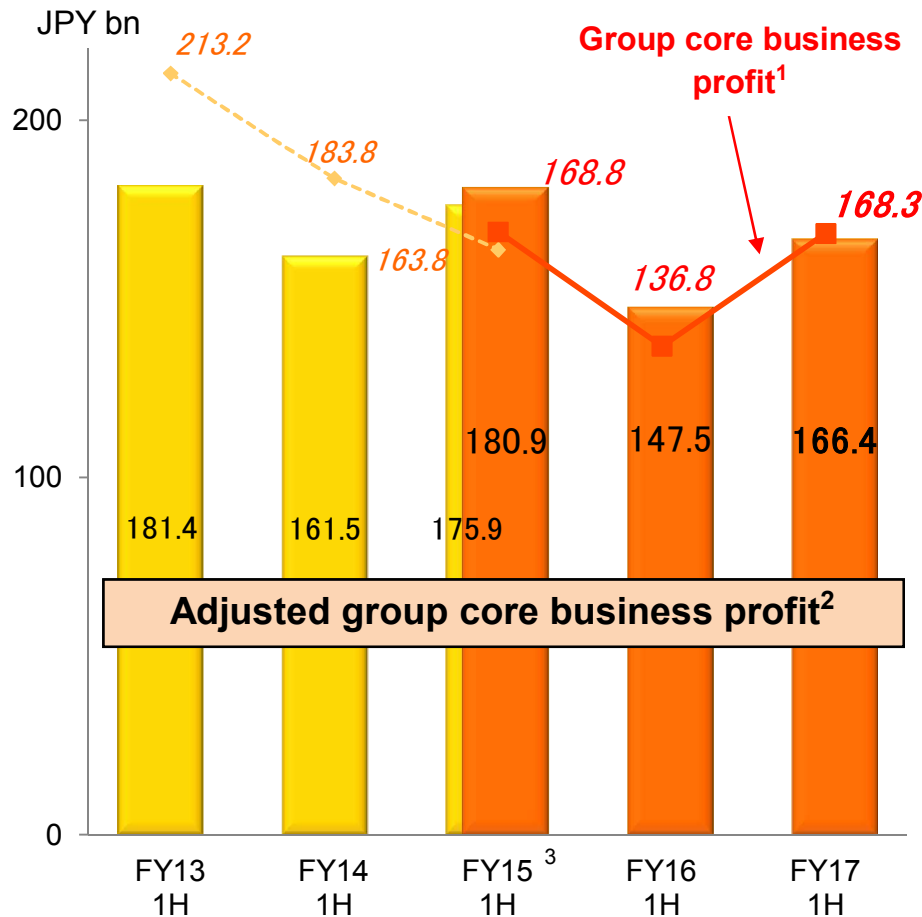
- Surrendered / lapsed annualized premiums
- Of which, sales representative channel

Note: Annualized premium base for products sold by sales representative channel

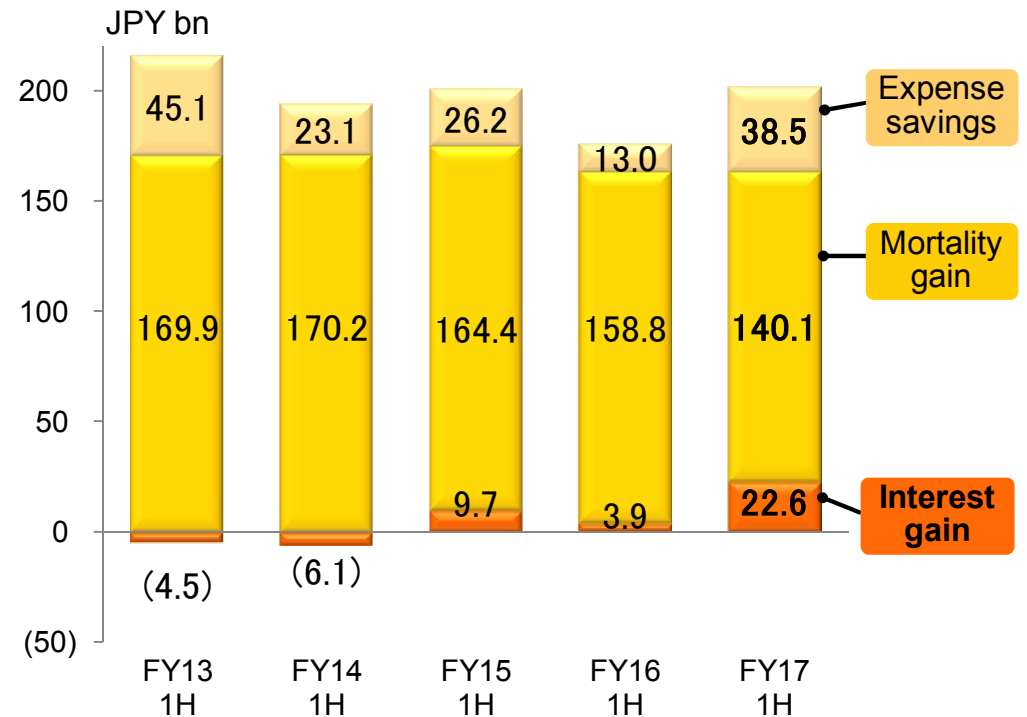
# Profit Trend

Core business profit increased due to increase in expense savings and interest gain

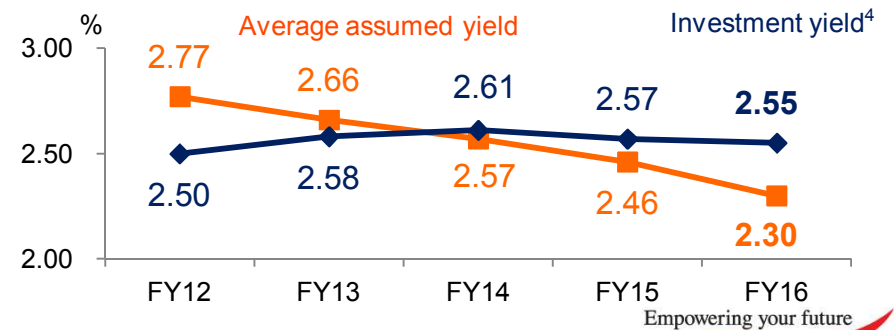
## Core Business Profit (Group)



## Three Surplus Factors (Non-consolidated)



## <(REF) Average Assumed Yield and Investment Yield<sup>4</sup>> (Non-consolidated)



1 Group core business profit is calculated by combining core business profit of Sumitomo Life and Medicare Life, and profit before tax of Symetra, Baoviet Holdings, BNI Life, and PICC Life attributable to Sumitomo Life's equity stake in each company, with adjustments made to some internal transactions

2 Adjusted group core business profit indicates group core business profit excluding provision / reversal of standard policy reserve relating to variable annuities

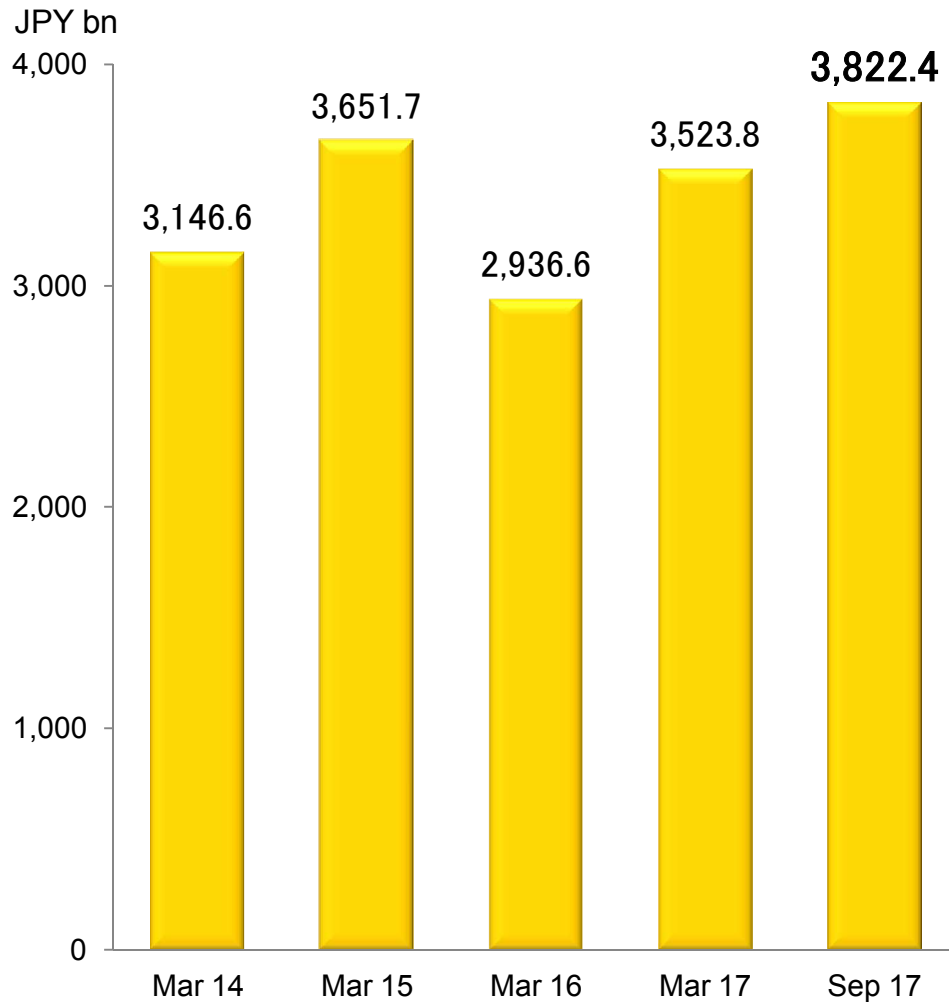
3 Yellow graph before September 2015 indicates total of Sumitomo Life and Medicare Life

4 Related to core business profit

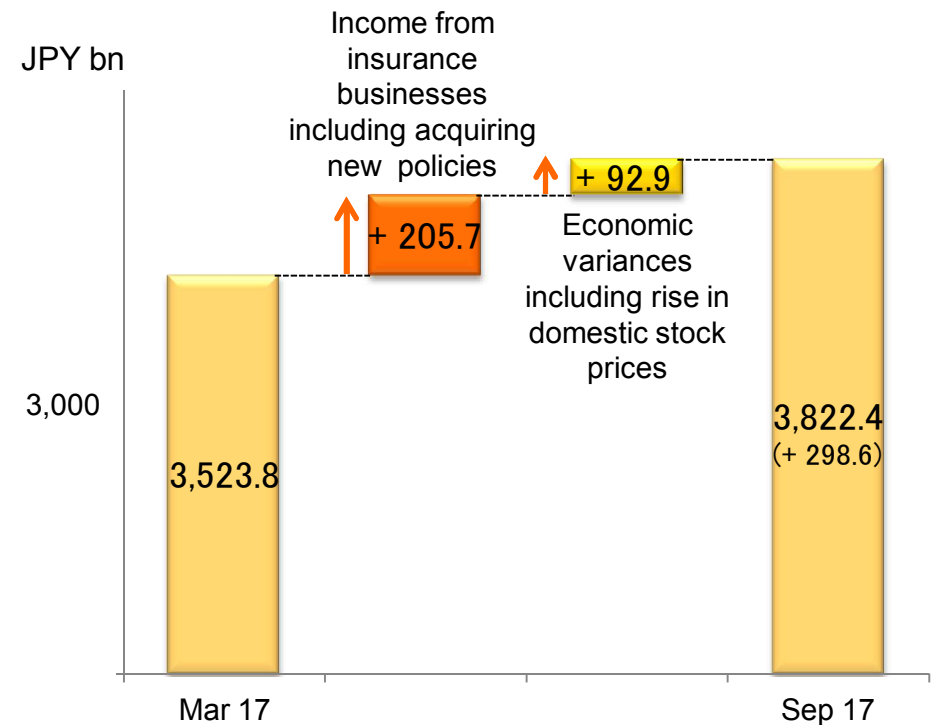
# EEV Trend

EEV increased due to income from insurance businesses and rise in domestic stock prices

## EEV (Group)



## EEV Growth Factors



Note: EEV after March 2016 applies UFR

See "EEV (summary) as of September 30, 2017" on the website for details

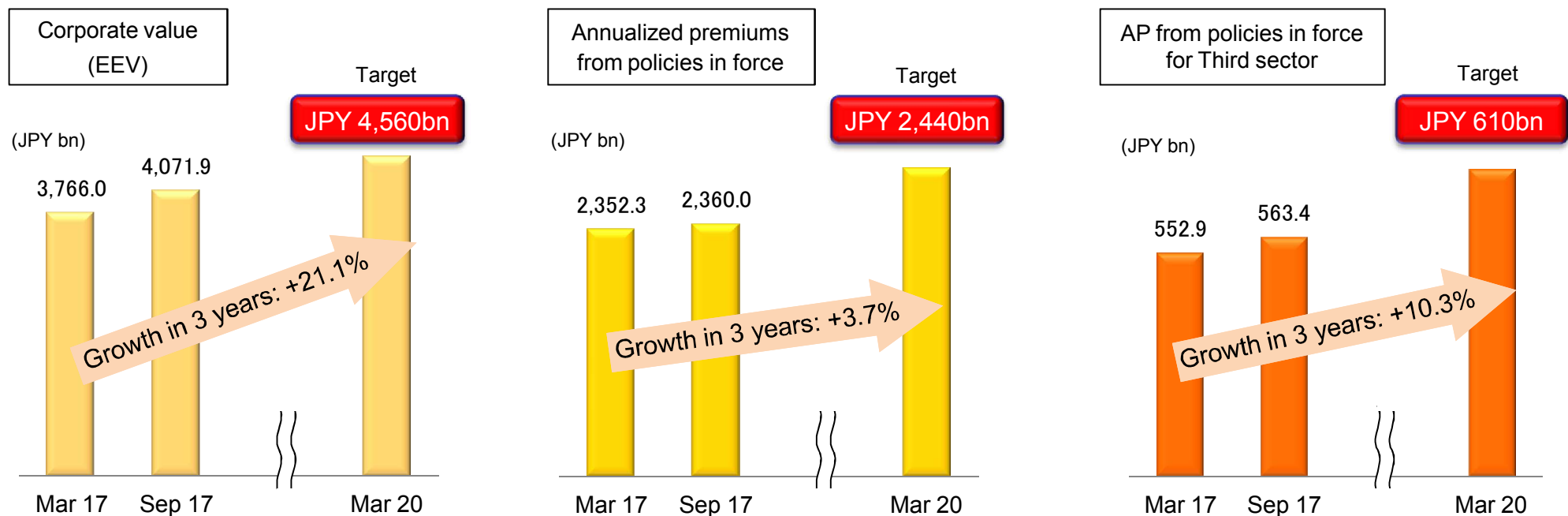
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# Progress of New Medium-Term Business Plan (2017-2019)

Items	Results as of September 2017	Targets for March 2020
Corporate value (EEV)	JPY 4,071.9bn	JPY 4,560.0bn
Annualized premiums from policies in force	JPY 2,360.0bn	JPY 2,440.0bn
Of which, third sector	JPY 563.4bn	JPY 610.0bn

Note: Total of Sumitomo Life and Medicare Life



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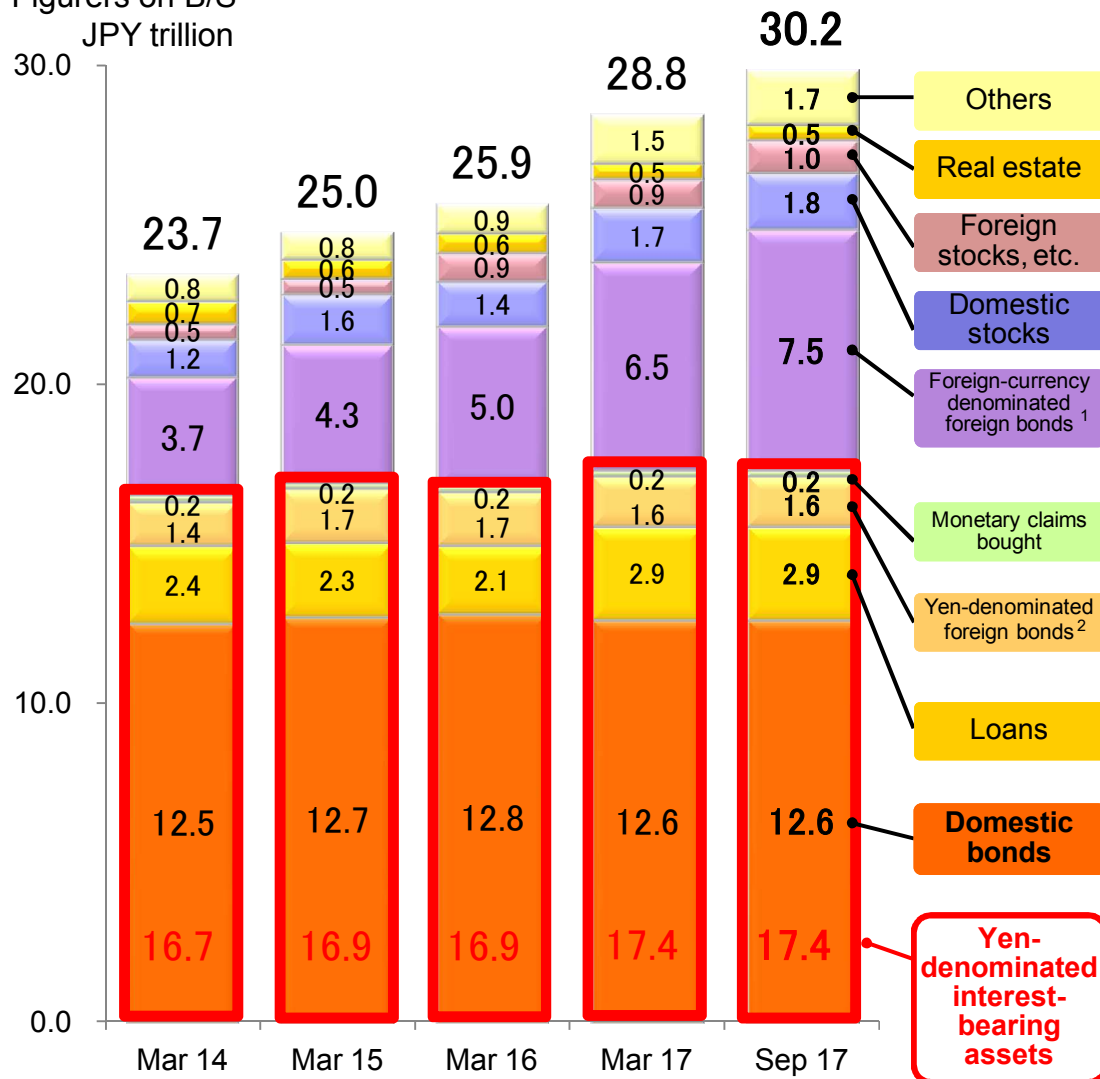
## II . Asset Management

# Asset Management ①

Prudent investment policy, focusing mainly on yen-denominated interest-bearing assets

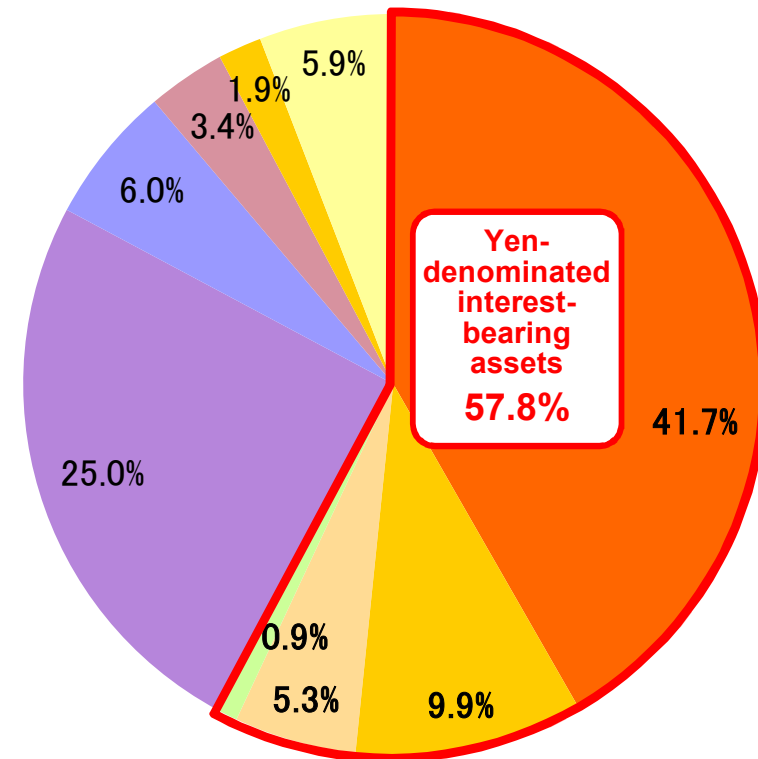
## Trend of General Account (GA) Assets (Non-consolidated)

Figures on B/S  
JPY trillion



## Breakdown of GA Assets (Non-consolidated)

<As of September 2017>

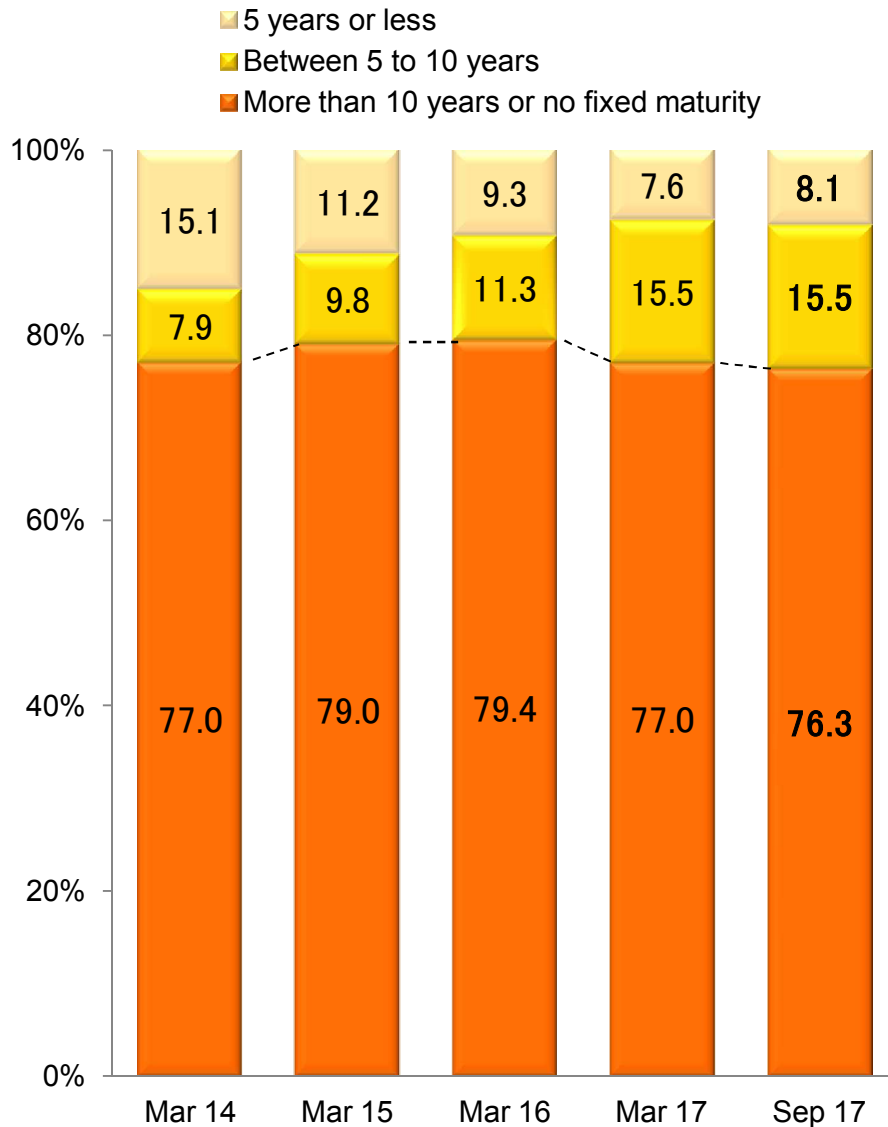


1 Foreign-currency denominated foreign bonds (including those issued by residents) include currency-hedged foreign bonds  
2 Yen-denominated foreign bonds include foreign-currency denominated foreign bonds with a fixed amount in Japanese yen

# Asset Management ②

Disciplined interest rate risk management based on ALM strategy

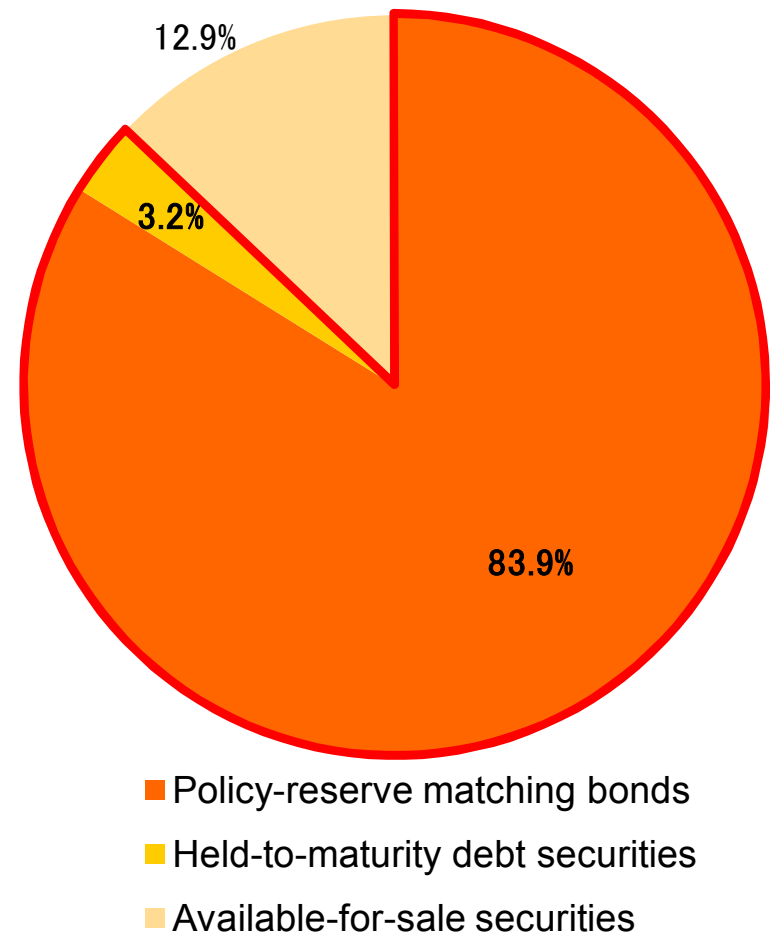
## Domestic Bonds by Maturity (GA・non-consolidated)



## Domestic Bonds by Category (GA・non-consolidated)

<As of September 2017>

### Domestic Bonds Outstanding Balance: JPY 13.05tn



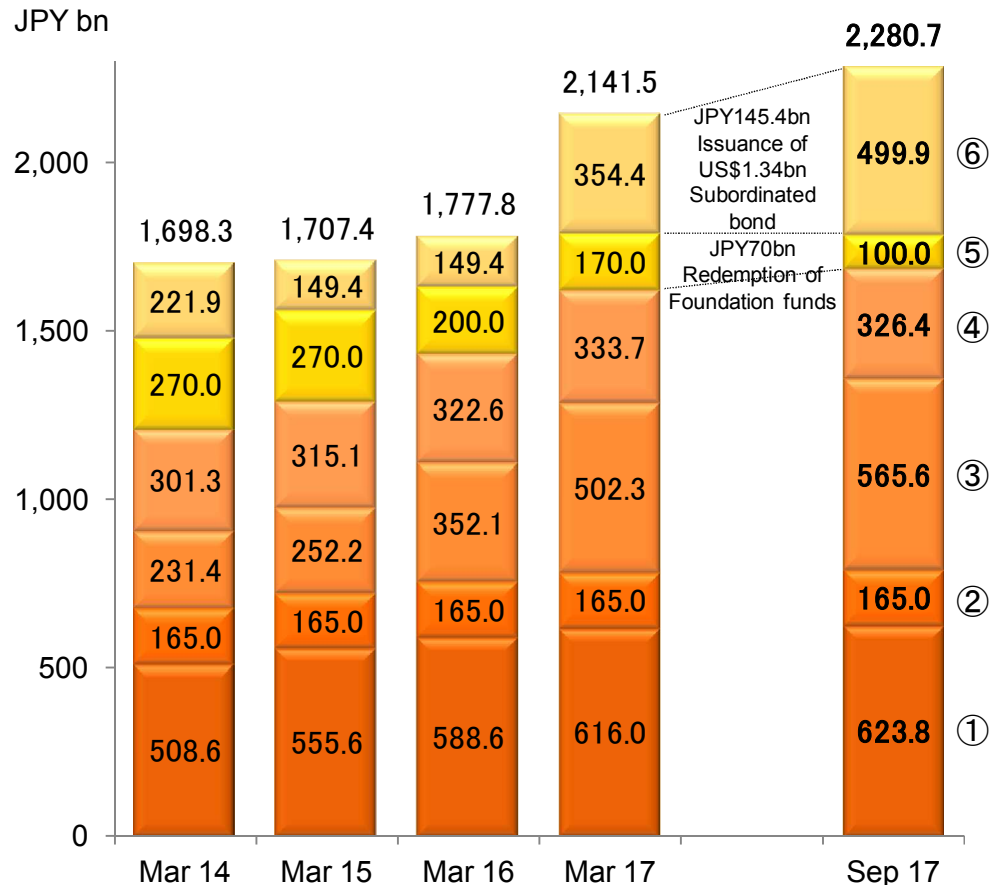


### III. Capital Base

# Capital Base

Capital base was further strengthened through US\$ subordinated bond issuance, which achieved the lowest coupon ever as Japanese life insurers at 4.00%

## Trend of Capital (Non-consolidated)



- ① Reserve for fund redemption+Reserve for redemption of foundation funds  
 ② Fund for price fluctuation allowance  
 ③ Reserve for price fluctuation  
 ④ Contingency reserve  
 ⑤ Foundation funds  
 ⑥ Subordinated loan / bonds

## Overview of US\$ Subordinated Bond

Type	US\$ subordinated notes due 2077 with interest deferral options
Principal amount	US\$1.34bn
Offer price	100% of the principal amount
Coupon	4.00% per annum before September 14, 2027 and a floating rate with step-up thereafter
Maturity	September 14, 2077 (callable on and after September 14, 2027)
Offering	Outside Japan, primarily in the US and Asia (144A/RegS format)
Rating	A3(Moody's) / A-(Fitch)

Note: Reserve for fund redemption for September 2017 is company estimate, and figures before March 2017 are after Appropriation of Surplus



## IV. Financial Statements, etc.

# Key Financial Performance

## Key Financial Performance (Group)

(JPY bn)

	Group		Sumitomo Life		Medicare Life		Symetra	
	Sep 2017	Increase(decrease) as % of Mar 31, 2017	Sep 2017	Increase(decrease) as % of Mar 31, 2017	Sep 2017	Increase(decrease) as % of Mar 31, 2017	Jun 2017	Increase(decrease) as % of Dec 31, 2016
Annualized premiums from policies in force	2,762.6	0.8%	2,329.8	0.2%	30.2	11.8%	402.5	4.0%

	Group		Sumitomo Life		Medicare Life		Symetra	
	1H FY2017	Increase(decrease) as % of Sep 30, 2016	1H FY2017	Increase(decrease) as % of Sep 30, 2016	1H FY2017	Increase(decrease) as % of Sep 30, 2016	1H FY2017	Increase(decrease) as % of Jun 30, 2016
Annualized premiums from new policies	123.4	(13.8%)	67.9	(40.7%)	3.7	34.1%	51.6	100.5%

	Group		Sumitomo Life		Medicare Life		Symetra	
	Sep 2017	Increase(decrease) compared to Mar 31, 2017	Sep 2017	Increase(decrease) compared to Mar 31, 2017	Sep 2017	Increase(decrease) compared to Mar 31, 2017	Jun 2017	Increase(decrease) compared to Dec 31, 2016
Solvency margin ratio	872.0%	58.8pt	873.7%	46.8pt	3,498.3%	(489.4pt)	-	-

EEV	3,822.4	298.6	4,022.5	302.2	129.2	3.5	217.1	(27.4)
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	Group		Sumitomo Life		Medicare Life		Symetra	
	1H FY2017	Increase(decrease) compared to Sep 30, 2016	1H FY2017	Increase(decrease) compared to Sep 30, 2016	1H FY2017	Increase(decrease) compared to Sep 30, 2016	1H FY2017	Increase(decrease) compared to Jun 30, 2016
Value of new business	73.9	82.0	75.0	81.4	4.5	1.8	(5.5)	(1.2)

Note: Group EEV is calculated as Sumitomo Life's EEV + Medicare Life's EEV + Symetra's EEV - book value of Medicare Life's equity and Symetra's equity owned by Sumitomo Life  
 Figures of Symetra is included since February 2016. The fiscal year-end of Symetra is December 31 (Exchange rate as of June 30, 2017 is JPY112.0 to US\$1.00)

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# Financial Statements (Major Items)

## Financial Statements (Group)

### Consolidated Income Statement

	1H FY2017						1H FY2017	
	Consolidated		Sumitomo Life		Medicare Life		Symetra	
	(JPY bn)	Increase(decrease) as % of Sep 30, 2016	(JPY bn)	Increase(decrease) as % of Sep 30, 2016	(JPY bn)	Increase(decrease) as % of Sep 30, 2016	(USD mm)	Increase(decrease) as % of Jun 30, 2016
Ordinary income	1,881.4	(13.8%)	1,717.5	(16.8%)	14.7	11.9%	1,222	-
Ordinary expenses	1,779.1	(13.0%)	1,610.8	(16.0%)	20.4	15.6%	1,185	-
Ordinary profit	102.2	(25.8%)	106.6	(28.1%)	(5.6)	-	37	-
Net surplus for 1H	30.7	(8.7%)	33.7	(19.5%)	(4.9)	-	43	-

### Consolidated Balance Sheet

	Sep 2017						Jun 2017	
	Consolidated		Sumitomo Life		Medicare Life		Symetra	
	(JPY bn)	Increase(decrease) as % of Mar 31, 2017	(JPY bn)	Increase(decrease) as % of Mar 31, 2017	(JPY bn)	Increase(decrease) as % of Mar 31, 2017	(USD mm)	Increase(decrease) as % of Dec 31, 2016
Total assets	35,607.8	3.7%	31,263.5	4.1%	195.6	1.5%	41,984	4.2%
Total liabilities	33,959.7	3.7%	29,575.4	4.2%	151.8	5.3%	38,033	4.3%
Total net assets	1,648.1	2.2%	1,688.0	1.9%	43.7	(10.0%)	3,951	2.9%

Note: USGAAP for Symetra

Net surplus for 1H in consolidated is net surplus attributable to the parent company

Figures of Symetra is included since February 2016. The fiscal year-end of Symetra is December 31

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**For further information...**

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