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## Financial Results for the Nine Months Ended December 31, 2017

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Sumitomo Life Insurance Company announces financial results for the nine months ended December 31, 2017.

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[Note]

The Financial Results are summarized English translations of the original disclosure in Japanese.

## 1. Unaudited Consolidated Financial Statements

### a. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
<b>ASSETS:</b>		
Cash and deposits	979,462	1,127,477
Call loans	203,345	212,890
Monetary claims bought	230,518	274,643
Securities	27,878,540	29,591,277
Loans	3,642,493	3,463,447
Tangible fixed assets	589,710	577,189
Intangible fixed assets	301,993	281,032
Due from agents	83	47
Reinsurance receivables	889	800
Other assets	394,731	401,297
Net defined benefit assets	17,736	20,109
Deferred tax assets	114,575	49,829
Allowance for possible loan losses	(1,211)	(1,028)
<b>Total assets</b>	<b>34,352,870</b>	<b>35,999,012</b>
<b>LIABILITIES:</b>		
Policy reserves and other reserves	29,783,141	30,315,631
Reserve for outstanding claims	158,838	137,748
Policy reserves	29,378,351	29,926,100
Policyholders' dividend reserves	245,951	251,783
Reinsurance payables	5,880	7,013
Corporate bonds	401,948	545,787
Other liabilities	1,983,295	2,643,470
Net defined benefit liabilities	22,565	25,165
Reserve for price fluctuation	502,439	602,855
Deferred tax liabilities	24,555	37,475
Deferred tax liabilities for land revaluation	16,061	15,537
<b>Total liabilities</b>	<b>32,739,886</b>	<b>34,192,937</b>
<b>NET ASSETS:</b>		
Foundation funds	170,000	100,000
Reserve for redemption of foundation funds	469,000	539,000
Reserve for revaluation	2	2
Surplus	306,955	235,669
Total funds, reserve and surplus	945,957	874,671
Net unrealized gains(losses) on available-for-sale securities	723,897	1,013,057
Deferred gains(losses) on derivatives under hedge accounting	1,703	(1,799)
Land revaluation differences	(59,460)	(60,733)
Foreign currency translation adjustments	(29,882)	(45,901)
Remeasurements of defined benefit plans	30,700	26,683
Total accumulated other comprehensive income	666,958	931,306
Non-controlling interests	66	96
<b>Total net assets</b>	<b>1,612,983</b>	<b>1,806,074</b>
<b>Total liabilities and net assets</b>	<b>34,352,870</b>	<b>35,999,012</b>

## b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Ordinary income	3,521,631	2,822,709
Insurance premiums and other	2,820,513	2,011,991
Investment income	615,740	703,015
Interest, dividends and other income	497,413	551,213
Gains on trading securities	1,145	349
Gains on sales of securities	74,873	61,945
Investment gains on separate accounts	40,286	81,472
Other ordinary income	85,376	107,703
Ordinary expenses	3,355,467	2,662,198
Benefits and other payments	1,523,656	1,555,184
Claims paid	397,016	450,264
Annuity payments	521,447	494,501
Benefits payments	242,907	249,524
Surrender benefits	309,290	318,276
Provision for policy reserves and other reserves	1,306,128	573,729
Provision for policy reserves	1,306,016	573,699
Provision for interest on policyholders' dividend reserves	111	30
Investment expenses	109,692	125,595
Interest expenses	6,738	15,508
Losses on sales of securities	11,637	21,840
Losses on valuation of securities	1,294	1,483
Operating expenses	297,293	296,909
Other ordinary expenses	118,696	110,779
Ordinary profit	166,163	160,511
Extraordinary gains	6,416	936
Gains on disposals of fixed assets	6,416	936
Extraordinary losses	107,991	107,733
Losses on disposals of fixed assets	472	1,611
Impairment losses	165	5,063
Provision for reserve for price fluctuation	106,713	100,415
Payments to social responsibility reserve	640	642
Surplus before income taxes	64,588	53,714
Income taxes		
Current	44,636	38,653
Deferred	(40,396)	(36,041)
Total income taxes	4,239	2,612
Net surplus	60,348	51,101
Net surplus attributable to non-controlling interests	3	6
Net surplus attributable to the Parent Company	60,345	51,095

**c. Unaudited Consolidated Statements of Comprehensive Income**

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net surplus	60,348	51,101
Other comprehensive income(loss)	(15,397)	265,620
Net unrealized gains(losses) on available-for-sale securities	61,283	287,640
Deferred gains(losses) on derivatives under hedge accounting	2,061	(3,503)
Land revaluation differences	(1)	—
Foreign currency translation adjustments	(73,090)	(13,997)
Remeasurements of defined benefit plans	2,539	(4,017)
Share of other comprehensive income(loss) of associates under the equity method	(8,190)	(502)
Comprehensive income(loss)	44,951	316,722
Comprehensive income(loss) attributable to the Parent Company	44,954	316,716
Comprehensive income(loss) attributable to non-controlling interests	(3)	6

## **Notes to the Unaudited Consolidated Financial Statements**

### **Policies of Presenting the Unaudited Consolidated Financial Statements for the Nine Months Ended December 31, 2017**

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 22 as of December 31, 2017.

INSURANCE DESIGN was included in the scope of consolidation as a result of the share acquisition from the period ended September 30, 2017.

## Notes to the Unaudited Consolidated Balance Sheet as of December 31, 2017

1. The Company's assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rate on the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.
2. Securities loaned under security lending agreements amounted to ¥3,136,673 million as of December 31, 2017.

3. Changes in policyholders' dividend reserves for the period ended December 31, 2017 were as follows:

	Millions of Yen
At the beginning of the period	245,951
Transfer from surplus in the previous fiscal year	51,735
Dividend payments to policyholders during the period	(45,933)
Interest accrued during the period	30
At the end of the period	251,783

4. The Company redeemed ¥70,000 million of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.
5. The Company and certain subsidiaries adopted the consolidation tax filings from the period ended June 30, 2017.
6. On December 22, 2017, the Tax Cuts and Jobs Act ("The Act") was enacted in the U.S.A. The Act includes the lowering of the corporate tax rate from 35% to 21%, effective January 1, 2018. The Company is in the process of quantifying the impact of The Act, including the change of the corporate tax rate.

## **Notes to the Unaudited Consolidated Statement of Income for the Nine Months Ended December 31, 2017**

1. The amount of depreciation of tangible fixed assets, including real estates for investments, was ¥30,465 million and the amount of amortization of goodwill was ¥2,642 million for the period ended December 31, 2017.

## 2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Solvency margin gross amount (A)	3,466,335	4,073,991
Foundation funds and others	622,329	592,400
Reserve for price fluctuation	502,439	602,855
Contingency reserve	335,070	328,158
Unusual contingency reserve	-	-
General allowance for possible loan losses	989	822
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred gains (losses) on derivatives under hedge accounting (before income tax effect adjustments)) × 90% (Multiplied by 100% if losses)	907,617	1,267,025
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	13,361	26,102
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	42,597	37,027
Excess of continued Zillmerized reserve	684,241	715,400
Qualifying subordinated debt	354,480	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(67,589)	(67,138)
Others	70,799	71,412
Total amount of risk $\sqrt{(R_1^2 + R_5^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	852,499	930,251
Insurance risk $R_1$	97,042	96,854
General insurance risk $R_5$	-	-
Large disaster risk $R_6$	-	-
Third-sector insurance risk $R_8$	68,087	71,683
Insurance risk of small-amount, short-term insurer $R_9$	-	-
Risk of assumed yield $R_2$	204,402	202,243
Minimum guarantee risk $R_7^{**}$	19,228	4,591
Investment risk $R_3$	592,705	686,420
Operational risk $R_4$	19,629	21,235
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	813.2%	875.8%

※ The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

Note: The amounts and figures in the table above are calculated based on Article 130 of the Insurance Business Act, Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and Financial Services Agency Public Notice No.23 of 2011.

### 3. Non-Consolidated Financial Information (General Account)

#### a. Overall Composition of Investments

(Millions of Yen, %)

	As of March 31, 2017		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	1,007,015	3.5	1,190,885	3.9
Monetary claims bought	230,518	0.8	274,643	0.9
Investments in securities	23,614,509	82.0	25,372,661	83.1
Domestic bonds	12,961,892	45.0	13,068,719	42.8
Domestic stocks	1,700,608	5.9	2,029,196	6.6
Foreign securities	8,809,343	30.6	10,155,994	33.3
Foreign bonds	7,839,217	27.2	9,086,723	29.8
Other foreign securities	970,125	3.4	1,069,271	3.5
Other securities	142,666	0.5	118,750	0.4
Loans	2,972,689	10.3	2,780,374	9.1
Policy loans	303,290	1.1	294,773	1.0
Industrial and consumer loans	2,669,398	9.3	2,485,601	8.1
Real estate	578,811	2.0	567,157	1.9
Investment property	401,966	1.4	396,678	1.3
Deferred tax assets	124,609	0.4	58,893	0.2
Other assets	277,239	1.0	298,292	1.0
Allowance for possible loan losses	(1,132)	(0.0)	(913)	(0.0)
Total	28,804,261	100.0	30,541,996	100.0
Foreign currency denominated assets	7,367,770	25.6	9,297,643	30.4

Note: Real estate is recorded as the sum total of land, buildings and construction in progress.

## b. Fair Value Information of Securities (With Fair Value except for Trading Securities)

(Millions of Yen)

	As of March 31, 2017					As of December 31, 2017				
	Book value	Fair value	Net gains (losses)	Net gains (losses)		Book value	Fair value	Net gains (losses)	Net gains (losses)	
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	1,942,014	2,303,448	361,434	361,434	-	1,898,471	2,236,394	337,923	337,923	(0)
Policy-reserve-matching bonds	11,088,673	13,056,296	1,967,623	2,023,431	(55,808)	11,195,473	13,134,779	1,939,305	1,990,055	(50,749)
Investments in subsidiaries and affiliated companies	33,173	35,754	2,580	2,580	-	33,173	39,775	6,601	6,601	-
Available-for-sale securities	9,405,982	10,375,805	969,822	1,103,170	(133,348)	10,541,053	11,857,027	1,315,973	1,392,863	(76,889)
Domestic bonds	1,484,122	1,562,503	78,381	83,050	(4,668)	1,624,067	1,705,087	81,019	83,669	(2,649)
Domestic stocks	784,201	1,584,632	800,430	808,738	(8,307)	819,661	1,911,355	1,091,694	1,097,365	(5,671)
Foreign securities	6,209,300	6,281,051	71,751	190,963	(119,211)	7,406,286	7,525,851	119,564	187,939	(68,374)
Foreign bonds	6,136,882	6,207,918	71,036	190,150	(119,114)	7,242,060	7,356,411	114,350	182,629	(68,279)
Other foreign securities	72,417	73,132	714	812	(97)	164,225	169,440	5,214	5,309	(95)
Other securities	127,421	140,826	13,404	14,070	(665)	99,957	116,754	16,797	16,797	(0)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	207,481	214,385	6,904	7,091	(186)
Negotiable certificates of deposit	610,000	609,980	(19)	-	(19)	383,600	383,592	(7)	-	(7)
Others	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,469,844</b>	<b>25,771,305</b>	<b>3,301,461</b>	<b>3,490,618</b>	<b>(189,156)</b>	<b>23,668,172</b>	<b>27,267,975</b>	<b>3,599,803</b>	<b>3,727,443</b>	<b>(127,639)</b>
Domestic bonds	12,883,510	14,958,180	2,074,669	2,134,598	(59,928)	12,987,699	15,032,291	2,044,591	2,097,585	(52,993)
Domestic stocks	784,201	1,584,632	800,430	808,738	(8,307)	819,661	1,911,355	1,091,694	1,097,365	(5,671)
Foreign securities	7,873,773	8,280,876	407,102	526,862	(119,760)	9,169,773	9,609,595	439,822	508,603	(68,780)
Foreign bonds	7,768,181	8,171,988	403,806	523,468	(119,662)	8,972,373	9,400,379	428,006	496,692	(68,685)
Other foreign securities	105,591	108,887	3,295	3,393	(97)	197,399	209,215	11,815	11,911	(95)
Other securities	127,421	140,826	13,404	14,070	(665)	99,957	116,754	16,797	16,797	(0)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	207,481	214,385	6,904	7,091	(186)
Negotiable certificates of deposit	610,000	609,980	(19)	-	(19)	383,600	383,592	(7)	-	(7)
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

### Book values of securities whose fair value is not practically determinable are as follows:

(Millions of Yen)

	As of March 31, 2017	As of December 31, 2017
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	604,907	608,726
Available-for-sale securities	369,119	367,321
Unlisted domestic stocks (excluding over-the-counter stocks)	15,701	13,746
Unlisted foreign stocks (excluding over-the-counter stocks)	351,558	351,558
Unlisted foreign bonds	-	-
Others	1,859	2,016
<b>Total</b>	<b>974,026</b>	<b>976,047</b>