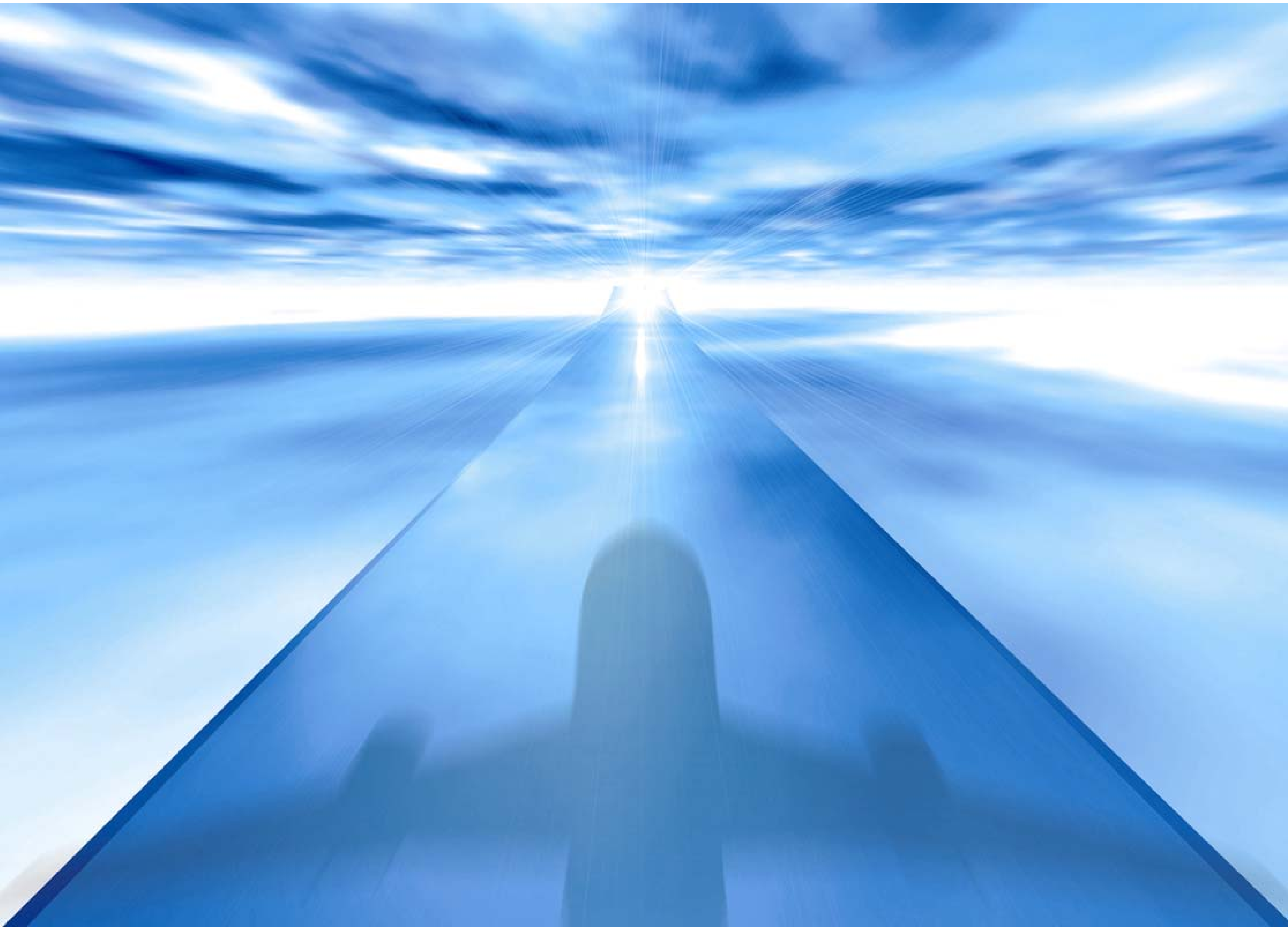
SUMITOMO LIFE

ANNUAL REPORT 2004

SUMITOMO LIFE INSURANCE COMPANY



Our Management Policy

1. Based upon the concept of coexistence, coprosperity and mutual assistance, we shall strive to solidify and expand our business, while contributing to the furtherance of social and public welfare.
2. Creditworthiness and steadiness shall be the norms in the execution of our business.
3. We shall always remain imperturbable in judgment and retain progressive and indomitable spirits, responding to changes in our environment and keeping abreast with the times.

Contents

Message from the President

Overview of Fiscal 2003 – Looking Back on Structural Reforms

The Japanese economy in the year ended March 31, 2004 was characterized by the start of an upward trend in business conditions in the second half. The environment surrounding the life insurance industry, however, witnessed another difficult year, as tight household budgets led to life insurance policy revisions and the prolonged period of low interest rates continued unabated. Operating in the midst of such conditions, Sumitomo Life began to see some positive signs as a result of engaging in structural reforms to boost earnings power and reduce risk exposure, activities that were directed at the realization of our mission of being an insurance company that inspires high levels of customer confidence.

In order to boost earnings power, we developed new products in areas of growing customer need, specifically long-term care and medical insurance, and we further enhanced our system of after-sales service for customers. In addition, we endeavored to make thoroughgoing cost reductions in all our administrative processes. Consequently, we secured a stable level of core business profit, which expresses earnings from our mainstay operations, after providing for the negative spread. It totaled ¥284.2 billion. This robust core business profit supplied funds to boost internal reserves by ¥82.3 billion and shore up our operating base.

In order to reduce risk exposure, we made progress in decreasing risk assets primarily by continuing to reduce our equities holdings. We also moved another step forward in creating an operating structure that is impervious to changes in economic conditions or fluctuations in stock prices. As a result of these activities, the solvency margin ratio stood at 673.6%, as we again achieved a sufficient level for this indicator and further improved our ability to weather risk.

Sumitomo Life's Vision for Growth: Long Term Care and Medical Insurance

Long-term Management Policy: Transitioning from Structural Reform to a New Vision for Growth

As I have just mentioned, Sumitomo Life has successfully bolstered its risk resistance and cost competitiveness. At the same time, we recognize that a major issue for us going forward will be to increase earnings in order to continue to grow and be a company that contributes to society.

Based on these considerations, we made the decision to move forward toward a new growth stage under a long-term management policy that brings structural reforms to completion and promotes development in the same spirit.

The creation of new markets is the first pillar of the policy. We have positioned endowment insurance—primarily long-term care insurance and medical insurance—alongside insurance against death as our second mainstay market, and we plan to create new markets by providing products and services carefully tailored to customer needs.

Sumitomo Life has long been involved in long-term care and medical insurance markets. In fiscal 2003 as well we focused efforts in these areas, launching in April *Love 30*, long-term care insurance covering from temporarily bedridden patients to those requiring long-term nursing care, and in September *Kyu-Q-Tai OK*, which provides benefits for all surgeries incurred with hospitalization. We intend to further accelerate these activities going forward.

Annualized premium income has been steadily increasing from long-term care and medical insurance, areas of growing customer need. In fact, there has been a rapid increase in the ratio of annualized premium income from these areas to the total from new policies, having already surpassed the 30% level. By responding to customer needs, we will continue to develop these areas as a major pillar of our growth strategy.

The other pillar of our long-term management policy consists of revitalizing existing markets. This means steadfastly delivering optimal, up-to-date insurance products not only to new customers but also to existing customers that have long been policyholders. To this end, we have been introducing new structures and products since September of last year, including *Nikoniko Plan* and *Q Pack*, and have enabled customers to revise their policies more flexibly than in the past. Through such initiatives, we intend to provide each and every customer with optimal, up-to-date insurance.

Concluding Remarks

Given its rapidly aging population and low birthrate, Japan is on the cusp of becoming an aged society to an unprecedented degree. Long life has always been a cause for rejoicing. We cannot allow society to associate long life with pain and suffering because it has not adequately provided for the risks associated with it. Our social mission at Sumitomo Life is to provide resolute support for a cheerful and prosperous aged society that people feel good about. We firmly believe that pursuit of this new mission will itself lead us to a new vision for growth.

By steadfastly fulfilling our mission and responding to the trust of customers, we will further steadily deepen our commitment to being an insurance company that inspires high levels of customer confidence. Thank you for your continuing support in these efforts.

July 2004

S. Yokoyama

Shinichi Yokoyama
President and Chief Executive Officer

Operating Results
(Individual Insurance and Individual Annuities)

New Policies and Net Policy Conversions

In the year ended March 2004, annualized premium income from new policies for living benefits insurance and medical insurance increased substantially, to 112.8% of the amount of the previous year. This was due in part to new products such as *Love 30*, which covers expenses in the initial period of long-term care, and *Kyu-Q-Tai OK*, a series of special medical insurance policies that support hospitalization and all surgeries. Moreover, the percentage of total new policies occupied by this field of insurance exceeded 30%.

The total for individual insurance and individual annuities also increased, to 101.1% of the previous year, thanks to initiatives in the area of living benefits and medical insurance, and other factors.

(1) Annualized Premium Income (Units: ¥100 million)

Item	Fiscal 2002	**Fiscal 2003**
Living Benefits Insurance, Medical Insurance, etc.	416	**470**
Living Benefits Insurance	164	**221**
Medical Insurance	244	**244**
Individual Insurance and Individual Annuities	1,413	**1,428**

Notes: 1. Annualized premium income is calculated by multiplying individual premiums by a factor corresponding to their payment schedule and converting them to yearly premium income. For policies with lump-sum payments, premium income is divided by the coverage period.
2. Annualized premium income for living benefits insurance is the total of long-term care insurance, insurance for specific illnesses, insurance for acute chronic diseases, and the special policy benefits exempted from insurance premium payments.
3. Annual premium income for medical insurance is the total of medical insurance and . individual riders for hospitalization due to disaster, treatment of adult disease, treatment of women's illnesses, outpatient treatment, initial benefits for hospitalization, and treatment for accident or injury.
4. Annualized premium income for products that include living benefits and medical insurance along with insurance against death and other insurance is calculated based on the respective proportions of the premium corresponding to living benefits and medical insurance.

(2) Sum Insured (Units: thousands, ¥100 million)

Item	Fiscal 2002		**Fiscal 2003**	
	No. of Policies	Total Value	No. of Policies	Total Value
New Policies and Net Policy Conversions	1,111	161,658	**1,110**	**127,007**

Policy Cancellations and Lapses

Policy cancellations and lapses in fiscal 2003 amounted to 96.1% of the previous year as a result of strengthening initiatives that included promotion of consultations with existing policyholders and improving after-sales service. Improvement in this area continued on from fiscal 2002 thanks to steady implementation of these initiatives.

Sum Insured (Units: ¥100 million)

Item	Fiscal 2002	**Fiscal 2003**
Policy Cancellations and Lapses	188,591	**181,295**

Life Insurance in Force

Annualized premium income from life insurance in force at the year-end was 102.2% of the previous year's level for living benefits insurance and medical insurance, and was 95.6% of last year's level for total individual life insurance and individual annuities in force.

(1) Annual Premium Income (Unit: ¥100 million)

Item	End-Fiscal 2002	End-Fiscal 2003
Living Benefits Insurance, Medical Insurance, etc.	3,809	**3,893**
Medical Insurance	2,659	**2,664**
Individual Insurance and Individual Annuities	19,888	**19,011**

Notes: 1. Annualized premium income is calculated by multiplying individual premiums by a factor corresponding to their payment schedule and converting them to yearly premium income. For policies with lump-sum payments, premium income is divided by the coverage period.

2. Annualized premium income for living benefits insurance is the total of long-term care insurance, insurance for specific illnesses, insurance for acute chronic diseases, and the portion corresponding to special policy benefits exempted from insurance premium payments.

3. Annual premium income for medical insurance is the total of medical insurance and special policies for emergency hospitalization, illness and treatment, adult diseases and treatment, women's diseases and treatment, hospital commutation, initial period of hospitalization benefits, hospitalization and medical treatment, and injury.

4. Annualized premium income for products that include living benefits and medical insurance along with insurance against death and other insurance is calculated based on the respective proportions of the premium corresponding to living benefits and medical insurance.

(2) Sum Insured (Units: thousands, ¥100 million)

Item	End-Fiscal 2002		End-Fiscal 2003	
	No. of Policies	Total Value	No. of Policies	Total Value
Life Insurance in Force	12,071	1,883,751	**11,522**	**1,764,551**

Earnings Overview

Core Business Profit of ¥284.2 Billion

Core business profit is an indicator of the basic earnings power of a life insurance company and has been disclosed on an industry-wide basis since the year ended March 31, 2001.

Core business profit refers to income after provision for a negative spread, and so represents funds that can be used to pay dividends and income taxes or improve financial health and the earnings structure.

After provision for its negative spread, Sumitomo Life registered core business profit of ¥284.2 billion, again achieving a solid level for this indicator.

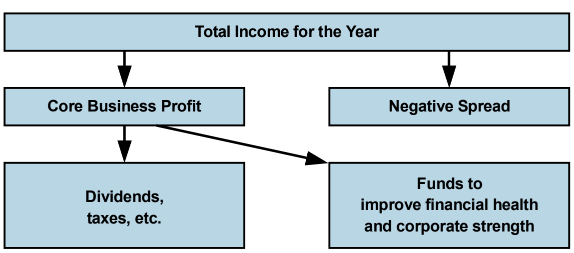
Ordinary Income Overview (Core Business Profit Overview)

(Unit: ¥100 million)

		Fiscal 2002	**Fiscal 2003**
Core Business Profit (A)		3,005	**2,842**
Insurance Premiums and Other		26,988	**26,970**
Interest and Dividend Income		4,342	**4,479**
Reversal of Transfer to Policy Reserves*		7,818	**5,875**
Benefits and Other Payments		30,280	**31,012**
Operating Expenses		3,914	**3,740**
Capital Income (B)		(3,957)	**(1,015)**
Special Income (C)		1,110	**(383)**
Ordinary Income (D=A+B+C)		157	**1,443**
Special Gains/Losses (E)		(334)	**(600)**
Income before Taxes		(176)	**842**
Corporate and Other Taxes	(F)	221	**69**
Deferred Tax Adjustment	(F)	(411)	**127**
Net Income for the Year (G=D+E-F)		13	**646**
Reversal of Fund Prepared for Price Fluctuation	(H)	650	**—**
Reversal of Fund for the Promotion of Social and Policyholder Welfare	(H)	8	**5**
Reversal of Difference on Revaluation of Real Estate, Etc.	(H)	(21)	**(9)**
Unappropriated Surplus at Year-end (I=D+E-F+H)		649	**642**

*Excluding reversal of contingency reserve.

Relationship between Core Business Profit and Negative Spread



Ordinary Income

Ordinary income (D) is basic operating profit (A) to which is added capital income (B) and special income (C). The Company posted ordinary income of ¥144.3 billion.

Net Income for the Year

Net income (G) is calculated by adding special gains/losses (E) to ordinary income (D) and subtracting corporate and other taxes and deferred tax adjustment (F). The Company posted net income for the year of ¥64.6 billion.

Unappropriated Surplus at Year-End

Unappropriated surplus at year-end (I) is derived by adding the reversal of the fund for the promotion of social and policyholder welfare and other reversals (H) to net income for the year (G). The company registered an unappropriated surplus at year-end of ¥64.2 billion.

Negative Spread

Addressing the Negative Spread

Sumitomo Life's negative spread totaled ¥200.7 billion in the year ended March 31, 2004. The spread is covered by total annual income (of a single fiscal year). As mentioned previously, after providing for the negative spread, the Company secured core business profit of ¥284.2 billion. This means that total income for the year greatly exceeded the negative spread and the Company has provided for the amount of the spread in full.

Equities Overview and Improving Financial Soundness

Total Assets

Total assets amounted to ¥21,123.6 billion.

Total assets (Unit: ¥100 million)

Item	March 31, 2003	March 31, 2004
Total assets	219,114	**211,236**

Securities Holdings

With regard to investments in securities, the Company engaged in asset management activities centered on yen-denominated, interest-bearing assets.

For foreign currency denominated securities, the Company made investments after fully hedging currency fluctuation risk on the principal portion.

Breakdown of Securities Holdings (General Account) (Units: ¥100 million, %)

Item	March 31, 2003		March 31, 2004	
	Amount	% of Total	Amount	% of Total
Government and Corporate Bonds	60,792	51.0	**57,071**	**48.1**
Equities	13,609	11.4	**15,392**	**13.0**
Foreign Securities	43,095	36.2	**44,580**	**37.6**
Government and Corporate Bonds	36,763	30.9	**38,247**	**32.3**
Foreign Currency Denominated Bonds	19,670	16.5	**24,167**	**20.4**
Equities, etc.	6,332	5.3	**6,332**	**5.3**
Other Securities	1,590	1.3	**1,552**	**1.3**
Total	119,087	100.0	**118,597**	**100.0**

Nonperforming Loans

Risk-managed loans (nonperforming loans) were a mere 0.76% of the balance of loans outstanding as of the fiscal year-end.

Sumitomo Life continued to maintain a sound financial position in the year ended March 2004, achieving year-on-year reductions to risk-managed loans both in absolute value terms and as a percentage of total loans outstanding, as a result of executing appropriate write-offs and provisions in line with stringent internal assessment standards.

Loans Outstanding (Unit: ¥100 million)

Item	March 31, 2003	March 31, 2004
Loans Outstanding	59,079	**52,399**

Risk-Managed Loans (Unit: ¥100 million)

Item		March 31, 2003	March 31, 2004
Loans to Bankrupt Borrowers	(1)	2	**12**
Loans in Arrears	(2)	352	**245**
Loans in Arrears for Three Months or Longer	(3)	28	**12**
Loans on Which Terms Have Been Eased	(4)	111	**127**
Total ((1)+(2)+(3)+(4)) (Percentage of Total Loans Outstanding)		495 (0.84%)	**397** **(0.76%)**

Solvency Margin Ratio – 673.6%

Solvency Margin Ratio Numerator

Solvency Margin: ¥1,579.6 billion

The solvency margin is reserve that incorporates gains and losses on equities, real estate and other assets. The Company's solvency margin at the fiscal year-end increased substantially year-on-year as a result of posting relatively strong core business profit, rising stock prices and other factors.

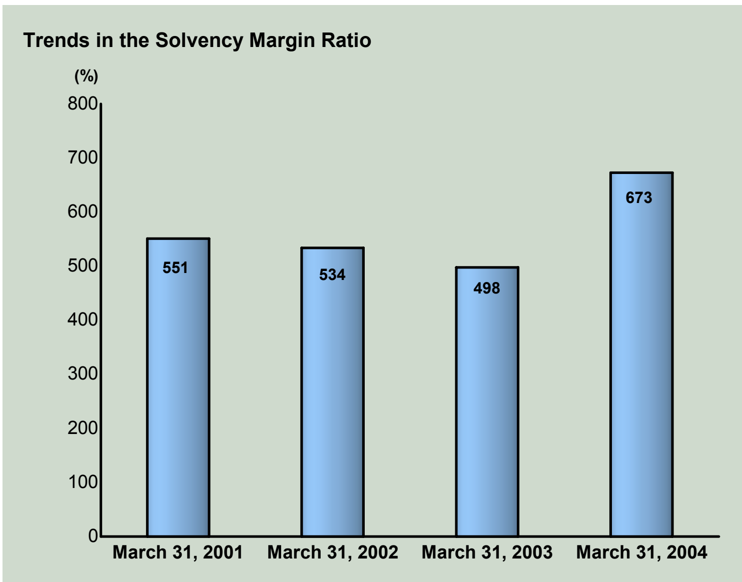
Solvency Margin Ratio Denominator

Decrease in total risk

The total amount of risk declined compared to the previous year-end owing to reducing risk assets and other factors.

(Unit: ¥100 million)

Item	March 31, 2002	March 31, 2003	**March 31, 2004**
Total Assets Included in Calculation of Solvency Margin (A)	14,789	12,021	**15,796**
Total Risk Assets (B)	5,538	4,827	**4,690**
Solvency Margin Ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	534.0%	498.0%	**673.6%**



Management of General Account Assets

Asset Management Policy

Sumitomo Life conducts asset management in order to achieve stable returns over the long term, in accordance with its role as a life insurance company. Its portfolio consists primarily of yen-denominated government and corporate bonds, loans, and other interest-bearing assets. The Company also invests in equities and other assets within prescribed risk parameters for the sake of diversification.

Asset Management Overview

Sumitomo Life conducted operations to secure earnings while curtailing risk exposure in line with interest rate conditions both domestically and abroad, working for stable returns primarily on yen-denominated interest-bearing assets. At the same time, the Company made efforts to reduce its balance of assets at high risk from price fluctuation, such as stock, while carefully monitoring market trends, and succeeded in further bolstering its financial position. More specific information on asset management follows below.

Securities

Sumitomo Life made consistent investments in government and corporate bonds with medium- to long-term maturities in order to secure stable earnings. At the same time, the Company sought to boost returns by selling as interest rates declined near the beginning of the term and buying as rates subsequently increased.

In the area of foreign bonds, the Company increased its holdings of U.S. dollar and euro bonds at the start of the term when domestic interest rates were low as a substitute for investment in yen-denominated, interest-bearing assets, while fully hedging currency exchange risk. In so doing the Company worked to secure returns greater than those available from domestic investments.

The Company continued to sell off domestic equities while closely monitoring market trends in order to reduce risk from price fluctuation.

It also postponed investment in foreign equities to rein in risk from price fluctuation.

Loans

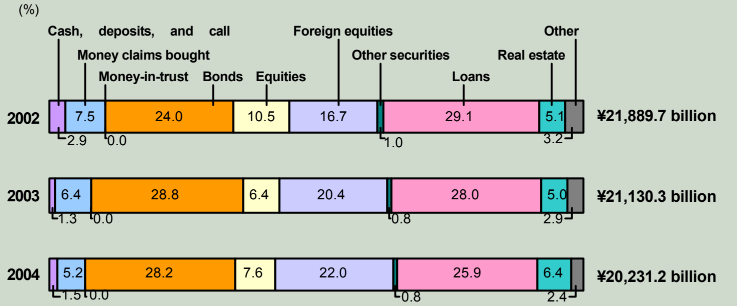
In the area of loans to domestic corporations, Sumitomo Life increased its ratio of loans to preferred business partners while also working to develop new customers.

Real Estate

In this area the Company made efforts to increase profitability by boosting occupancy rates.

General Account Asset Portfolio

Years ended March 31



Non-consolidated Review of Operations (Results for the Year Ended March 31, 2004)

Business Environment

The Japanese economy in the year ended March 31, 2004 witnessed a clear recovery trend in business conditions in the second half largely on the back of increased exports and capital investment. Corporate earnings also showed improvement, primarily in export-driven industries. The residual effect, however, of these developments on wage and employment conditions was limited.

For the life insurance industry, it was another year of operating in a harsh business environment. Although rising stock prices had a positive financial impact, tight household budgets and other factors led to life insurance policy revisions and prolonged low interest rates continued unabated.

Review of Operations

Operating under these circumstances, Sumitomo Life worked to achieve the targets of its three-year restructuring plan in the plan's second year by upping earnings power and reducing risk exposure, in an effort to be an insurance company that inspires high levels of customer confidence.

Marketing and Service

Seeking to improve profitability, in the area of marketing and service, the Company endeavored to enhance the insurance options and services desired by customers through promoting customer-oriented sales activities.

On the product side, in April 2003 Sumitomo Life launched *Love 30*, a new long-term care insurance product, in response to mounting customer needs for long-term care and other living benefits insurance and medical insurance. *Love 30* enhances coverage for temporarily bedridden patients during the initial stages of long-term care. Whereas conventional insurance policies require a waiting period of 180 days of continuous care before disbursements are made, *Love 30* shortens this period substantially, requiring only 30 days. The Company also launched a new medical insurance product, *Kyu-Q-Tai OK*, in September 2003. The product is a groundbreaking medical policy that provides outstanding coverage for short-term hospital stays in line with advances in technology, and at the same time greatly expands the range of surgeries covered—an industry first—in response to the increase in routine surgeries. In addition to marketing new products, the Company also started new consultation programs for existing policyholders who are long-time customers. Such consultations enable such customers with whole life insurance or other savings-oriented products, to restructure aspects of their existing policy to include the latest insurance features, without canceling their policy. The consultations are aimed at flexibly responding to the requirements of policyholders as they change with the times.

Additionally, with respect to business administration, the Company worked to bolster the consultative sales capabilities of each and every marketing representative. It also adopted a new indicator, sum insured under new insurance policies, to complement traditional new policy indicators so that an evaluation for the amount of medical insurance and related products could be utilized in measuring sales. In so doing, the Company made further strides in providing incentives to sell insurance appropriate to the needs of customers.

In order to improve after-sales service, Sumitomo Life is shifting administrative staff and other personnel to customer service related areas with a view to creating a system for providing impeccable service. The Company is also devoting efforts to training employees, primarily those involved in sales and service. In addition, in order to improve policyholder convenience, the Company developed infrastructure enabling it to respond to customer inquiries by phone via a call center, and in December 2003, it completed a system that allows balance inquiries and other policy-related procedures to be handled through the call center. Moreover, Sumitomo Life is working to enhance its service menu and provide greater value-added member benefits for *Club Sumitomo Life*, an association of policyholders. It has expanded the provision of emergency roadside services, for example, to customers holding specified automobile insurance policies.

A significant decrease in the gross amount of policies was experienced in fiscal 2003 due in part to frequent negative media coverage related to the revision of the Insurance Business Law, which makes possible a change to certain policy conditions, such as the lowering of the assumed interest rate. Despite these negative pressures, the Company's various initiatives contributed to a 3.9% improvement in policy cancellations and lapses for the year.

The Company continued to actively engage in marketing insurance products through banking institutions, an important sales channel that complements the activities of the Company's sales representatives. The main product marketed through this channel is *Tanoshimi VA*, a single premium variable annuity with minimal life insurance features. In the year under review, 38,000 policies were sold through this channel, which constitutes about 30% of individual annuities as a whole, and insurance premiums totaled ¥131.8 billion. The market for individual annuities is anticipated to grow going forward, so in addition to its traditional single premium products, the Company will begin selling savings-type variable annuities in April 2004.

In the institutional insurance field, amid stepped-up activity related to pension sponsors deciding on returning a substitutional portion of the Employees' Pension Fund, which the government previously allowed them to manage, and the trend of companies experiencing difficulties terminating their qualified pension plans, Sumitomo Life provided consulting for companies that were considering restructuring their retirement pension plans. The Company also provides support for companies switching over to hybrid defined benefit pension schemes or implementing defined contribution plans.

In non-life insurance, the Company aggressively marketed automobile insurance subdivided by risk, which was newly launched by subsidiary The Sumisei General Insurance Co., Ltd. Also, under a comprehensive alliance with Mitsui Sumitomo Insurance Co., Ltd., the Company worked to further raise its level of response to accidents and otherwise endeavored to provide more fully enhanced services. With these developments, The Sumisei General Insurance Co. was able to erase its cumulative deficit in its eighth year of existence, which was ahead of schedule.

Cost Reductions

With a view to boosting profitability, Sumitomo Life continued to reduce fixed costs. It engaged in initiatives to reduce personnel costs, lowering bonus levels and trimming employees, and cut nonpersonnel costs, consolidating sales offices and streamlining marketing expenses.

Asset Management

The Company continued to make progress in boosting earnings by focusing its asset management activities largely on domestic bonds and other yen-denominated, interest-bearing assets. It also further reduced its risk exposure by cutting back on investments in equities and other assets with high risk from price fluctuation.

In order to boost earnings, the Company increased its holdings of long-term domestic bonds during a period of rising Japanese interest rates while appropriately controlling risk from interest rate fluctuation. It also made investments in foreign bonds after hedging currency exchange and considering trends in interest rates both domestically and overseas. In the area of real estate, the Company sought to increase earnings through an improved vacancy rate by strengthening marketing activities to potential tenants and raising property values through refurbishments.

Policies Regarding Capital

Along with writing off funds procured in a 1996 offering, the Company conducted an additional offering worth ¥59.0 billion for the purpose of further shoring up its operating base and steadfastly ensuring the confidence of customers. This brings total funds (including the reserve for redemption of funds) to ¥229.0 billion.

Results of Operations

These initiatives yielded the following results in fiscal 2003.

New individual insurance and individual annuities contracts written decreased 21.4% year-on-year to ¥12,700.7 billion. New contracts written is the traditional indicator for new policies, and its total includes only the amount of insurance payable at death to survivors. A new indicator, sum insured under new insurance policies, is based on changing customer needs. It decreased 1.4% compared to the previous year to ¥21,772.1 billion. Gross decrease of policy fell 5.7% year-on-year to ¥24,620.6 billion, and life insurance in force at the fiscal year-end declined 6.3% year-on-year to ¥176,455.1 billion. Thanks to the Company's redoubled efforts in this area, annualized premium income from living benefits insurance and medical insurance increased 3.1% year-on-year.

Group insurance in force at the end of the fiscal year decreased 4.5% compared to the previous year to ¥37,489.9 billion. Group annuities at year-end totaled ¥3,132.7 billion, a year-on-year decline of 16.1%.

With respect to revenue and expenses, premium income inched down 0.1% compared to last year to ¥2,697.0 billion, while investment income grew 17.8% over the previous year to ¥676.4 billion. On the expenditures side, insurance benefits paid rose 2.4% year-on-year to ¥3,101.2 billion, investment expenses dropped 58.9% year-on-year to ¥286.3 billion, and operating expenses decreased 4.4% on the same basis to ¥374.0 billion. As a result, ordinary income jumped 815.1% over the preceding year to ¥144.3 billion. After factoring in special gains and losses, net income for the year totaled ¥64.6 billion, an increase of 4,793.2% over the previous year. Unappropriated surplus for the year decreased 1.2% compared to last year to ¥64.2 billion.

Core business profit, which expresses the fundamental earnings power of a life insurance company, fell 5.4% year-on-year to ¥284.2 billion after absorbing the negative spread.

Total assets at the end of the fiscal year amounted to ¥21,123.6 billion, a decrease of 3.6% compared to the previous year-end.

To provide for payment of future insurance benefits, the Company sets aside a policy reserve based on conservative calculations (standard policy reserve for contracts subject to it; policy reserve based on net level premiums for other contracts). The reserve at the fiscal year-end amounted to ¥18,193.9 billion, a year-on-year decline of 2.9%.

The solvency margin ratio, which indicates a life insurer's ability to pay insurance benefits, was 673.6%, a level exceeding that of last year. The ratio was achieved thanks to rising stock prices and working to reduce risk exposure. It is at an adequate, sound level that far surpasses the 200% required by industry regulators.

Nonperforming loans amounted to ¥39.7 billion, remaining at a low level and accounting for only 0.76% of the total balance of loans.

Issues to be Addressed

Sumitomo Life has been engaged in a three-year restructuring plan to bolster its operating base. In the year under review, it achieved the plan's objectives of reducing risk exposure and reforming the cost structure one year ahead of schedule.

Based on these developments and upon completing its structural reform program, the Company drew up a new long-term management plan aimed at further bolstering earnings power.

With an aging population, a low birthrate and the inevitable emergence of an aged society, a life insurance company's social mission will only continue to grow in importance. Heading into fiscal 2004, Sumitomo Life plans to engage in initiatives, in line with its long-term management policy, that include strengthening insurance sales and other core businesses and improving its interest spread and balance between revenue and expenditures. By securing stable earnings over the long term through these activities, the Company intends to more fully realize its mission of being an insurance company that inspires the ongoing confidence and peace of mind of customers.

Consolidated Balance Sheets

For Sumitomo Life Insurance Company

March 31, 2004 and 2003	Yen in millions 2004	Yen in millions 2003	U.S. dollars in millions 2004
Assets			
Cash and Deposits	**¥ 101,959**	¥ 72,616	**$ 964**
Call Loans	**315,500**	297,800	**2,985**
Monetary Claims Bought	**1,059,683**	1,357,503	**10,026**
Securities	**12,598,603**	12,513,251	**119,203**
Loans	**5,188,742**	5,794,165	**49,093**
Real Estate and Movables	**1,413,684**	1,245,510	**13,375**
Accounts Receivable Due from Outside Agencies	**150**	138	**1**
Accounts Receivable Due from Reinsurers	**370**	200	**3**
Other Assets	**360,486**	395,415	**3,410**
Deferred Tax Assets	**142,994**	294,056	**1,352**
Deferred Tax Assets on Land Revaluation	**33,384**	33,931	**315**
Customers' Liabilities for Acceptances and Guarantees	**1,579**	4,013	**14**
Allowance for Possible Loan Losses	**(14,600)**	(23,570)	**(138)**
Total Assets	**¥21,202,537**	¥21,985,034	**$200,610**
Liabilities			
Policy Reserves:			
Reserves for Outstanding Claims	**¥ 128,944**	¥ 135,004	**$ 1,220**
Policy Reserves	**18,224,931**	18,770,984	**172,437**
Policyholders' Dividend Reserves	**652,375**	738,707	**6,172**
	19,006,251	19,644,696	**179,830**
Accounts Payable Due to Reinsurers	**546**	491	**5**
Other Liabilities:			
Deposits Received on Bond Transactions	**749,804**	1,079,142	**7,094**
Other	**679,477**	730,075	**6,428**
	1,429,281	1,809,218	**13,523**
Accrued Retirement Allowances	**50,178**	128,364	**474**
Provision for Loss on Land Sales	**26,572**	—	**251**
Reserve for Price Fluctuations	**64,288**	42,493	**608**
Deferred Tax Liabilities	**2,590**	—	**24**
Acceptances and Guarantees	**1,579**	4,013	**14**
Total Liabilities	**20,581,289**	21,629,278	**194,732**
Minority Interests	**2,458**	8,987	**23**
Capital			
Fund	**159,000**	169,000	**1,504**
Reserve for Redemption of Fund	**70,000**	1,000	**662**
Reserve for Revaluation	**2**	2	**0**
Surplus	**263,300**	293,808	**2,491**
Land Revaluation	**(58,964)**	(60,325)	**(557)**
Unrealized Gains (Losses) on Securities	**200,844**	(47,351)	**1,900**
Foreign Currency Translation Adjustments	**(15,393)**	(9,365)	**(145)**
Total Capital	**618,789**	346,768	**5,854**
Total Liabilities, Minority Interests and Capital	**¥21,202,537**	¥21,985,034	**$200,610**

See accompanying notes.

Consolidated Statements of Income

For Sumitomo Life Insurance Company

Years ended March 31, 2004 and 2003	Yen in millions 2004	Yen in millions 2003	U.S. dollars in millions 2004
Ordinary Income			
Insurance Premiums and Other	**¥2,729,924**	¥2,729,514	**$25,829**
Asset Management Income:			
Interest and Dividend Income	**454,726**	448,602	**4,302**
Gains on Money-in-Trust	**0**	1	**0**
Gains on Trading Securities	—	4,057	—
Gains on Sales of Securities	**118,242**	112,633	**1,118**
Gains on Redemption of Securities	**9**	1	**0**
Gains on Derivatives	—	9,683	—
Gains on Assets in Separate Accounts	**107,207**	—	**1,014**
Other	**47,735**	63,219	**451**
	727,922	638,198	**6,887**
Other Ordinary Income	**711,693**	1,055,997	**6,733**
(including Reversal of Transfer to Policy Reserves)	**[546,053]**	[891,419]	**[5,166]**
Total Ordinary Income	**4,169,539**	4,423,710	**39,450**
Ordinary Expenses			
Benefits and Other Payments:			
Benefits Paid	**962,707**	966,125	**9,108**
Annuities Paid	**186,180**	178,353	**1,761**
Other Payments	**531,877**	637,147	**5,032**
Surrenders	**1,095,726**	927,381	**10,367**
Other	**341,676**	336,251	**3,232**
	3,118,167	3,045,259	**29,502**
Transfers to Policy Reserves and Other Reserves:			
Transfer to Reserves for Outstanding Claims	—	12,344	—
Interest on Policyholders' Dividend Reserves	**386**	925	**3**
	386	13,270	**3**
Investment-Related Expenses:			
Interest Expense	**9,023**	10,337	**85**
Losses on Trading Securities	**4,340**	—	**41**
Losses on Sales of Securities	**79,361**	184,223	**750**
Losses on Valuation of Securities	**5,469**	335,536	**51**
Losses on Derivatives	**127,410**	—	**1,205**
Losses on Foreign Exchange Transactions	**2,108**	5,710	**19**
Write off of Loans	**1,413**	154	**13**
Depreciation of Real Estate for Rent	**29,928**	21,964	**283**
Other Expenses	**74,710**	79,540	**706**
Losses on Assets in Separate Accounts	—	118,505	—
	333,766	755,973	**3,157**
Operating Expenses	**383,237**	401,765	**3,626**
Other Ordinary Expenses	**178,853**	185,979	**1,692**
Total Ordinary Expenses	**4,014,411**	4,402,247	**37,982**
Ordinary Income	**155,128**	21,463	**1,467**
Special Gains			
Gains on Disposal of Real Estate and Movables	**19,620**	1,222	**185**
Reversal of Allowance for Possible Loan Losses	**5,429**	8,485	**51**
Reversal of Reserve for Price Fluctuations	—	7,999	—
Gain on Contribution of Securities to Retirement Benefit Trust	**13,789**	—	**130**
Other Special Gains	**2,545**	662	**24**
Total Special Gains	**41,384**	18,370	**391**
Special Losses			

Losses on Disposal of Real Estate and Movables	**23,678**	36,027	**224**
Provision for Loss on Land Sales	**26,572**	—	**251**
Reserve for Price Fluctuations	**21,795**	—	**206**
Losses on Real Estate	**79**	13	**0**
Payments to Social Responsibility Reserve	**597**	836	**5**
Amortization of Transition Obligation of Retirement Benefits	**16,926**	16,926	**160**
Other Special Losses	**317**	627	**2**
Total Special Losses	**89,965**	54,430	**851**
Income before Taxes	**106,546**	(14,596)	**1,008**
Corporate and Other Taxes:			
Current	**13,262**	23,551	**125**
Deferred	**13,528**	(40,804)	**127**
Minority Interests	**(341)**	778	**(3)**
Net Income for the Year	**¥ 80,097**	¥ 1,877	**$ 757**

See accompanying notes.

Consolidated Statements of Surplus

For Sumitomo Life Insurance Company

Years ended March 31, 2004 and 2003	Yen in millions 2004	2003	U.S. dollars in millions 2004
Balance at the beginning of the year	**¥293,808**	¥320,926	**$2,779**
Additions:			
Net income for the year	**80,097**	1,877	**757**
Increase of Surplus due to Reduction in the Number of Consolidated Subsidiaries	**133**	—	—
	80,230	1,877	**759**
Deductions:			
Reversal of Land Revaluation	**1,138**	2,158	**10**
Transfer to Policyholders' Dividend Reserves	**39,503**	24,864	**373**
Transfer to Reserve for Redemption of Fund	**69,000**	—	**652**
Interest of Fund	**1,095**	1,106	**10**
Bonuses to Directors and Corporate Auditors	**404**	35	**3**
Decrease of Surplus due to Reduction in the Number of Consolidated Subsidiaries	—	493	—
Decrease of Surplus due to Merger of Subsidiaries	—	337	—
	110,738	28,995	**1,047**
Balance at the end of the year	**¥263,300**	¥293,808	**$2,491**

See accompanying notes.

Consolidated Statements of Cash Flows

For Sumitomo Life Insurance Company

Years ended March 31, 2004 and 2003	Yen in millions 2004	2003	U.S. dollars in millions 2004
I Cash Flows from Operating Activities:			
Income (Loss) before Taxes	**¥106,546**	¥(14,596)	**$1,008**
Depreciation of Real Estate for Rent	**29,928**	19,257	**283**
Depreciation	**46,368**	50,324	**438**
Amortization of Consolidation Difference	**(662)**	-	**(6)**
Gain on Contribution of Securities to Retirement Benefit Trust	**(13,789)**	-	**(130)**
Increase (Decrease) in Reserves for Outstanding Claims	**(6,059)**	12,344	**(57)**
Decrease in Policy Reserves	**(546,053)**	(891,419)	**(5,166)**
Accrued Interest of Policyholders' Dividend Reserves	**386**	925	**3**
Decrease in Allowance for Possible Loan Losses	**(8,969)**	(10,358)	**(84)**
Increase in Accrued Retirement Allowances	**1,665**	3,116	**15**
Increase in Provision for Loss on Land Sales	**26,572**	-	**251**
Increase (Decrease) in Reserve for Price Fluctuations	**21,795**	(7,999)	**206**
Interest and Dividend Income	**(454,726)**	(466,574)	**(4,302)**
Losses (Gains) on Securities	**(116,672)**	538,476	**(1,103)**
Interest Expense	**9,023**	10,337	**85**
Losses on Foreign Exchange Transactions	**2,437**	374	**23**
Losses on Real Estate and Movables	**4,136**	34,052	**39**
Equity in Losses (Income) of Affiliates	**(3,975)**	620	**(37)**
Increase in Accounts Receivable due from Outside Agencies	**(11)**	(68)	**(0)**
Decrease (Increase) in Accounts Receivable due from Reinsurers	**(170)**	27	**(1)**
Decrease in Other Assets (Excluding Investing and Financing Assets)	**105,965**	1,660	**1,002**
Increase (Decrease) in Accounts Payable due to Reinsurers	**55**	(15)	**(0)**
Increase (Decrease) in Other Liabilities (Excluding Investing and Financing Liabilities)	**4,472**	(12,494)	**42**
Other	**(93,428)**	(19,807)	**(883)**
Sub total	**(885,163)**	(751,815)	**(8,375)**
Interest and Dividend Income Received	**522,299**	516,929	**4,941**
Interest Expense Paid	**(8,559)**	(7,876)	**(80)**
Policyholders' Dividends Paid	**(126,221)**	(138,296)	**(1,194)**
Other	**(597)**	15,099	**(5)**
Corporate and Other Taxes Paid (Refunded)	**(26,364)**	29,478	**(249)**
Net Cash Used in Operating Activities	**(524,606)**	(336,481)	**(4,963)**
II Cash Flows from Investing Activities:			
Decrease (Increase) in Deposits	**(22,680)**	22,403	**(214)**
Payments for Purchase of Monetary Claims Bought	**(2,652,122)**	(3,118,617)	**(25,093)**
Proceeds from Sales and Redemption of Monetary Claims Bought	**2,949,118**	3,412,401	**27,903**
Proceeds from Decrease in Money-in-Trust	**-**	16	**-**
Payments for Purchase of Securities	**(7,071,758)**	(6,996,857)	**(66,910)**
Proceeds from Sales and Redemption of Securities	**7,388,717**	6,439,879	**69,909**
Payments for Additions to Loans	**(628,329)**	(1,099,843)	**(5,945)**
Proceeds from Collection of Loans	**1,179,355**	1,541,127	**11,158**
Other	**(349,475)**	289,785	**(3,306)**
II① Sub total	**792,825**	490,294	**7,501**
[I+II①]	**[268,218]**	[153,813]	**[2,537]**
Payments for Purchase of Real Estate and Movables	**(355,885)**	(69,203)	**(3,367)**
Proceeds from Sales of Real Estate and Movables	**112,929**	53,460	**1,068**
Net Cash Provided by Investing Activities	**549,868**	474,552	**5,202**

III Cash Flows from Financing Activities:			
Proceeds from Issuance of Debt	**59,650**	118,503	**564**
Repayment of Debt	**(60,708)**	(289,949)	**(574)**
Increase in Fund	**59,000**	-	**558**
Decrease in Fund	**(69,000)**	-	**(652)**
Interest on Fund Paid	**(1,095)**	(1,106)	**(10)**
Other	**(5,275)**	215	**(49)**
Net Cash Used in Financing Activities	**(17,428)**	(172,337)	**(164)**
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(193)**	607	**(1)**
V Net Increase (Decrease) in Cash and Cash Equivalents	**7,639**	(33,658)	**72**
VI Cash and Cash Equivalents at the Beginning of the Year	**14,866**	48,714	**140**
VII Decrease in Cash and Cash Equivalents due to Reduction in the Number of Consolidated Subsidiaries	**(10)**	(190)	**0**
VIII Cash and Cash Equivalents at the End of the Year	**¥ 22,495**	¥ 14,866	**$ 212**

See accompanying notes.

Notes to Consolidated Financial Statements

I. Basis of Presenting Financial Statements

SUMITOMO LIFE INSURANCE COMPANY (the "Company") and its subsidiaries prepare their financial statements in accordance with accounting standards that are generally used by life insurance companies in Japan ("Japanese GAAP"), based on the Insurance Business Law. Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and the Insurance Business Law. Some supplementary information included in the statutory Japanese-language consolidated financial statements but not required for fair presentation is not presented in the accompanying financial statements.

Yen and dollar amounts are rounded down and shown to the nearest million; accordingly, totals when added may not match precisely those stated.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

II. Principles of Consolidation

1. Consolidated Subsidiaries
   The consolidated financial statements include the accounts of the Company and its 8 (9 in 2003) significant subsidiaries. The consolidated subsidiaries are The Sumisei General Insurance Co., Ltd., Sumisei Lease Co., Ltd., Sumisei Computer Service Co., Ltd., Sumisei Card Service Co., Ltd., Sumitomo Life Realty (N.Y.), Inc., Sumitomo Life Insurance Agency America, Inc., SLA Investments, Inc. and SLR Investments, Inc.

   Subsidiaries excluded from consolidation include Sumisei Insatsu Co.,Ltd. (Izumi Insatsu Shigyo Co., Ltd. changed its name on April 1, 2003) and Sumisei Building Management Co., Ltd.

   Sumitomo Life Investment Singapore Limited is excluded from consolidation from this year as it is liquidating. The respective and aggregate effects of the subsidiaries, which are excluded from consolidation, are immaterial to total assets, ordinary income, net income and surplus, and this exclusion does not prevent reasonable judgment on the consolidated financial position of the Company and its subsidiaries and the consolidated results of their operations.

   The Company and STB Leasing Co., Ltd. signed on May 6, 2001 a Memorandum of Understanding for the transfer of the greater part of the common stock of Sumisei Lease Co., Ltd.. Sumisei Lease Co., Ltd. will cease being a subsidiary at the date of the transfer (planned for July 31, 2004) .
2. Affiliates
   Six (6 in 2003) affiliates are accounted for under the equity method. The affiliates under the equity method are Office Building Fund Management Japan, Ltd. Sumitomo Mitsui Asset Management Co., Ltd., Japan Pension Navigator Co., Ltd., Izumi Securities Co., Ltd., SUMISEI ABN AMRO Asset Management B.V. and SUMISEI ABN AMRO FUND MANAGERS (IRELAND) LIMITED.

   The respective and aggregate effects of the non-consolidated subsidiaries and affiliates (e.g., Japan Pension Service Co., Ltd.) which are excluded from the equity method are immaterial to net income and surplus.

   Izumi Securities Co., Ltd. ceased being an affiliates on April 1, 2004 as it merged with SMBC FRIEND Securities Co., Ltd.
3. Consolidated Subsidiaries' Fiscal Year-ends
   The fiscal year-end of overseas subsidiaries is December 31. The consolidated financial statements include such subsidiaries' financial statements as of their respective fiscal year-ends after making appropriate adjustments for material transactions occurring between their respective year-ends and the date of the consolidated financial statements.
4. Valuation of Consolidated Subsidiaries' Assets and Liabilities
   On acquisition of subsidiaries, all assets and liabilities that exist at the date of acquisition are recorded at their fair value.
5. Goodwill on Consolidation
   Goodwill on consolidation is charged to income or expenses for the year in which it arises.
6. Treatment of Appropriation of Surplus
   The consolidated statements of surplus are prepared based on the appropriation of surplus approved during the year.

III. Balance Sheets

1. Valuation of Securities
   Valuation of securities, which are held by the Company, is as follows:

   Trading securities are stated at fair market value.

Held-to-maturity debt securities are stated at amortized cost (straight-line method) by the moving average method. Debt securities earmarked for policy reserve are stated at amortized cost (straight-line method) by the moving average method in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Securities Earmarked for Policy Reserve in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants. Equity securities issued by non-consolidated subsidiaries and affiliated companies (as stipulated in Article 110, Clause 2, of the Insurance Business Law) are stated at cost. Equity securities with available market values in available-for sale securities are stated at fair market value (based on the average market price in March). Other securities with available market values are stated at fair market value (based on the market price at the end of the financial year). Available-for-sale securities without available market values are stated at moving average cost, except that debt securities, for which the difference between acquisition cost and face amount is due to adjustment of interest to maturity, are stated at amortized cost.

Deposits and monetary claims bought and securities invested in money-in-trusts are stated using the same methods described above.

Unrealized gains and losses of available-for-sale securities are reported net of applicable income taxes, as a separate component of capital.

During the year ended March 31, 2003, held-to-maturity securities with a carrying amount of ¥ 3,502,918 million (market value was ¥ 3,618,316 million) held with respect to the management of interest rates were reclassified into available-for-sale securities. The reason for the reclassification was the new investment policy to put emphasis on securities earmarked for policy reserves that the Company adopted in that year.

2. Derivatives

Derivatives of the Company at March 31, 2004 and 2003 are stated at fair value.

3. Land Revaluation

Land for commercial use was revalued in accordance with the Land Revaluation Law (the "Law"). The difference in value before and after revaluation, after deduction for related taxes ("Deferred Tax Asset on Land Revaluation"), is shown in capital as Land Revaluation.

The date of revaluation: March 31, 2001

The method of revaluation is as stipulated in the Law, Article 3, Clause 3

In accordance with ordinances stipulated in the Law (Government Ordinance No. 119 on March 31, 1998), Article 2, Paragraph 1, it is calculated based on the officially announced prices adjusted rationally and evaluated as stipulated in Paragraph 5.

The difference between the total market value of land as of the balance sheet date (calculated as prescribed in Article 10 of the Law) and the total value of such land following revaluation was ¥66,269 million (U.S.$ 627 million) and ¥ 47,815 million as of March 31, 2004 and 2003, respectively.

4. Real Estate and Movables

Real estate of the Company is depreciated using the straight-line method, and movables are depreciated using the declining balance method.

5. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies held by the Company, except foreign currency denominated investments in unconsolidated subsidiaries and affiliates are translated at the exchange rates prevailing on the balance sheet date. Foreign currency denominated investments in unconsolidated subsidiaries and affiliates are translated at the prevailing exchange rates at the time of acquisition.

6. Allowance for Possible Loan Losses

Allowance for possible loan losses of the Company conforms to self-assessment of assets standards and amortization and provisions standards, as follows. Loans to borrowers that are formally or legally bankrupt for reasons of capital impairment or composition (hereafter, bankrupt borrowers) and to borrowers that are operating in a state of bankruptcy (hereafter, borrowers virtually bankrupt), excluding amounts with a high likelihood of recovery through the sale of collateral or through debt guarantees, are written off. Allowance for possible loan losses to borrowers that are highly likely to become bankrupt (hereafter, borrowers in danger of bankruptcy) is calculated excluding amounts with a high likelihood of recovery through the sale of collateral or through debt guarantees. For other doubtful loans, the allowance is the amount deemed as necessary, based on a comprehensive assessment of borrowers' abilities to repay loans. For loans other than the aforementioned, amounts are calculated by multiplying the claim amount by a loan default rate calculated from actual defaults over a fixed period in the past.

All loans are assessed based on standards for the self-assessment of assets, and the final audit is carried out by a department independent of the department responsible for self-assessment. The provisions described above are made on the basis of these results.

Loans to bankrupt borrowers and borrowers virtually bankrupt are written off except for loans that are recoverable through the sale of collateral or due to the existence of guarantees. Loans amounting to ¥ 1,739 million (U.S.$ 16 million) and ¥ 2,734 million were written off, including ¥ 817 million (U.S.$ 7 million) and ¥ 359 million of loans with collateral or guarantees, at March 31, 2004 and 2003, respectively.

Allowances for possible loan losses of the consolidated subsidiaries generally conform to self-assessment of assets standards and amortization and provisions standards applied by the Company.

7. Accrued Retirement Allowances

A summary of accrued retirement allowances of the Company, excluding consolidated subsidiaries, at March 31, 2004 and 2003 is as follows:

	Yen in millions		U.S. dollars in millions
	2004	2003	**2004**
Projected Benefit Obligation	**¥(302,772)**	¥(303,945)	**$(2,864)**
Fair Value of Pension Assets	**216,314**	106,293	**2,046**
[Including Retirement Benefit Trust]	**[102,295]**	[—]	**[967]**
Net Projected Benefit Obligation	**(86,458)**	(197,651)	**(818)**
Unrecognized Net Transition Obligation	**16,926**	33,852	**160**
Unrecognized Actuarial Differences	**28,492**	56,134	**269**
Unrecognized Prior Service Cost	**(8,596)**	(17,974)	**(81)**
Accrued Retirement Allowances	**¥ (49,636)**	¥(125,638)	**$(469)**

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2004 and 2003 are as follows:

Method of attributing benefit to period of service: straight-line basis

	2004	2003
Discount Rate	**2.7%**	2.7%
Long-term Rate of Return on Fund Assets		
Qualified Retirement Pension Plan	**2.1%**	2.4%
Retirement Benefit Trust	**0.0%**	—
Amortization Period for Transition Obligation	**5 years**	5 years
Amortization Period for Actuarial Differences (Commencing in the Following Year)	**8 years**	8 years
Amortization Period for Prior Service Cost	**3 years**	3 years

8. Provision for Loss on Land Sales

Provision for loss on land sales, which is a reserve provided under Article 32-14 of the Enforcement Regulations of Insurance Business Law, is provided for possible losses on the sales of land.

9. Reserve for Price Fluctuations

The reserve for price fluctuations is calculated according to the provisions of Article 115 of the Insurance Business Law.

10. Hedge Accounting

The Company's accounting method for hedging financial instruments is the current price method for hedges against exchange rate fluctuations for some foreign currency securities and deferred method for cash flow fluctuations for some foreign currency loans.

Hedge effectiveness is evaluated by comparing the cumulative changes in cash flows from hedged items and the hedging instruments.

11. Leases

Where finance leases do not transfer ownership of the leased properties to the lessee, the leased properties are not capitalized and the related lease expenses are charged to income for the year in which they are incurred.

12. Accounting for Consumption Taxes

Consumption taxes are separately recorded with no inclusion in each account of revenues and expenditures. The consumption taxes paid on certain real estate transactions, which are not deductible from the consumption taxes withheld and stipulated to be deferred under the Consumption Tax Law, are deferred as prepaid expenses and amortized over a five-year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are charged to income as they are incurred.

13. Policy Reserves

Policy reserves of the Company are reserves provided for by Article 116 of the Insurance Business Law. The insurance premium reserve fund is calculated according to the following procedures:

(1) In the case of policies covered by the standard liability reserve, the method stipulated by the Prime Minister and the Minister of Finance (Ministry of Finance Notification No. 48, in 1996)

(2) In the case of policies not covered by the standard liability reserve, the net level premium method

14. Software

Amortization of software used by the Company is calculated using the straight-line method based on the estimated useful life of the software.

Software for which production started before April 1, 1999 is amortized using the straight-line method over five years.

15. Loans Receivable

In regard to loans receivable, loans to bankrupt borrowers, loans in arrears, loans in arrears for three months or longer and loans on which terms have been eased totaled ¥ 39,926 million (U.S.$ 377 million) and ¥ 50,531 million at March 31, 2004 and 2003, respectively. By category, loans to bankrupt borrowers totaled ¥ 1,229 million (U.S.$ 11 million) and ¥ 450 million, and loans in arrears totaled ¥ 24,639 million (U.S.$ 233 million) and ¥ 35,974 million at March 31, 2004 and 2003, respectively. After subtracting the amount of loans considered to be irrecoverable from the balances above, the balance of loans to bankrupt borrowers was reduced ¥ 224 million (U.S.$ 2 million) and ¥ 1,915 million, and the amount of loans in arrears was reduced ¥ 1,542 million (U.S.$ 14 million) and ¥ 974 million at March 31, 2004 and 2003, respectively. There are loans to bankrupt borrowers on which interest has not been accrued due to expectations that neither the interest nor the principal will be recovered based on the failure of the borrower to make interest or principal payments for a considerable period. Loans that have been disposed of are excluded from this category (hereafter, noninclusive loans in arrears). Of these loans, some are categorized as noninclusive loans in arrears under the provisions of ordinances stipulated in Japan's Corporation Tax Law (Government Ordinance No. 97, in 1965) Article 96, Clause 1, Paragraph 3 and Paragraph 4.

Loans in arrears are defined as those non performing loans other than loans on which interest payments have been postponed with the aim of supporting the financial recovery of borrowers and loans to self-declared borrowers in danger of bankruptcy on which there has been no delay in the payment of interest.

Loans in arrears for three months or longer totaled ¥ 1,291 million (U.S.$ 12 million) and ¥ 2,962 million at March 31, 2004 and 2003, respectively. Loans in arrears for three months or longer are loans on which payments of principal or interest are in arrears for three months or more from the day after the payment date stipulated in the contract and are not included in loans to bankrupt borrowers or loans in arrears.

Loans on which terms have been eased amounted to ¥ 12,766 million (U.S.$ 120 million) and ¥ 11,144 million at March 31, 2004 and 2003, respectively. Loans on which terms have been eased are loans on which concessions (e.g., a reduction or a waiver of interest, provision of a grace period on repayments of principal or payments of interest or a waiver of claim) have been made to the advantage of the borrowers with the aim of supporting their financial recovery. Loans on which terms have been eased are not included in loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

16. Accumulated Depreciation
Accumulated depreciation of real estate and movables amounted to ¥ 570,065 million (U.S.$ 5,393 million) and ¥ 553,612 million at March 31, 2004 and 2003, respectively.

17. Separate Accounts
The amount of assets in separate accounts as stipulated in Article 118 of the Insurance Business Law was ¥ 929,179 million (U.S.$ 8,791 million) and ¥ 809,536 million at March 31, 2004 and 2003, respectively.

18. Leases
In addition to movables in the consolidated balance sheets, the Company and subsidiaries use computers and peripherals on lease contracts.

19. Policyholders' Dividend Reserves
Changes in the policyholders' dividend reserves were as follows:

	Yen in millions		U.S. dollars in millions
	2004	2003	**2004**
Amount at the End of Previous Year	**¥738,707**	¥851,213	**$6,989**
Transfer from Surplus	**39,503**	24,864	**373**
Dividend Payments to Policyholders in Current Year	**(126,221)**	(138,296)	**(1,194)**
Increase from Accruing Interest Income	**386**	925	**3**
Amount at the End of Current Year	**¥652,375**	¥738,707	**$6,172**

20. Pledged Assets
Assets pledged as collateral amounted to ¥ 715,891 million (U.S.$ 6,773 million) and ¥ 731,421 million, and secured debts amounted to ¥ 42,055 million (U.S.$ 397 million) and ¥ 36,423 million at March 31, 2004 and 2003, respectively.

21. Funds
In the year ended March 31, 2004, the Company increase the fund in capital ¥59,000 million (U.S.$558 million) in accordance with Article 60 of the Insurance Business Law.

22. Reserve for Redemption of Fund
In the year ended March 31, 2004, the Company redeemed ¥69,000 million (U.S.$652 million) of fund. On this redemption, the Company credited ¥69,000 million (U.S.$652 million) to reserve for redemption of fund, provided for in Article 56 of the Insurance Business Law, which was transferred from voluntary reserve for redemption of fund included in surplus on the balance sheet..

23. Loaned securities
Loaned securities amounted to ¥ 781,370 million (U.S.$ 7,393 million) and ¥ 1,110,094 million at March 31, 2004 and 2003, respectively.

24. Loan Commitments
Outstanding loan commitments were ¥ 28,077 million (U.S.$ 265 million) and ¥ 48,798 million at March 31, 2004 and 2003, respectively.

25. Subordinated Debt
Other liabilities include ¥ 395,000 million (U.S.$ 3,737 million) and ¥ 395,000 million of borrowings under subordinated debt contracts that rank lower than other liabilities at March 31, 2004 and 2003, respectively.

26. Obligations to Former Insurance Policyholder Protection Fund

The Company estimated future obligations of ¥ 9,320 million (U.S.$ 88 million) and ¥ 11,959 million at March 31, 2004 and 2003, respectively, to the former Insurance Policyholder Protection Fund, which has been superceded by the Life Insurance Policyholder Protection Organization under the stipulations of the Supplementary Provisions to the Disposition of Laws Related to Reform of the Financial System, Article 140, Clause 5. These obligations are treated as operating expenses in the year in which the contributions are made.

27. Obligations to Life Insurance Policyholder Protection Organization

The Company estimated future obligations of ¥ 49,122 million (U.S.$ 464 million) and ¥ 53,185 million at March 31, 2004 and 2003, respectively, to the Life Insurance Policyholder Protection Organization, as stipulated by Article 259 of the Insurance Business Law.

These obligations are treated as operating expenses in the year in which the contributions are made.

28. Deferred Taxes

Deferred tax assets totaled ¥ 274,391 million (U.S.$ 2,596 million) and ¥ 312,591 million, and deferred tax liabilities totaled ¥ 126,336 million (U.S.$ 1,195 million) and ¥ 8,213 million at March 31, 2004 and 2003, respectively. Valuation allowances which are deducted from deferred tax assets amounted to ¥ 7,650 million (U.S.$ 72 million) and ¥ 10,320 million at March 31, 2004 and 2003, respectively.

The main components of deferred tax assets were as follows:

	Yen in millions		U.S. dollars in millions
	2004	2003	**2004**
Losses from Write-down of Securities	**¥104,987**	¥147,430	**$993**
Policy Reserves	**54,268**	38,488	**513**
Accrued Retirement Allowances	**43,381**	40,119	**410**
Reserve for Price Fluctuations	**23,240**	-	**219**
Unrealized Losses on Securities	**—**	26,822	**—**

The main components of deferred tax liabilities were as follows:

	Yen in millions		U.S. dollars in millions
	2004	2003	**2004**
Unrealized Gains on Securities	**¥113,727**	¥—	**$1,076**

The statutory tax rate was 36.15% in the years ended March 31, 2004 and 2003. The tax rates after the application of tax-effect accounting were 25.1% and 118.2% in the years ended March 31, 2004 and 2003, respectively. The principal reason for this difference was the amount transferred to the reserves for policyholder dividends, which accounted for a decrease of 13.1% and an increase of 97.8% in the years ended March 31, 2004 and 2003, respectively.

IV. Income Statements

1. Securities

The components of the Company's gains on sales of securities were ¥ 35,647 million (U.S.$ 337 million) and ¥ 60,997 million from government and other bonds, ¥ 59,581 million (U.S.$ 563 million) and ¥ 43,103 million from stocks, etc., and ¥ 22,786 million (U.S.$ 215 million) and ¥ 8,179 million from foreign securities for the years ended March 31, 2004 and 2003, respectively.

The components of losses on sales of securities were ¥ 15,584 million (U.S.$ 147 million) and ¥ 3,943 million from government and other bonds, ¥ 53,541 (U.S.$ 506 million) and ¥ 169,532 million from stocks, etc., and ¥ 9,419 million (U.S.$ 89 million) and ¥ 10,733 million from foreign securities for the years ended March 31, 2004 and 2003, respectively.

The components of losses on valuation of securities were ¥ 5,703 million (U.S.$ 53 million) and ¥ 334,232 million from stocks, etc., and ¥ 303 million (U.S.$ 2 million) and ¥ 1,304 million from foreign securities for the years ended March 31, 2004 and 2003, respectively.

2. Trading Securities

Interest and dividend income on trading securities of the Company were ¥ 6 million (U.S.$ 0 million) and ¥ 64 million, and losses on sales of securities were ¥ 2,663 million (U.S.$ 25 million) for the year ended March 31, 2004, and gains on sales of securities were ¥ 2,625 million for the year ended March 31, 2003. Valuation losses were ¥ 1,683 million (U.S.$ 15 million) for the year ended March 31, 2004, and valuation gains were ¥ 1,367 million for the year ended March 31, 2003.

3. Derivatives

For the year ended March 31, 2004, valuation losses of ¥ 9,878 million (U.S.$ 93 million) are included in losses on derivatives of the Company and for the year ended March 31, 2003, valuation gains of ¥ 2,623 million are included in gains on derivatives of the Company.

4. Severance and Retirement Benefit Expenses

The total amount of severance and retirement benefit expenses of the Company for the years ended March 31, 2004 and 2003 comprised the following:

	Yen in millions		U.S. dollars in millions
	2004	2003	**2004**
Service Costs	**¥12,391**	¥12,681	**$117**

Interest Cost on Projected Benefit Obligation	**8,206**	8,309	**77**
Return on Plan Assets	**(2,232)**	(2,686)	**(21)**
Amortization of Net Transition Obligation	**16,926**	16,926	**160**
Amortization of Actuarial Differences	**8,630**	6,938	**81**
Amortization of Prior Service Cost	**(9,377)**	(9,377)	**(88)**
Total Amount of Severance and Retirement Benefit Expenses	**¥34,545**	¥32,791	**$326**

V. Statements of Cash Flows

1. Cash and Cash Equivalents
   For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and bank deposits bearing no interest.
2. Reconciliations of Cash and Cash Equivalents
   The reconciliations of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2004 and 2003 are as follows:

	Yen in millions		U.S. dollars in millions
	2004	2003	**2004**
Cash and Deposits	**¥101,959**	¥72,616	**$964**
Deposits Bearing Interest	**(79,463)**	(57,750)	**(751)**
Cash and Cash Equivalents	**¥22,495**	¥14,866	**$212**

English Translation of the Financial Statements Originally Issued in the Japanese Language

Independent Auditors' Report

To the Board of Directors of
SUMITOMO LIFE INSURANCE COMPANY

We have audited the accompanying consolidated balance sheets of SUMITOMO LIFE INSURANCE COMPANY (the “Company”) and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, surplus and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are prepared in compliance with Article 110 Clause 2 of the Japanese Insurance Business Law. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SUMITOMO LIFE INSURANCE COMPANY and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan as described in Note I to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation, and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note I to the consolidated financial statements.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Tokyo, Japan
May 25, 2004

KPMG AZSA & Co.

By: Hideyo Uchiyama (Seal)
Representative Partner
Certified Public Accountant

By: Takaaki Miura (Seal)
Representative and Engagement Partner
Certified Public Accountant

By: Katsumi Hashimoto (Seal)
Engagement Partner
Certified Public Accountant

By: Yukio Kumaki (Seal)

International Network

(As of July 1, 2004)

New York Representative Office

Develops business relationships in the United States and carries out research and analysis on the North American financial market; established in 2001
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New York, NY 10022, U.S.A.
Tel:(212)521-8340 Fax:(212) 750-7930
Chief Representative：Yukihiko Motooka

London Representative Office

Develops business relationships in Europe and carries out research and analysis on the European financial market; established in 2001
6F, 12-15 Finsbury Circus, London EC2M 7BT, U. K.
Tel:(20) 7256-7630 Fax:(20)7256-7624
Chief Representative：Soon-Chul Park

Beijing Representative Office

Carries out research and analysis on the Chinese financial market; established in 1991
Changfugong Office Building, 2F
A26 Jianguo-Menwai Street,
Chaoyang District, Beijing,
People's Republic of China 100022
Tel:(10) 6513-8510 Fax:(10) 6513-8522
Chief Representative：Akihiro Matsumoto

Sumitomo Life Realty (N.Y.), Inc.

Makes real estate investments and manages real estate properties in principal U.S. cities; incorporated in 1982

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  Tel:(212)521-8370 Fax:(212) 750-7931
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  Los Angeles, CA 90017, U.S.A.
  Tel:(213)623-6848 Fax:(213) 623-8143
  Vice President：Toshihisa Ichinose
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  Atlanta, GA 30309, U.S.A.
  Tel:(404)364-3260 Fax:(404)364-3265
  Senior Vice President：Cynthia R. Alexander

Sumitomo Life Insurance Agency America, Inc.

Engages in brokerage services for insurance products related to employee welfare systems, including corporate health insurance, dental insurance, and life insurance products; incorporated in 1986

- Head Office & New York Branch
  101 East 52nd Street, 2F,
  New York, NY 10022, U.S.A.
  Tel:(212)521-8300 Fax:(212)980-4008
  President：Fuminori Tamura
  Executive Vice President and General Manager：Kazuo Matsuoka
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- Atlanta Branch
  Three Northwinds Center,
  2500 Northwinds Parkway, Suite 370,
  Alpharetta,GA 30004, U.S.A.
  Executive Vice President and General Manager：Brian E. Sweeney
- Chicago Branch
  8937 Birch, Morton Grove, IL 60053, U.S.A.

Directors, Corporate Auditors, and Vice Presidents

(As of July 1, 2004)

Directors

Chairman
Yasuo Yoshino

President and Chief Executive Officer
Shinichi Yokoyama

Deputy President and Chief Operating Officer
Masatoshi Izumi

Senior Managing Directors and Executive Vice Presidents
Akira Nagatomi
Shinichiro Satake
Hiroshi Kadota

Managing Directors and Senior Vice Presidents
Hideo Nemoto
Hitoshi Kawashima
Eiichi Shibao
Yoshio Sato
Shiro Tsubokura
Hideo Kobayashi
Koji Hanaoka
Fumio Tokubutsu
Takanobu Takimoto

Directors
Akio Kosai
Taketosi Yamamoto

Corporate Auditors

Kazuhiro Miwa
Takashi Nakagawa
Tadayosi Ota
Keiko Kodama
Takemochi Ishii

Vice Presidents

Noriaki Yazima
Tsutomu Yasukawa
Masaaki Kamohara
Arata Ito
Ikunori Kato
Norio Takamatsu
Yukio Nakae
Yutaka Amino
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