SUMITOMO LIFE

ANNUAL REPORT 2005

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.

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Message from the President

Overview of Fiscal 2004

The Japanese economy in the year ended March 31, 2005 was marked by firm undertones as capital investment continued to increase on the back of higher corporate earnings and the employment environment continued to improve. In the life insurance industry, customers felt a greater sense of assurance with respect to management soundness thanks to improvements in financial standing, and industry companies' initiatives in the growth areas of medical insurance and individual annuities became increasingly clear. Amid such conditions, we devoted ourselves to our vision for new retail growth—creation of new markets and the revival of existing markets—and worked to further boost our earnings power.

Marketing and service are the key to raising earnings power. On this front, we bolstered our activities in the areas of medical and long-term care insurance for the middle-aged and elderly market segments, accurately assessing customer needs and changing demographics. Specifically, in October 2004 we developed and launched a new medical insurance product, *Doctor OK*. With the support of large numbers of customers, particularly in middle-aged and elderly age brackets, we were able to sell over 110,000 policies in the half year following the product's launch. Further, we partnered with American Life Insurance Company to commence sales of the company's cancer insurance in January 2005. In so doing we readied ourselves to be able to respond to a wide array of customer needs.

In addition to initiatives for new customers, we also actively promoted consultation services for existing policyholders in order to ensure that our long-time customers are provided with the latest insurance products optimal for their needs.

As a reflection of these initiatives as well as of augmenting our after-sales service system and thoroughly reducing costs, core business profit after providing for the negative spread totaled ¥287.2 billion, exceeding the level attained last year. With this profit as the source of funds, we applied impairment accounting on fixed assets one year ahead of schedule, increased internal reserves by ¥100.0 billion, and otherwise endeavored to further bolster our financial foundation. We continued to maintain an adequate solvency margin at 763.2%. The margin again considerably exceeded 200%, which is the level required to be considered sound, as we have further improved our ability to weather risk.

New Growth Vision – Bounding into the Future

I feel strongly that as a result of these strategic developments, Sumitomo Life has entered a solid growth phase. In order to accelerate this trend through fiscal 2005 as well, we have commenced sales of a new breakthrough product, *Senkyaku Banrai*, a whole life insurance policy with a medical rider requiring limited health status declaration. It allows even individuals with an illness to become policyholders if they meet certain conditions and pays benefits for hospitalization caused by a worsening illness.

Moreover, in order to secure greater growth into the future, we plan to increase the pillars supporting our earnings platform from a medium- to long-term standpoint and construct a multifaceted growth model. Based on this approach, in fiscal 2005 we intend to add wholesale operations and new businesses to our retail initiatives and evolve as a company on the basis of this three-pronged vision for new growth.

With respect to wholesale operations, we are engaged in a number of activities that anticipate market changes, including a collaborative business between existing wholesale and retail operations. Going forward, we plan to further augment these activities and create a new business model for this area.

As for new businesses, we established a joint venture life insurance company in partnership with PICC Holding Company, one of the large non-life insurance groups in China, for the purpose of full-fledged entry into the Chinese market. With a goal of becoming a leading company in the Chinese market together with this exceptional partner, which has overwhelming brand presence and competitiveness in market, we plan to foster this business to become one of the pillars of our new growth vision. In addition, we intend to strengthen the activities of our sales representatives, our main sales channel, with scientific methods and to devote effort to new businesses that accommodate diversification in customer needs by marketing products through banking institutions and via new sales channels.

Approaching our 100th Anniversary

Sumitomo Life's predecessor, Hinode Life Insurance, was founded in 1907 on the wish to create an ideal company from the perspective of the customer. Hinode Life was a small but exceptional company that was known at the time as the diamond of the industry. Transcending 100 years of time we intend to summon that aspiration and come together as a company, with all executives and employees in lockstep, to open the door to the ideal company ahead of our 100th anniversary.

As society ages to an unprecedented degree, we will boldly push forward in our commitment to steadfastly fulfilling our social mission of supporting a cheerful and prosperous aged society and to being an ideal insurance company that inspires high levels of customer confidence. Thank you for your continuing support and encouragement.

July 2005

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 2005, annualized premium income from new policies for living benefits insurance and medical insurance increased considerably to 127.4% of the previous year, owing in part to the effects of new products like *Doctor OK*, a new medical insurance policy that was launched in October 2004. The percentage of total new policies accounted for by this field of insurance was 37%, just short of the 40% level.

The total for individual insurance and individual annuities was 112.5% of the previous year due to promoting initiatives in the area of living benefits and medical insurance, and other factors.

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

Item	Fiscal 2003	Fiscal 2004
Living Benefits Insurance, Medical Insurance, etc.	470	**599**
Living Benefits Insurance	221	**196**
Medical Insurance	244	**399**
Individual Insurance and Individual Annuities	1,428	**1,607**

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. Annualized premium income for medical insurance is the total of medical insurance and individual riders for hospitalization due to disaster, treatment of disease, treatment of adult diseases, treatment of women's illnesses, outpatient treatment, initial benefits for hospitalization, hospital treatment, hospitalization due to cancer, 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 2003		Fiscal 2004	
	No. of Policies	Total Value	No. of Policies	Total Value
New Policies and Net Policy Conversions	1,110	127,007	**1,244**	**106,828**

Policy Cancellations and Lapses

Policy cancellations and lapses in fiscal 2004 amounted to 80.8% of the previous year. This substantial improvement was the result of promoting consultations on existing policies and enhancing after-sales service. Improvement in this area continued on from fiscal 2003 thanks to steady implementation of these initiatives.

Sum Insured (Units: ¥100 million)

Item	Fiscal 2003	Fiscal 2004
Policy Cancellations and Lapses	181,295	**145,941**

Life Insurance in Force

Annualized premium income from life insurance in force at the end of fiscal 2004 was 99.0% of the level at the previous year-end for total individual insurance and individual annuities. It was 106.3% of last year's level for living benefits insurance and medical insurance, which represents a solid increase.

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

Item	End-Fiscal 2003	End-Fiscal 2004
Living Benefits Insurance, Medical Insurance, etc.	3,893	**4,140**
Medical Insurance	2,664	**2,845**
Individual Insurance and Individual Annuities	19,734	**19,545**

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. Annualized premium income for medical insurance is the total of medical insurance and individual riders for hospitalization due to disaster, treatment of disease, treatment of adult diseases, treatment of women's illnesses, outpatient treatment, initial benefits for hospitalization, hospital treatment, hospitalization due to cancer, 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	End-Fiscal 2003		**End-Fiscal 2004**	
	No. of Policies	Total Value	No. of Policies	Total Value
Life Insurance in Force	11,522	1,764,551	**11,276**	**1,671,522**

Earnings Overview

Core Business Profit of ¥287.2 Billion to Surpass Previous Year

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 providing for the negative spread, Sumitomo Life secured core business profit of ¥287.2 billion to exceed the level recorded the previous year.

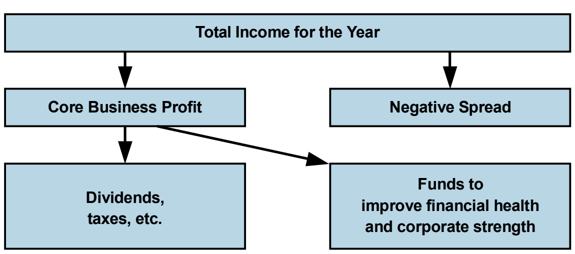
Ordinary Income Overview (Core Business Profit Overview)

(Unit: ¥100 million)

	Fiscal 2003	**Fiscal 2004**
Core Business Profit (A)	2,842	**2,872**
Insurance Premiums and Other	26,970	**25,856**
Interest and Dividend Income	4,479	**4,359**
Reversal of Transfer to Policy Reserves*	5,875	**—**
Benefits and Other Payments	31,012	**23,427**
Transfer to Policy Reserves*	—	**50**
Operating Expenses	3,740	**3,622**
Capital Income (B)	(1,015)	**(503)**
Special Income (C)	(383)	**(375)**
Ordinary Income (D=A+B+C)	1,443	**1,993**
Special Gains/Losses (E)	(600)	**(900)**
Income before Taxes	842	**1,092**
Corporate and Other Taxes (F)	69	**222**
Deferred Tax Adjustment (F)	127	**32**
Net Income for the Year (G=D+E-F) (H)	646	**837**
Reversal of Fund for the Promotion of Social and Policyholder Welfare (H)	5	**5**
Reversal of Difference on Revaluation of Real Estate, Etc. (H)	(9)	**(55)**
Unappropriated Surplus at Year-end (I=D+E-F+H)	642	**787**

*Excluding transfer/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 ¥199.3 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 ¥83.7 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 ¥78.7 billion.

Negative Spread

Addressing the Negative Spread

Sumitomo Life's negative spread totaled ¥189.7 billion in the year ended March 31, 2005. 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 ¥287.2 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 increased ¥119.3 billion during the year under review to amount to ¥21,242.9 billion.

Total assets (Unit: ¥100 million)

Item	March 31, 2004	**March 31, 2005**
Total assets	211,236	**212,429**

Securities Holdings

For investments in securities, asset management focused on yen-denominated, interest-bearing assets. For foreign currency-denominated securities, the majority of investments were made after hedging currency fluctuation risk.

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

Item	March 31, 2004		March 31, 2005	
	Amount	% of Total	Amount	% of Total
Government and Corporate Bonds	57,071	48.1	**57,837**	**46.7**
Equities	15,392	13.0	**16,283**	**13.1**
Foreign Securities	44,580	37.6	**48,526**	**39.2**
;overnment and Corporate Bonds	38,247	32.3	**42,411**	**34.2**
oreign Currency Denominated Bonds	24,167	20.4	**26,961**	**21.8**
quities, etc.	6,332	5.3	**6,114**	**4.9**
Other Securities	1,552	1.3	**1, 248**	**1.0**
Total	118,597	100.0	**123,896**	**100.0**

Nonperforming Loans

Risk-managed loans (nonperforming loans) were a mere 0.48% 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 2005, 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, 2004	**March 31, 2005**
Loans Outstanding	52,399	**48,681**

Risk-Managed Loans (Unit: ¥100 million)

Item	March 31, 2004	**March 31, 2005**
Loans to Bankrupt Borrowers (1)	12	**2**
Loans in Arrears (2)	245	**126**
Loans in Arrears for Three Months or Longer (3)	12	**15**
Loans on Which Terms Have Been Eased (4)	127	**86**
Total ((1)+(2)+(3)+(4)) (Percentage of Total Loans Outstanding)	397 (0.76%)	**231** **(0.48%)**

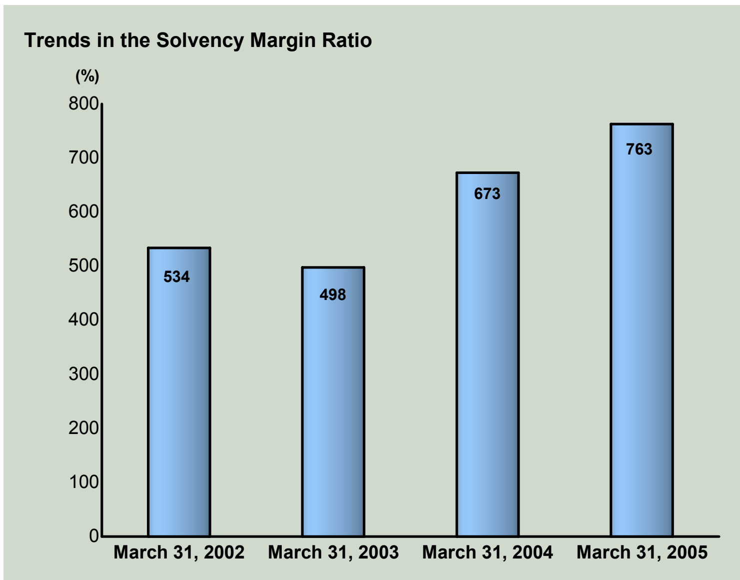
Impairment Accounting on Fixed Assets

Impairment accounting on fixed assets refers to stating losses on fixed assets such as real estate when a particular asset's market value is substantially lower than its book value and when it is judged that the investment is not recoverable after calculating future cash flows generated by the asset.

Impairment accounting on fixed assets will become mandatory starting in fiscal 2005 following an early application period that began at the end of fiscal 2003.

The Company opted for early application of impairment accounting on its fixed assets in fiscal 2004 from the standpoint of strengthening its financial position. An impairment loss of ¥42.1 billion was stated as a special loss on the Company's fiscal 2004 financial statements.

Solvency Margin Ratio – 763.2%



Increasing Internal Reserves

With strong core business profit as the source of funds, the Company made provisions of ¥100.0 billion to internal reserves, including contingency reserve and reserve for price fluctuations, following early application of impairment accounting on fixed assets.

The Company will continue to work to enhance its internal reserves via earnings growth.

(Unit: ¥100 million)

Item	March 31, 2004	March 31, 2005	Difference
Internal Reserves	4,650	5,650	1,000
（Liabilities Section）			
Contingency Reserve	1,030	1,405	375
Reserve for Price Fluctuations	640	910	270
（Capital Section）			
Fund Prepared for Price Redemption	1,200	1,400	200
Reserves for Foundation Fund Redemption ＋Reserves for Fund Redemption	1,780	1,935	155

Regarding Early Corrective Measures

Early corrective measures are intended to promote early initiatives aimed at management improvement.

Industry regulators use the solvency margin and other means to invoke necessary measures and directives to this end.

When the margin falls below 200%, the following directives are in place depending on the extent to which the margin is below this mark.

Classification	Solvency Margin	Directive
Not Subject to Directive	200% or more	None
Class 1	At least 100% Less than 200%	Orders the submission and execution of an improvement plan deemed rational for securing management soundness
Class 2	At least 0% Less than 100%	Orders measures to help enhance ability to pay future insurance benefits, etc. They include: 1) Submission and execution of plan deemed rational concerning enhancement of ability to pay insurance benefits, etc. 2) Prohibition on dividends or executive bonuses, or curtailment of their amounts 3) Change in method for calculating insurance premiums on potential new insurance policies
Class 3	Less than 0%	Orders suspension of business activities in part or in full for a fixed period of time

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 the liability characteristic of a life insurance contract. 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. In addition, centering on domestic equities, the Company reshuffled its portfolio while carefully eyeing market trends from the viewpoint of reducing risk, as it continued to shore up its financial position. More specific information on asset management follows below.

Securities

Sumitomo Life made consistent investments in government and corporate bonds primarily with long-term maturities in order to promote ALM to ensure stable earnings. In addition, the Company endeavored to secure still higher revenues by flexibly managing its investments, actively shifting its bond portfolio to long-term instruments as interest rates rose starting in June and increasing its purchases of long-term debt during an upturn in interest rates the second half of February.

The Company continued its investment in foreign bonds as an alternative to yen-denominated assets while fully hedging currency exchange risk. With rising interest rates in the U.S. at the beginning of the fiscal year, the Company increased the balance of its holdings as it worked to secure returns greater than those available from domestic investments. Costs for hedging U.S. dollars increased considerably in the second half, so the Company sold off U.S. bonds and converted a portion of them to European investments.

For domestic equities, the Company reshuffled its portfolio while monitoring market trends in order to reduce risk.

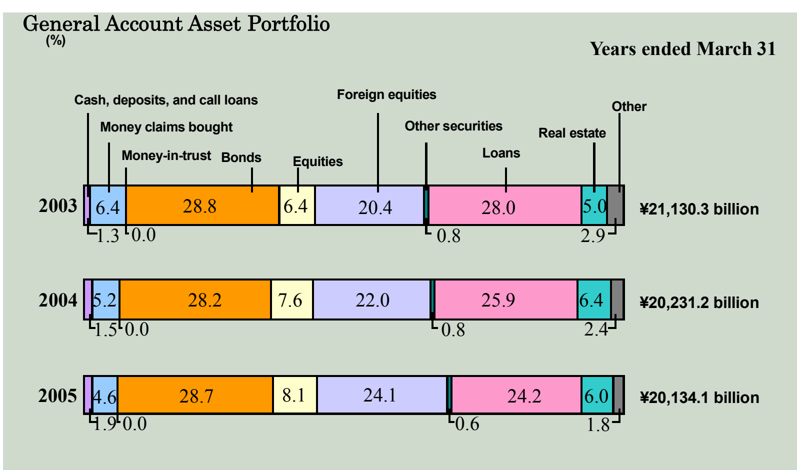
The Company deferred investment in foreign securities in order to curb risk.

Loans

With respect to loans to domestic corporations, Sumitomo Life made investments after carefully judging credit risk. Along with increasing the ratio of loans to preferred business partners, the Company also worked to develop new customers.

Real Estate

In this area the Company made efforts to increase profitability by boosting occupancy rates. The Company also improved the soundness of its financial position by executing early application of impairment accounting on fixed assets starting at the end of the first half of fiscal 2004.



Non-consolidated Review of Operations (Results for the Year Ended March 31, 2005)

Business Environment

The Japanese economy in the year ended March 31, 2005 continued to experience a recovery with firm undertones despite decelerating exports and consumer spending in the second half. The recovery was supported by continuing increases in capital investment driven by higher corporate earnings and improvements in the employment environment.

In the life insurance industry, customers felt a greater sense of assurance with respect to management soundness thanks to improvements in financial standing, and with the need mounting for individuals to obtain insurance coverage for themselves, against a backdrop of revisions to the social insurance system, the initiatives of industry companies in the growth areas of medical insurance and individual annuities became increasingly clear.

Review of Operations

Operating in this environment, Sumitomo Life worked to further boost its earnings power based on a long-term management policy aimed at ensuring that Sumitomo Life inspires high levels of customer confidence as an insurance company.

Marketing and Service

Marketing and service are the key to raising earnings power. On this front, the Company continued to work for growth in insurance sales centered on medical and long-term care insurance, areas where customer need is picking up. In fiscal 2004, the Company aggressively developed the middle-aged and elderly market segments, where considerable demand is anticipated due to demographic changes, through the provision of medical insurance, an area where need is coming to the fore.

With respect to products, the Company launched sales of a new medical insurance product, *Doctor OK*, in October 2004. *Doctor OK* provides enhanced medical insurance over the course of a person's entire life, broadly covering surgeries that are subject to health insurance. In addition, it is characterized by being available to individuals up to age 75, with only a simple declaration of the one's health required when applying, and features low insurance premiums made possible by eliminating insurance against death and cancellation refunds. These features accurately reflect the needs of the middle-aged and elderly age brackets, and as a result, over 110,000 policies were sold in the half year since the product was made available. With changes taking place in the conditions faced by customers, the Company also endeavored to actively promote its consultation program for existing policyholders in order to ensure customers have optimal coverage. The program helps customers update their policies with the latest insurance products by combining their existing policies with medical insurance or long-term care insurance. As a result, the Company sold 200,000 policies to customers in middle-aged and elderly age brackets (50 years and older) in the period from October 2004 to the term-end, which constitutes an 81.9% increase over the previous year. In addition, Sumitomo Life partnered with American Life Insurance Company in order to quickly enhance its product line, and commenced sales of the company's cancer insurance in January 2005.

Additionally, with a view to further strengthening these activities, the Company commenced sales in April 2005 of a new breakthrough product, *Senkyaku Banrai*, a whole life insurance policy with a medical rider requiring limited health status declaration that allows even individuals with an illness to become policyholders if they meet certain conditions (namely, no history of hospitalization or surgery in the previous two years, etc.) and that pays benefits for hospitalization caused by a worsening illness.

As the Company worked to increase insurance sales in this way, it also devoted itself to enhancing after-sales service for existing policyholders in order to maintain its level of insurance in force.

First of all, from the standpoint of improving the convenience of insurance-related procedures, the Company continued working to improve the functioning of its call center with a view to quickly and politely carrying out necessary procedures. It also expanded the range of procedures available on the Internet and promoted linkage with ATMs at banks and other institutions. Next, from the perspective of promoting value-added services, the Company further diversified its services for *Club Sumitomo Life*, a policyholder association, for example, by expanding the range of policyholders that can take advantage of roadside services.

In addition to further reassuring customers with respect to the soundness of the Company's finances, these efforts to enhance after-sales services and promote consultations for existing policyholders resulted in a substantial 19.2% year-on-year decline in cancellations and lapses, the principal cause of decreases in insurance in force.

The Company continued to actively engage in marketing insurance products through banking institutions, a sales channel that complements the Company's sales representatives. Specifically, it strengthened the system of support for these brokers by increasing related staffing levels. On the product side as well, the Company added a savings option to *Tanoshimi VA*, a variable annuity with minimal life insurance features that had only been available with in the single premium format. As a result of these initiatives, the Company sold 57,000 policies through banking institutions, generating insurance premiums of approximately ¥200.0 billion.

In the area of institutional insurance, the Company continued to provide support for benefit programs utilizing insurance. In particular, for corporate pensions, it set up dedicated offices in Tokyo, Osaka and Nagoya to help small and medium-sized companies revise their qualified pension plans. This was part of an effort to provide specialized consulting to companies considering revisions to their retirement plans.

Consolidated subsidiary The Sumisei General Insurance Co., Ltd. focused on steadily increasing revenue from insurance premiums and, in fiscal 2004, achieved solid earnings despite increased benefit payouts due the impact of a series of natural disasters.

Asset Management

Sumitomo Life's basic policy for asset management is to promote ALM (comprehensive management of assets and liabilities) in line with the liability characteristics of life insurance policies. Within the scope of this policy, the Company continued to work to increase earnings through investment centered on yen-denominated, interest-bearing assets such as domestic bonds and to appropriately control risk from stock price and other market fluctuations.

In particular, with a view to boosting returns, the Company increased its holdings of domestic long-term bonds and ultra long-term instruments like 20 year government bonds during a period of rising interest rates in Japan. The Company also invested in foreign bonds while considering interest rate trends and after hedging currency exchange risk as the spread between long- and short-term rates overseas widened. For real estate, the Company bolstered marketing activities to potential tenants and worked to refurbish properties, which resulted in a vastly improved vacancy rates compared to the previous year.

Policies Regarding Capital

Along with redeeming ¥100.0 billion in funds procured in a 1996 offering, the Company conducted an additional offering worth ¥50.0 billion in July 2004 for the purpose of bolstering its operating base and steadfastly ensuring the confidence of customers. This brings total funds (including the reserve for redemption of funds) to ¥279.0 billion. In addition, in order to further stabilize its operating base through diversification of capital procurement sources, the Company for the first time utilized a securitization scheme to hold a public offering for ¥40.0 billion in subordinated bonds.

Life Insurance Operations in China

In addition to promoting these initiatives, Sumitomo Life agreed to establish a life insurance company in China through an alliance with PICC Holding Company, which is under the umbrella of one of China's largest non-life insurance companies, with a view to developing the life insurance market in rapidly growing China and boosting earnings. The Company will actively participate in the management of the new joint venture, providing expertise in products, systems and other areas.

Results of Operations

These initiatives yielded the following results in fiscal 2004.

Annualized premium income from new individual insurance policies and new individual annuities increased 12.5% compared to the previous year to ¥160.7 billion. Annualized premium income from insurance in force at the year-end was ¥1,954.5 billion, a decline of 1.0% year-on-year. Living benefits insurance, including long-term care insurance, and medical insurance, areas where the Company has strengthened its operations, continued to experience substantial increases in annualized premium income from new policies. Annualized premium income from insurance in force in these categories rose 6.3% year-on-year to ¥414.0 billion.

Group insurance in force at the end of the fiscal year decreased 3.8% from the previous year to ¥36,066.9 billion. Group annuities at year-end decreased 8.2% year-on-year to ¥2,877.3 billion due in part to companies returning the substitutional portion of the Employees' Pension Fund.

Looking at income and expenditures, on the income side, premium income decreased 4.1% year-on-year to ¥2,585.6 billion, and investment income declined 21.1% over the previous year to ¥533.7 billion. As for expenditures, insurance benefits paid fell 24.5% year-on-year to ¥2,342.7 billion, investment expenses dropped 44.7% year-on-year to ¥158.2 billion, and operating expenses declined 3.2% over the previous year to ¥362.2 billion. As a result, ordinary income registered growth of 38.1% year-on-year to total ¥199.3 billion. After factoring in special gains and losses, net income for the year was ¥83.7 billion, an increase of 29.7% year-on-year, and the unappropriated surplus at year-end was ¥78.7 billion, a gain of 22.6% over the previous year.

Core business profit is an indicator of a life insurance company's fundamental profitability. After absorbing the negative spread, Sumitomo Life's core business profit for the year totaled ¥287.2 billion, an increase of 1.0% compared to the previous year. For accounts settlement in the year under review, the Company worked to further shore up its financial base by using this profit to apply impairment accounting to fixed assets ahead of its mandatory enforcement and increase internal reserves.

Total assets at the year-end amounted to ¥21,242.9 billion, a year-on-year increase of 0.6%. 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 ¥18,236.5 billion, a year-on year increase of 0.2%.

The solvency margin, which indicates a life insurer's ability to pay insurance benefits, was 763.2%. This is an adequate, sound level that far exceeds the 200% mark required by industry regulators.

Nonperforming loans amounted to ¥23.1 billion, remaining at an extremely low level and accounting for only 0.48% of the total balance of loans.

Issues to be Addressed

Competition in the life insurance market is growing more intense due to full-fledged competition from foreign-affiliated life insurance companies and deregulation of marketing via banking institutions. Amid such conditions, Sumitomo Life has begun to take on the new challenge of raising its competitiveness in order to maintain growth into the future.

Specifically, the Company will focus on initiatives for its own future, further developing the middle-aged and elderly market segments with the product *Senkyaku Banrai*, bolstering the competitiveness of marketing activities at banks, developing new sales channels and promoting its life insurance business in the Chinese market. It also intends to comprehensively review the administrative, service and sales infrastructure that supports these activities.

The Company will work to improve its earnings power through these initiatives and further bolster its operating foundation by periodically increasing internal reserves. Sumitomo Life will also continue to endeavor to fully comply with laws and regulations, including in the area of information management based on the Personal Information Protection Law, as it remains committed to being a company that inspires high levels of customer confidence.

Consolidated Balance Sheets

For Sumitomo Life Insurance Company

March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Millions of U.S. Dollars 2005
Assets			
Cash and Deposits	**¥ 107,741**	¥ 101,959	**$ 1,003**
Call Loans	**385,100**	315,500	**3,585**
Monetary Claims Bought	**921,204**	1,059,683	**8,578**
Securities	**13,344,889**	12,598,603	**124,265**
Loans	**4,872,797**	5,188,742	**45,374**
Real Estate and Movables	**1,257,111**	1,413,684	**11,706**
Due from Outside Agencies	**174**	150	**1**
Due from Reinsurers	**483**	370	**4**
Other Assets	**269,570**	360,486	**2,510**
Deferred Tax Assets	**119,132**	142,994	**1,109**
Deferred Tax Assets on Land Revaluation	**—**	33,384	**—**
Customers' Liabilities for Acceptances and Guarantees	**1**	1,579	**0**
Allowance for Possible Loan Losses	**(3,924)**	(14,600)	**(36)**
Total Assets	**¥21,274,282**	¥21,202,537	**$198,103**
Liabilities			
Policy Reserves:			
Reserves for Outstanding Claims	**¥ 127,198**	¥ 128,944	**$ 1,184**
Policy Reserves	**18,269,529**	18,224,931	**170,123**
Policyholders' Dividend Reserves	**570,957**	652,375	**5,316**
	18,967,685	19,006,251	**176,624**
Due to Reinsurers	**757**	546	**7**
Other Liabilities:			
Deposits Received on Bond Transactions	**801,315**	749,804	**7,461**
Other	**732,719**	679,477	**6,822**
	1,534,035	1,429,281	**14,284**
Accrued Retirement Benefits	**54,384**	50,178	**506**
Provision for Loss on Land Sales	**—**	26,572	**—**
Reserve for Price Fluctuations	**91,302**	64,288	**850**
Deferred Tax Liabilities	**2,238**	2,590	**20**
Deferred Tax Liabilities on Land Revaluation	**657**	—	**6**
Acceptances and Guarantees	**1**	1,579	**0**
Total Liabilities	**20,651,062**	20,581,289	**192,299**
Minority Interests	**2,113**	2,458	**19**
Capital			
Fund	**109,000**	159,000	**1,014**
Reserve for Redemption of Fund	**170,000**	70,000	**1,583**
Reserve for Revaluation	**2**	2	**0**
Surplus	**203,576**	263,300	**1,895**
Land Revaluation	**(84,335)**	(58,964)	**(785)**
Unrealized Gains on Securities	**240,038**	200,844	**2,235**
Foreign Currency Translation Adjustments	**(17,175)**	(15,393)	**(159)**
Total Capital	**621,106**	618,789	**5,783**
Total Liabilities, Minority Interests and Capital	**¥21,274,282**	¥21,202,537	**$198,103**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Income

For Sumitomo Life Insurance Company

Years ended March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Millions of U.S. Dollars 2005
Ordinary Income			
Insurance Premiums and Other	**¥2,619,589**	¥2,729,924	**$24,393**
Asset Management Income:			
Interest and Dividend Income	**439,928**	454,726	**4,096**
Gains on Money-in-Trust	**0**	0	**0**
Gains on Trading Securities	**1,274**	—	**11**
Gains on Sales of Securities	**41,941**	118,242	**390**
Gains on Redemption of Securities	**304**	9	**2**
Gains on Foreign Exchange Transactions	**612**	—	**5**
Gains on Assets in Separate Accounts	**49,194**	107,207	**458**
Other	**26,290**	47,735	**244**
	559,546	727,922	**5,210**
Other Ordinary Income	**152,540**	711,693	**1,420**
(including Reversal of Transfer to Policy Reserves)	—	[546,053]	—
Total Ordinary Income	**3,331,676**	4,169,539	**31,024**
Ordinary Expenses			
Benefits and Other Payments:			
Benefits Paid	**763,577**	962,707	**7,110**
Annuities Paid	**188,958**	186,180	**1,759**
Other Payments	**449,975**	531,877	**4,190**
Surrenders	**689,567**	1,095,726	**6,421**
Other	**270,957**	341,676	**2,523**
	2,363,035	3,118,167	**22,004**
Transfers to Policy Reserves and Other Reserves:			
Transfer to Policy Reserve	**44,597**	—	**415**
Interest on Policyholders' Dividend Reserves	**344**	386	**3**
	44,942	386	**418**
Investment-Related Expenses:			
Interest Expense	**7,997**	9,023	**74**
Losses on Trading Securities	—	4,340	—
Losses on Sales of Securities	**43,170**	79,361	**401**
Losses on Valuation of Securities	**4,486**	5,469	**41**
Losses on Derivatives	**47,182**	127,410	**439**
Losses on Foreign Exchange Transactions	—	2,108	—
Write off of Loans	**216**	1,413	**2**
Depreciation of Real Estate for Rent	**28,373**	29,928	**264**
Other Expenses	**49,830**	74,710	**464**
	181,258	333,766	**1,687**
Operating Expenses	**370,027**	383,237	**3,445**
Other Ordinary Expenses	**167,943**	178,853	**1,563**
Total Ordinary Expenses	**3,127,208**	4,014,411	**29,120**
Ordinary Profit	**204,468**	155,128	**1,903**
Special Gains			
Gains on Disposal of Real Estate and Movables	**3,486**	19,620	**32**
Reversal of Provision for Loss on Land Sales	**5,999**	—	**55**
Reversal of Allowance for Possible Loan Losses	**4,749**	5,429	**44**
Gain on Contribution of Securities to Retirement Benefit Trust	—	13,789	—
Other Special Gains	**5**	2,545	**0**
Total Special Gains	**14,240**	41,384	**132**

Special Losses			
Losses on Disposal of Real Estate and Movables	**18,876**	23,678	**175**
Provision for Loss on Land Sales	**—**	26,572	**—**
Impairment Losses on Fixed Assets	**42,123**	—	**392**
Reserve for Price Fluctuations	**27,013**	21,795	**251**
Advanced Depreciation for Real Estate	**122**	79	**1**
Payments to Social Responsibility Reserve	**523**	597	**4**
Amortization of Transition Obligation of Retirement Benefits	**16,926**	16,926	**157**
Other Special Losses	**1**	317	**0**
Total Special Losses	**105,587**	89,965	**983**
Surplus before Taxes	**113,121**	106,546	**1,053**
Corporate and Other Taxes:			
Current	**24,513**	13,262	**228**
Deferred	**2,905**	13,528	**27**
Minority Interests	**109**	(341)	**1**
Net Surplus for the Year	**¥ 85,592**	¥ 80,097	**$ 797**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Surplus

For Sumitomo Life Insurance Company

Years ended March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Millions of U.S. Dollars 2005
Balance at the beginning of the year	**¥263,300**	¥293,808	**$2,451**
Additions:			
Net income for the year	**85,592**	80,097	**797**
Increase of Surplus due to Reduction in the Number of Affiliates	**1,112**	—	**10**
Increase of Surplus due to Reduction in the Number of Consolidated Subsidiaries	—	133	—
	86,704	80,230	**807**
Deductions:			
Reversal of Land Revaluation	**5,536**	1,138	**51**
Transfer to Policyholders' Dividend Reserves	**38,753**	39,503	**360**
Transfer to Reserve for Redemption of Fund	**100,000**	69,000	**931**
Interest of Fund	**1,989**	1,095	**18**
Bonuses to Directors and Corporate Auditors	—	0	—
Decrease of Surplus due to Reduction in the Number of Consolidated Subsidiaries	**148**	—	1
	146,428	110,738	**1,363**
Balance at the end of the year	**¥203,576**	¥263,300	**$1,895**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

For Sumitomo Life Insurance Company

Years ended March 31, 2005 and 2004	Millions of Yen 2005	Millions of Yen 2004	Millions of U.S. Dollars 2005
I Cash Flows from Operating Activities:			
Surplus before Taxes	**¥113,121**	¥106,546	**$1,053**
Depreciation of Real Estate for Rent	**28,373**	29,928	**264**
Depreciation	**31,255**	46,368	**291**
Impairment Losses on Fixed Assets	**42,123**	—	**392**
Amortization of Goodwill on Consolidation	**(145)**	(662)	**(1)**
Gain on Contribution of Securities to Retirement Benefit Trust	**—**	(13,789)	**—**
Increase in Reserves for Outstanding Claims	**(1,745)**	(6,059)	**(16)**
Increase (Decrease) in Policy Reserves	**44,597**	(546,053)	**415**
Accrued Interest of Policyholders' Dividend Reserves	**344**	386	**3**
Decrease in Allowance for Possible Loan Losses	**(8,483)**	(8,969)	**(78)**
Increase in Accrued Retirement Benefits	**4,262**	1,665	**39**
Increase (Decrease) in Provision for Loss on Land Sales	**(26,572)**	26,572	**(247)**
Increase in Reserve for Price Fluctuations	**27,013**	21,795	**251**
Interest and Dividend Income	**(439,928)**	(454,726)	**(4,096)**
Gains on Securities	**(73,392)**	(116,672)	**(683)**
Interest Expense	**7,997**	9,023	**74**
Losses (Gains) on Foreign Exchange Transactions	**(612)**	2,437	**(5)**
Losses on Real Estate and Movables	**15,512**	4,136	**144**
Equity in Income of Affiliates	**(985)**	(3,975)	**(9)**
Increase in due from Outside Agencies	**(24)**	(11)	**0**
Increase in due from Reinsurers	**(112)**	(170)	**(1)**
Decrease in Other Assets (Excluding Investing and Financing Assets)	**103,044**	105,965	**959**
Increase due to Reinsurers	**210**	55	**1**
Increase in Other Liabilities (Excluding Investing and Financing Liabilities)	**40,590**	4,472	**377**
Other	**(2,941)**	(93,428)	**(27)**
Sub total	**(96,496)**	(885,163)	**(898)**
Interest and Dividend Income Received	**487,061**	522,299	**4,535**
Interest Expense Paid	**(7,304)**	(8,559)	**(68)**
Policyholders' Dividends Paid	**(120,517)**	(126,221)	**(1,122)**
Other	**(523)**	(597)	**(4)**
Corporate and Other Taxes Paid	**(7,301)**	(26,364)	**(67)**
Net Cash Provided by (Used in) Operating Activities	**(254,918)**	(524,606)	**2,373**
II Cash Flows from Investing Activities:			
Decrease (Increase) in Deposits	**(10,367)**	(22,680)	**96**
Payments for Purchase of Monetary Claims Bought	**(2,037,812)**	(2,652,122)	**(18,975)**
Proceeds from Sales and Redemption of Monetary Claims Bought	**2,176,318**	2,949,118	**20,265**
Payments for Purchase of Securities	**(6,541,550)**	(7,071,758)	**(60,913)**
Proceeds from Sales and Redemption of Securities	**5,911,898**	7,388,717	**55,050**
Payments for Additions to Loans	**(567,487)**	(628,329)	**(5,284)**
Proceeds from Collection of Loans	**878,762**	1,179,355	**8,182**
Other	**(17,474)**	(349,475)	**(162)**
II① Sub total	**(186,977)**	792,825	**(1,741)**
[I+II①]	**[67,940]**	[268,218]	**[632]**
Payments for Purchase of Real Estate and Movables	**(89,676)**	(355,885)	**(835)**
Proceeds from Sales of Real Estate and Movables	**53,682**	112,929	**499**

Proceeds from Sales of Investment in Subsidiaries Excluded from the Consolidation Scope	**4,167**	—	**38**
Net Cash Provided by (Used in) Investing Activities	**(218,803)**	549,868	**(2,037)**
III Cash Flows from Financing Activities:			
Proceeds from Issuance of Debt	**80,434**	59,650	**748**
Repayment of Debt	**(42,712)**	(60,708)	**(397)**
Increase in Fund	**50,000**	59,000	**465**
Decrease in Fund	**(100,000)**	(69,000)	**(931)**
Interest on Fund Paid	**(1,989)**	(1,095)	**(18)**
Other	**(234)**	(5,275)	**(2)**
Net Cash Used in Financing Activities	**(14,501)**	(17,428)	**(135)**
IV Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(30)**	(193)	**0**
V Net Increase in Cash and Cash Equivalents	**21,583**	7,639	**200**
VI Cash and Cash Equivalents at the Beginning of the Year	**22,495**	14,866	**209**
VII Decrease in Cash and Cash Equivalents due to Reduction in the Number of Consolidated Subsidiaries	**(376)**	(10)	**(3)**
VIII Cash and Cash Equivalents at the End of the Year	**¥ 43,701**	¥ 22,495	**$ 406**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Financial Years Ended March 31, 2005 and 2004

I. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Insurance Business Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and 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 consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 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 6 (8 in 2004) 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. and SLR Investments, Inc. and SLR Investments, Inc.
   Sumisei Lease Co., Ltd. is excluded from consolidation from this year as it ceased being a subsidiary.
   Subsidiaries excluded from consolidation include Sumisei Insatsu Co.,Ltd. and Sumisei Building Management Co., Ltd.
   SLA Investment, Inc. 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.

2. Affiliates
   Three (6 in 2004) affiliates are accounted for by the equity method. The affiliates under the equity method are Office Building Fund Management Japan, Ltd. Sumitomo Mitsui Asset Management Co., Ltd. and Japan Pension Navigator Co., Ltd.
   Izumi Securities Co., Ltd., SUMISEI ABN AMRO Asset Management B.V. and SUMISEI ABN AMRO FUND MANAGERS (IRELAND) LIMITED which are excluded from the equity method ceased being affiliates from this year.
   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.

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.

2. Derivatives
   Derivatives of the Company 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 Liabilities 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 ¥66,112 million (U.S.$ 615 million) and ¥66,269 million as of March 31, 2005 and 2004, 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 ¥ 4,604 million (U.S.$ 42 million) and ¥ 1,739 million were written off, including ¥ 3,834 million (U.S.$ 35 million) and ¥ 817 million of loans with collateral or guarantees, at March 31, 2005 and 2004, 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 Benefits
A summary of accrued retirement allowances of the Company, excluding consolidated subsidiaries, at March 31, 2005 and 2004 is as follows:

	Millions of Yen		Millions of U.S.Dollars
	2005	2004	**2005**
Projected Benefit Obligation	**¥(334,268)**	¥(302,772)	**$(3,112)**
Fair Value of Pension Assets	**221,959**	216,314	**2,066**
[Including Retirement Benefit Trust]	**[100,002]**	[102,295]	**[931]**
Net Projected Benefit Obligation	**(112,309)**	(86,458)	**(1,045)**
Unrecognized Net Transition Obligation	**[—]**	16,926	**[—]**
Unrecognized Actuarial Differences	**58,560**	28,492	**545**
Unrecognized Prior Service Cost	**[—]**	(8,596)	**[—]**
Accrued Retirement Allowances	**¥ (53,748)**	¥(49,636)	**$(500)**

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2005 and 2004 are as follows:

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

	2005	2004
Discount Rate	**2.0%**	2.7%
Long-term Rates of Return on Fund Assets:		
Qualified Retirement Pension Plan	**2.0%**	2.1%
Retirement Benefit Trust	**0.0%**	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. Reserve for Price Fluctuations
The reserve for price fluctuations is calculated according to the provisions of Article 115 of the Insurance Business Law.

9. 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.

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

10. 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.

11. 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.

12. 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

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

14. 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 ¥ 23,310 million (U.S.$ 217 million) and ¥ 39,926 million at March 31, 2005 and 2004, respectively. By category, loans to bankrupt borrowers totaled ¥ 224 million (U.S.$ 2 million) and ¥ 1,229 million, and loans in arrears totaled ¥ 12,758 million (U.S.$ 118 million) and ¥ 24,639 million at March 31, 2005 and 2004, respectively. After subtracting the amount of loans considered to be irrecoverable from the balances above, the balance of loans to bankrupt borrowers was reduced ¥ 107 million (U.S.$ 0 million) and ¥ 224 million, and the amount of loans in arrears was reduced ¥ 4,551 million (U.S.$ 42 million) and ¥ 1,542 million at March 31, 2005 and 2004, 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 ¥ 1,664 million (U.S.$ 15 million) and ¥ 1,291 million at March 31, 2005 and 2004, 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 ¥ 8,642 million (U.S.$ 80 million) and ¥ 12,766 million at March 31, 2005 and 2004, 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.

15. Accumulated Depreciation
Accumulated depreciation of real estate and movables amounted to ¥ 458,706 million (U.S.$ 4,271 million) and ¥ 570,065 million at March 31, 2005 and 2004, respectively.

16. Separate Accounts
The amount of assets in separate accounts as stipulated in Article 118 of the Insurance Business Law was ¥ 1,128,948 million (U.S.$ 10,512 million) and ¥ 929,179 million at March 31, 2005 and 2004, respectively.

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

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

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	**2005**
Amount at the End of Previous Year	**¥652,375**	¥738,707	**$6,074**
Transfer from Surplus	**38,753**	39,503	**360**
Dividend Payments to Policyholders in Current Year	**(120,517)**	(126,221)	**(1,122)**
Increase from Accruing Interest Income	**344**	386	**3**
Amount at the End of Current Year	**¥570,957**	¥652,375	**$5,316**

19. Pledged Assets
Assets pledged as collateral amounted to ¥ 583,816 million (U.S.$ 5,436 million) and ¥ 715,891 million, and secured debts amounted to ¥ 7,903 million (U.S.$ 73 million) and ¥ 42,055 million at March 31, 2005 and 2004, respectively.

20. Funds
The Company raised the fund in capital ¥50,000 million (U.S.$465 million) and ¥59,000 million in accordance with Article 60 of the Insurance Business Law, for the years ended March 31, 2005 and 2004, respectively.

21. Reserve for Redemption of Fund
The Company redeemed ¥100,000 million (U.S.$931 million) and ¥69,000 million of fund, for the years ended March 31, 2005 and 2004, respectively. On this redemption, the Company credited ¥100,000 million (U.S.$931 million) and ¥69,000 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 sheets, for the years ended March 31, 2005 and 2004, respectively.

22. Loaned securities
Loaned securities amounted to ¥ 867,050 million (U.S.$ 8,073 million) and ¥ 781,370 million at March 31, 2005 and 2004, respectively.

23. Loan Commitments
Outstanding loan commitments were ¥ 32,831 million (U.S.$ 305 million) and ¥ 28,077 million at March 31, 2005 and 2004, respectively.

24. Subordinated Debt
Other liabilities include ¥ 435,000 million (U.S.$ 4,050 million) and ¥ 395,000 million of borrowings under subordinated debt contracts that rank lower than other liabilities at March 31, 2005 and 2004, respectively.

25. Obligations to Former Insurance Policyholder Protection Fund

The Company estimated future obligations of ¥ 6,552 million (U.S.$ 61 million) and ¥ 9,320 million at March 31, 2005 and 2004, 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.

26. Obligations to Life Insurance Policyholder Protection Organization

The Company estimated future obligations of ¥ 36,868 million (U.S.$ 343 million) and ¥ 49,122 million at March 31, 2005 and 2004, 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.

27. Deferred Taxes

Deferred tax assets totaled ¥ 272,763 million (U.S.$ 2,539 million) and ¥ 274,391 million, and deferred tax liabilities totaled ¥ 147,241 million (U.S.$ 1,371 million) and ¥ 126,336 million at March 31, 2005 and 2004, respectively. Valuation allowances which are deducted from deferred tax assets amounted to ¥ 8,627 million (U.S.$ 80 million) and ¥ 7,650 million at March 31, 2005 and 2004, respectively.

The main components of deferred tax assets were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	**2005**
Losses from Write-down of Securities	**¥88,369**	¥104,987	**$822**
Policy Reserves	**69,188**	54,268	**644**
Accrued Retirement Allowances	**46,724**	43,381	**435**
Reserve for Price Fluctuations	**33,005**	23,240	**307**

The main components of deferred tax liabilities were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	**2005**
Unrealized Gains on Securities	**¥135,925**	¥ 113,727	**$1,265**

The statutory tax rate was 36.15% in the years ended March 31, 2005 and 2004. The tax rates after the application of tax-effect accounting were 24.2% and 25.1% in the years ended March 31, 2005 and 2004, respectively. The principal reason for this difference was the amount transferred to the reserves for policyholder dividends, which accounted for a decrease of 12.8% and an increase of 13.1% in the years ended March 31, 2005 and 2004, respectively.

IV. Income Statements

1. Impairment of Fixed Assets

In the year ended March 31, 2005, the Company and its consolidated domestic subsidiaries adopted early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). As a result of this adoption, surplus before taxes decreased by ¥ 42,123 million (U.S.$ 392 million) .

The accumulated impairment losses were directly deducted from each asset's acquisition cost.

The Company's details of impairment losses for the year ended March 31, 2005 are as follows:

a. Grouping

The Company groups all the fixed assets for commercial use into one asset group, and each real estate for rent and unused real estate as a separate asset group.

b. Background to recognizing impairment losses

The Company reduced the carrying amount of real estate for rent or unused real estate which experienced a downturn in profitability due to decline in land prices or rent to a recoverable amount, and recognized impairment losses and included those in special losses.

c. Details of impairment losses of fixed assets

Group	Type	Millions of Yen	Millions of U.S. Dollars
		2005	2005
Real estate for rent	Land and buildings	¥ 39,539	$ 368
Unused real estate	Land and buildings	¥ 2,584	$ 24
	Total	¥ 42,123	$ 392

d. The recoverable amount

The recoverable amounts for real estate for rent is the net selling price or the value in use, and the recoverable amounts for unused real estate is net selling price.

Net selling price is calculated using an estimated sales price, appraisal value based on Real Estate Appraisal Standards, or publicly announced prices.

Value in use is equal to the net future cash flow discounted at 5.0%.

2. Securities

The components of the Company's gains on sales of securities were ¥ 7,712 million (U.S.$ 71 million) and ¥ 35,647 million from government and other bonds, ¥ 34,387 million (U.S.$ 320 million) and ¥ 59,581 million from stocks, etc., and ¥ 457 million (U.S.$ 4 million) and ¥ 22,786 million from foreign securities for the years ended March 31, 2005 and 2004, respectively.

The components of losses on sales of securities were ¥ 6,574 million (U.S.$ 61 million) and ¥ 15,584 million from government and other bonds, ¥ 9,808 (U.S.$ 91 million) and ¥ 53,541 million from stocks, etc., and ¥ 26,761 million (U.S.$ 249 million) and ¥ 9,419 million from foreign securities for the years ended March 31, 2005 and 2004, respectively.

The components of losses on valuation of securities were ¥ 3,787 million (U.S.$ 35 million) and ¥ 5,703 million from stocks, etc., and ¥ 699 million (U.S.$ 6 million) and ¥ 303 million from foreign securities for the years ended March 31, 2005 and 2004, respectively.

3. Trading Securities

Interest and dividend income on trading securities of the

Company were ¥ 16 million (U.S.$ 0 million) and ¥ 6 million for the years ended March 31, 2005 and 2004, respectively. Gains on sales of securities were ¥ 687 million (U.S.$ 6 million) for the year ended March 31, 2005, and losses on sales of securities were ¥ 2,663 million for the year ended March 31, 2004. Valuation gains were ¥ 571 million (U.S.$ 5 million) for the year ended March 31, 2005, and valuation losses were ¥ 1,683 million for the year ended March 31, 2004.

4. Derivatives
Valuation losses of ¥ 4,668 million (U.S.$ 43 million) and ¥9,878 million are included in losses on derivatives of the Company for the years ended March 31, 2005 and 2004, respectively.

5. Retirement Benefit Expenses
The total amount of severance and retirement benefit expenses of the Company for the years ended March 31, 2005 and 2004 comprised the following:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	**2005**
Service Costs	**¥11,930**	¥12,391	**$111**
Interest Cost on Projected Benefit Obligation	**8,174**	8,206	**76**
Return on Plan Assets	**(2,280)**	(2,232)	**(21)**
Amortization of Net Transition Obligation	**16,926**	16,926	**157**
Amortization of Actuarial Differences	**6,254**	8,630	**58**
Amortization of Prior Service Cost	**(8,596)**	(9,377)	**(80)**
Total Amount of Severance and Retirement Benefit Expenses	**¥32,409**	¥34,545	**$301**

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, 2005 and 2004 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	**2005**
Cash and Deposits	**¥107,741**	¥101,959	**$1,003**
Deposits Bearing Interest	**(64,040)**	(79,463)	**(596)**
Cash and Cash Equivalents	**¥43,701**	¥22,495	**$406**

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 and consolidated subsidiaries as of March 31, 2005 and 2004, 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 the responsibility of the Company's management. Our responsibility is to independently 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, 2005 and 2004, 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 .

Without qualifying our opinion, we draw attention to the following.
As explained in Note IV.1, in the year ended March 31, 2005, the Company adopted early the new accounting standards for impairment of fixed assets. ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003).

The consolidated financial statement as of and for the year ended March 31, 2005 has 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 24, 2005

KPMG AZSA & Co.

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

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

By: Yukio Kumaki (Seal)
Designated and Engagement Partner
Certified Public Accountant

International Network

(As of July 5, 2005)

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
101 East 52nd Street, 2F,
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
1205, Beijing CR Building, 12F
A8 Jiangguomen-North Street, Beijing,
People's Republic of China 100005
Tel: (10) 8519-2501 Fax: (10) 8519-2503
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

- Head Office
  101 East 52nd Street, 2F,
  New York, NY 10022, U.S.A.
  Tel:(212)521-8370 Fax:(212) 750-7931
  President：Norio Morimoto
- Atlanta Office
  One Atlantic Center
  1201 West Peachtree Street, Suite 5099,
  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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  Tel:(310)767-2113 Fax:(310)768-3420
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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 5, 2005)

Directors

Chairman
Yasuo Yoshino

President and Chief Executive Officer
Shinichi Yokoyama

Deputy Presidents
Shinichiro Satake
Hiroshi Kadota

Senior Managing Director
Eiichi Shibao

Managing Directors
Hitoshi Kawashima
Yoshio Sato
Hideo Kobayashi
Koji Hanaoka
Fumio Tokubutsu
Ikunori Kato
Norio Takamatsu

Directors
Akio Kosai
Taketoshi Yamamoto

Corporate Auditors

Takashi Nakagawa
Masaaki Kamohara
Tadayoshi Ota
Takemochi Ishii
Eiko Shinotsuka

Executive Officers

Hideo Nemoto
Takanobu Takimoto
Noriaki Yajima
Arata Ito
Tsutomu Yasukawa
Yukio Nakae
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Koichi Suzaki
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