SUMITOMO LIFE
ANNUAL REPORT
2007

SUMITOMO LIFE INSURANCE COMPANY

Contents

Overview of Sumitomo Life

Official name	SUMITOMO LIFE INSURANCE COMPANY		
Established	May 1907		
Location	Head Office: 1-4-35, Shiromi, Chuo-ku, Osaka City, Osaka 540-8512 Tokyo Head Office: 7-18-24, Tsukiji, Chuo-ku, Tokyo 104-8430 Website: http://www.sumitomolife.co.jp		
President and CEO	Yoshio Sato (appointed July 3, 2007)		
Number of Employees	45,834 (8,367 administrative; 37,467 sales)		
Sales Offices	93 branch offices; 1 sales promotion office; 1,798 district offices		
Assets	Total assets	¥23,286.4 billion	
Liabilities	Total policy reserves	¥20,326.5 billion	(Policy reserves of ¥19,753.7 billion)
Capital	Foundation Fund	¥319.0 billion	(Including reserve for redemption of foundation fund)
Revenue and Expenditures	Insurance premiums Insurance benefits paid	¥2,934.4 billion ¥2,065.3 billion	(April 2006 – March 2007) (April 2006 – March 2007)
Annualized Premium of Policies in Force	Individual insurance Individual annuities	¥1,483.7 billion ¥545.9 billion	
Policies in Force	Individual insurance Individual annuities Group insurance Group annuities	¥140,737.1 billion ¥12,158.0 billion ¥34,369.6 billion ¥2,912.3 billion	

(As of March 31, 2007)

Message from the President

Winning the Complete Trust of Customers

Yoshio Sato was appointed President and Chief Executive Officer of Sumitomo Life, effective on July 3, 2007.

Commitments

Over the past several years Sumitomo Life has implemented a variety of reforms and made progress thanks to a determined effort aimed at company-wide revitalization. First, with the goal of improving earnings, we modified our business model from the traditional focus on acquiring new business to the prioritizing of policies already in force. This involved switching the indicator of our financial performance from policies in force to the annualized premium of policies in force. We also shifted from the pursuit of *scale* to the pursuit of greater *efficiency*, and decisively carried out systemic reforms to improve, in particular, the efficiency of our sales personnel, who comprise Sumitomo Life's main marketing channel. In order to reduce our total risk, we have been working actively to reduce our balance of risk weighted assets, such as the proportion of stockholdings. Moreover, we have quickly adapted to market changes brought on by an aging population and declining birthrate, aggressively tackling growth sectors and leading the industry in offering third-sector insurance products such as medical and living benefits insurance, and marketing variable annuities through the bank channel.

As a result of these reforms, the annualized premium of policies in force, which had been in decline, began increasing in FY2005, before that of any other major Japanese life insurer. Owing to this, we successfully augmented accumulated retained surplus (see Note), the core equity capital of a life insurance company, and improved our financial strength. These achievements have been duly recognized, and in FY2006, the five major rating agencies of R&I, JCR, Fitch, Moody's and S&P, upgraded our credit rating.

With the reforms now starting to yield results, we will continue in this vein and remain firmly committed to our reform program in order to bring about further substantial company growth.

Management Strategy

In more specific terms, we will continue to advance the initiatives of *RE SUMISEI KAKUMEI*, our long-term management strategy developed in the previous fiscal year, and work to improve standards of quality in three areas: sales, service and products. We have made it our top managerial priority to strengthen payment management practices and improve sales quality, and will devote our efforts to building an integrated service system that encompasses everything from insurance sales to benefit payments.

The *RE SUMISEI KAKUMEI* strategy puts corporate social responsibility at the heart of management. For more than half a century, Sumitomo Life has declared its commitment to "contributing to the furtherance of social and public welfare" as the basis of our managerial philosophy, and over the years we have worked earnestly to fulfill this commitment. We now intend to redouble our efforts to ensure that this spirit is fully embodied by each and every employee, that the views of our customers and the general public are carefully considered, and that we become a company of true benefit to society.

Based on these convictions, I have defined the company of our aspirations as one that is above all dignified and earns the complete trust of customers. This year marks the 100th anniversary of Sumitomo Life, and I am determined to make it a year of renewed commitment to this ideal.

Thank you for your continuing support and encouragement.

July 2007

Yoshio Sato

Yoshio Sato
President and Chief Executive Officer

Note: Sum of Contingency reserve, Reserve for price fluctuations, Fund prepared for price redemption, Reserves for redemption of foundation fund and Reserves for fund redemption.

Management Strategy

New Vision for Growth: Initiatives and Results

The New Vision for Growth lays out a strategy for sales channels and marketing that aims to create new markets and revitalize the existing policyholder market. We have conducted various initiatives from FY2004 to 2006 according to this vision and have generated significant results.

New Market Creation

To develop the living benefits and medical insurance sector, as well as the market for middle-aged and elderly customers, we launched *Doctor OK*, a new medical insurance product, in October 2004, and *Senkyaku Banrai*, an insurance product with limited disclosure requirements for people in the middle and elderly age brackets who suffer from chronic diseases. As of March 31 2007, cumulative sales of the policies have topped 350,000 and 70,000, respectively.

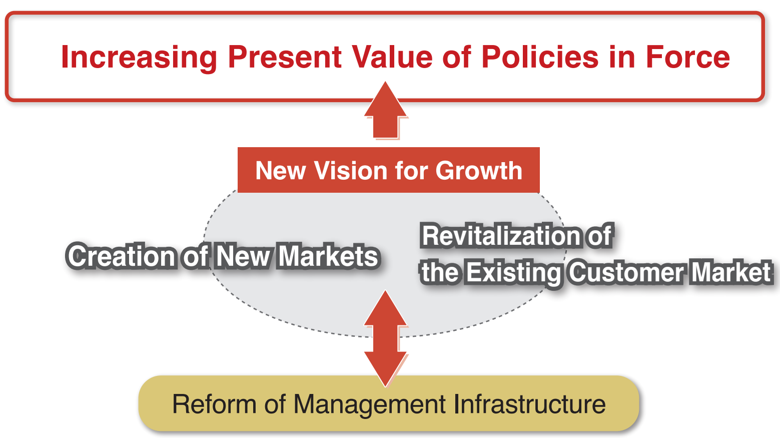
In addition, in order to develop the annuities and savings market, in July 2005 we began selling a new GMAB-type variable annuity. As of March 31, 2007, cumulative sales of this new product have exceeded 280,000.

Revitalization of the Existing Policyholder Market

We also enhanced sales and service activities by providing consultations for existing policyholders with outdated coverage. These consultations involve reviewing their existing policies, and updating them to ensure optimal, current insurance packages.

Largely as a result of these two initiatives, we increased volume of policies for over-50s, which enabled us to create a well balanced policyholder demographic portfolio matching that of Japan's population. We also raised the annualized premium for third sector policies in force by a substantial 18% over the last three years. We were the first major Japanese insurer to have disclosed the present value of policies in force since FY2005, in part to measure the improvement in corporate value brought about by these achievements.

In FY2007, we plan to further strengthen these initiatives, launch new products such as nursing care insurance and cutting edge medical insurance riders, and continue to implement policies aimed at improving quality.



Operating Results

In the area of individual insurance and individual annuities, the annualized premium of policies in force steadily gained ground, increasing by 1.8% since the end of FY2006 to ¥2,029.6 billion. While sales of variable annuities continued to increase, death protection decreased, causing a decline of 6.2% in the annualized premium of new business which, nevertheless, maintained a high level at ¥195.6 billion. Annualized premium of surrenders and lapses continued to improve, decreasing 3.7% to ¥115.3 billion.

The annualized premium of new living benefits and medical insurance business decreased 12.9% to ¥56.3 billion. This is attributable to new products such as *Doctor OK*, a new medical insurance product launched in October 2004, and *Senkyaku Banrai*, launched in April 2005, having already captured the market share. The annualized premium of policies in force for living benefits and medical insurance, however, has increased steadily, rising 4.8% since FY2006 to ¥462.6 billion.

Group insurance policies in force decreased by 2.1% to ¥34,369.6 billion, while group annuities in force edged up 1.5% over the previous year to ¥2,912.3 billion.

In terms of revenue, Insurance Premiums and Other decreased 2.8% from the previous year to ¥2,934.4 billion, and Investment Income declined 6.8% to ¥679.4 billion. On the expenditures side, Operating Expenses rose 1.0% to ¥382.5 billion; however Insurance Benefit and Other Payments dropped 9.2% to ¥2065.3 billion and Investment Expenses fell 4.7% to ¥133.2 billion. As a result, Ordinary Profit declined 6.2% to ¥129.1 billion. After factoring in Special Gains and Losses, Net Surplus for the Year increased 18.3% to ¥80.0 billion. Unappropriated Surplus at year-end amounted to ¥77.1 billion, an increase of 15.1%.

After providing for the negative spread, core business profit, Sumitomo Life recorded a core business profit of ¥302.8 billion, an increase of 13.6% over the previous year. Sumitomo Life used its core business profit to bolster accumulated retained surplus by ¥228.5 billion. As a result, the solvency margin ratio was 1068.6%. The present value of policies in force (PVIF), an indicator of medium- to long-term earnings, totaled ¥1,480.4 billion, an increase of ¥231.1 billion on FY2006.

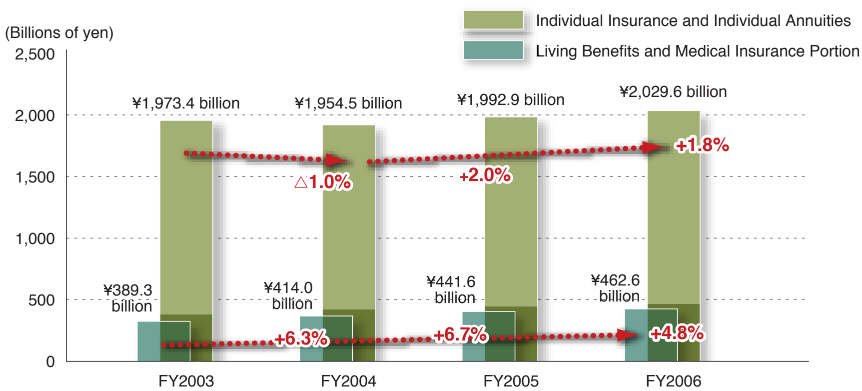
In order to provide for future payment of insurance benefits, Sumitomo Life sets aside policy reserves using sound and proper methods (standard liability reserve for policies subject to standard liability reserve requirements, and policy reserve calculated with the net level premium method for other reserves). To further increase financial strength, the current actuarial assumptions as at the time of annuity commencement are applied, in principle, to individual annuities for which annuity payments have begun since FY2006, and additional policy reserve is set aside.

Individual Insurance and Individual Annuities

Annualized Premium of Policies in Force

At the end of FY2006 annualized premium of policies in force for individual insurance and individual annuities increased for the second consecutive year due to solid new sales and improvement in policy surrenders and lapses. It totaled ¥2,029.6 billion, up by 1.8% from the previous year. That for living benefits and medical insurance increased steadily to ¥462.6 billion, topping the previous year's mark by 4.8%.

Annualized Premium of Policies in force



Annualized Premium of Policies in Force

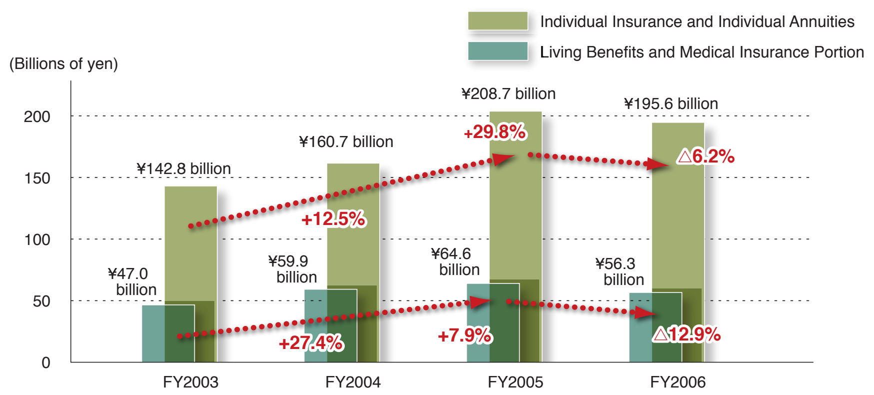
Annualized Premium (Units: ¥billion, %)			
Type of Policy	March 31, 2006	March 31, 2007	YoY
Individual insurance	1,517.5	1,483.7	△ 2.2
Individual annuities	475.4	545.9	+14.8
Individual insurance + individual annuities	1,992.9	2,029.6	+1.8
Living benefits insurance + medical insurance, etc.	441.6	462.6	+4.8

Notes:
1. Annualized premium is calculated by multiplying individual premiums by a factor corresponding to their payment schedule and converting them to yearly premium income. For policies with single premium payments, the premium is divided by the coverage period.
2. Annualized premium for living benefits insurance is the total of long-term care insurance, insurance for critical illnesses, insurance for chronic diseases, and premium payment waivers.
3. Annualized premium for medical insurance is the total of medical insurance and individual riders for hospitalization due to accident, treatment of disease, treatment of adult diseases, treatment of women's illnesses, outpatient treatment, initial benefits for hospitalization, hospitalization due to cancer, and treatment for disability or injury.
4. Annualized premium for policies that include living benefits insurance and medical insurance together with death and other insurance is calculated based on the portion of the premium corresponding to living benefits insurance and medical insurance.

Annualized Premium of New Business (New Business + Net Increase from Conversion)

In FY2006, Sumitomo Life continued to strengthen initiatives in the living benefit and medical insuran ce sector, as well as in the individual annuity sector: areas with high customer need. Although death protection decreased, we maintained strong sales of individual annuities. Annualized premium of new business for individual insurance and individual annuities totaled ¥195.6 billion, which remains high despite a decline of 6.2% from the previous year. Annualized premium of new business for living benefits and medical insurance declined 12.9% to ¥56.3 billion.

Annualized Premium of New Business



Annualized Premium of New Business

Annualized Premium (Units: ¥billion, %)			
Type of Policy	FY2005	FY2006	YoY
Individual insurance	126.2	108.5	△ 14.0
Individual annuities	82.4	87.1	+5.6
Individual insurance + individual annuities	208.7	195.6	△ 6.2
Living benefits insurance + medical insurance, etc.	64.6	56.3	△ 12.9

Annualized Premium of Surrenders and Lapses

Annualized premium of surrenders and lapses for FY2006 improved 3.7% to ¥115.3 billion as a result of continued promotion of consultations with existing policyholders and enhancement of customer service.

Annualized Premium of Surrenders and Lapses

Annualized Premium (Units: ¥billion, %)			
Type of Policy	FY2005	FY2006	YoY
Individual insurance + individual annuities	119.7	115.3	△ 3. 7

Earnings

Core Business Profit

Core business profit is an indicator of a life insurance company's core earnings on a flow basis. It is comprised mainly of insurance profit which is the net sum of insurance premiums, benefits paid, operating expenses, and investment-related profit primarily from interest and dividend income. It is equivalent to ordinary business operating profits. Core business profit is profit after covering negative spread. This core profit is mainly used for dividend payouts, corporate tax payments and further improvements to financial health and management. In FY 2006 Sumitomo Life maintained its core profit at a stable level of ¥302.8 billion, owing to higher interest and dividend income resulting from increased dividends from yen-denominated, interest-bearing assets and equity holdings.

Note: Negative spread refers to the situation where actual investment income does not adequately cover the assumed return on insurance premiums.

Ordinary Profit (Core Business Profit) Overview

(Unit: ¥billion)

	FY2005	FY2006	YoY
Core business profit (A)	266.4	302.8	+36.3
Insurance premiums and other	3,019.1	2,934.4	△ 84.7
Interest and dividend income	439.7	468.1	+28.3
Benefits and other payments	2,273.6	2,065.3	△ 208.3
Provision for policy reserves	637.7	580.3	△ 57.4
Operating expenses	378.7	382.5	+3.8
Capital gains/losses(B)	△ 28.0	25.6	+53.6
Non-recurring income (C)	△ 100.8	△ 199.3	△ 98.5
Ordinary profit (D=A+B+C)	137.6	129.1	△ 8.4
Special gains (E)	25.9	24.6	△ 1.3
Special losses (E)	△ 87.0	△ 62.9	+24.1
Surplus before income taxes	76.4	90.7	+14.3
Corporate and other taxes (F)	60.6	83.7	+23.1
Deferred tax adjustment (F)	△ 51.7	△ 72.9	△ 21.1
Net surplus for the year (G=D+E-F)	67.6	80.0	+12.3

Breakdown of Core Business Profit (Three major profit sources

Reference: Breakdown of Core Business Profit (Three major profit sources) **(Unit: ¥billion)**

Item	FY2005	FY2006	YoY
Core business profit	266.4	302.8	+36.3
Gain on insurance-related differences	437.5	433.6	△ 3.8
Mortality gain	355.0	357.1	+2.1
Expense savings	85.3	76.9	△ 8.4
Negative spread	△ 171.1	△ 130.8	+40.2

Present Value of Policies In Force (PVIF) and New Business Value (NBV)

PVIF is the present value of future post-tax earnings expected to be generated from business in force. It is a component of embedded value: an indicator of the corporate value of life insurance companies.
NBV is the present value of lifetime earnings expected from new business (net increase in the case of policy conversions) acquired during the term under review. It is the sum of post-tax earnings generated in the term under review, net of initial expenses, etc., and the present value of post-tax earnings estimated to be generated in the future.

PVIF and NBV are calculated based on the traditional embedded value technique, and they are before deducting of cost of capital.

Note: Since life insurance policies generally cover a long period of time, it is difficult to measure the potential earnings of a policy using only financial data and business performance indicators such as policies in force. PVIF and NBV enable estimation of future earnings. In this sense, these indicators complement the financial statements, which report a company's financial position at the present time.

PVIF for FY2006

(Unit: ¥billion)

	FY2006	Change
PVIF	1,480.4	231.1
Reference: Adjusted net asset value	1,270.0	198.2

FY2006 PVIF for Individual Insurance and Individual Annuities

(Unit: ¥billion)

	FY2006	Change
PVIF	1,407.5	232.2
NBV	91.0	△ 5.8

Principal Assumptions

Assumptions	Calculation Method
Discount rate	6.2% Based on the risk-free interest rate (10-year JGB: approx. 1.65%) plus a risk premium of 4.5%
Investment yield	Based on asset portfolio ratios while incorporating new investment plans. The following yields have been applied: 2.55% (FY2007) 2.59% (FY2008) 2.62% (FY2009) 2.66% (FY2010) 2.69% (After FY2011)
Operating expenses	Based on actual expenses for the most recent year.
Surrender and lapse	Based on actual figures for the past three years for each product, number of years elapsed, payment method, etc.
Mortality and morbidity	Based on actual figures for the past three years for each insurance category, number of years elapsed, payment method, etc.

Impact of Revised Assumptions (Sensitivities)

(Unit: ¥billion)

Assumption Revisions		Impact on PVIF	PVIF
Discount rate	6.2% → 7.2%	△ 79.5	1,328.0
	6.2% → 5.2%	91.2	1,498.7
Investment yield	+0.25%	211.3	1,618.7
	-0.25%	△ 212.0	1,195.5
Operating expenses	Assumption × 110%	△ 67.6	1,339.9
	Assumption × 90%	676	1,475.1
Surrender and lapse	Assumption × 110%	△ 64.3	1,343.2
	Assumption × 90%	69.3	1,476.8
Mortality and morbidity	Assumption × 110%	△ 240.1	1,167.4
	Assumption × 90%	243.5	1,651.0

Review by Actuarial Firm

Tillinghast, an independent actuarial firm, has reviewed the methodology used and the assumption applied for the calculation of the PVIF, as well as limited high-level checks on the results.

The figures stated herein have been calculated on the basis of assumptions that include forecasts subject to risk and uncertainty. Actual future results may differ substantially from these assumptions, so adequate caution is required when using this data.

Corporate Insurance

Group Insurance & Group Annuities (Unit: ¥billion, %)

		March 31, 2006	March 31, 2007	YoY
Group insurance	In force at year-end	35,096.9	34,369.6	△ 2.1%
Group annuities	In force at year-end	2,870.0	2,912.3	+1.5%

Notes: 1. The amount for group insurance consists primarily of plan benefits.
2. The amount for group annuities consists of policy reserves.

Improving Financial Strength

Insurance Financial Strength Ratings

	Insurance Financial Strength Ratings		
Ratings Agency	March 31, 2006		September 30,2007
Rating and Investment Information (R&I)	***A-***	⇒	***A*** Definition of "A" rating A high degree capacity for payment of insurance claims. It is also accompanied by some excellent factors.
Japan Credit Rating Agency (JCR)	***A-***	⇒	***A*** Definition of "A" rating A high level of capacity to honor the financial commitment on the obligation.
Fitch Ratings (Fitch)	***A-***	⇒	***A*** Definition of "A" rating Strong. 'A' IFS ratings denote a low expectation of ceased or interrupted payments. They indicate strong capacity to meet policyholder and contact obligations on a timely basis. This capacity may, nonetheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
Moody's	***Baa3***	⇒	***A2*** Definition of "A" rating Insurance companies rated 'A' offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future.
Standard & Poor's (S&P)	***BBB***	⇒	***BBB+*** Definition of "BBB" rating An insurer rated 'BBB' has GOOD financial security characteristics, but is more likely to be affected by adverse business conditions than are higher rated insurer.

Notes:
1. Insurance Financial Strength Ratings are subject to change in the future due to changes in economic conditions and other factors.
2. Insurance Financial Strength Ratings are the opinions of their respective rating agencies and do not guarantee the payment of insurance benefits.
3. Insurance Financial Strength Ratings definitions are those publicly disclosed by the rating agencies.
4. Plus and minus symbols appended to credit ratings indicate relative position within a given rating. (Moody's attaches numerical figures 1, 2 or 3 to its ratings. "1" is highest within a given rating; "3" is lowest.)

Solvency Margin Ratio

Solvency margin refers to the excess payment capacity of an insurance company for dealing with unforeseeable risks, such as major earthquakes and stock market crashes.
The solvency margin ratio is the ratio of the total solvency margin to the total amount of risk, quantified for risks outside the normal scope of predictability. It is one of the indicators by which regulatory authorities determine whether an insurance company can cover unforeseeable risks.
If the value of the solvency margin ratio is below 200%, the regulatory authorities will order early corrective measures. As of the end of FY2006, Sumitomo Life's solvency margin ratio was 1068.6%, indicating that the company is solvent enough to fully deal with the possible occurrence of such risks.

Trends in Solvency Margin Ratio

Enhancements to Ability to Pay Insurance Benefits (Solvency Margin Ratio)		(Unit: ¥million)
Item	March 31, 2006	March 31, 2007
Total solvency margin	2,511,162	2,894,049
Total net assets section	382,921	534,607
Reserve for price fluctuations	138,462	174,228
Contingency reserve	236,500	407,300
Allowance for possible loan losses	664	2,420
Unrealized gains on securities × 90% (100% when negative)	852,217	834,366
Unrealized gains on real estate × 85% (100% when negative)	△ 49,188	△ 37,523
Subordinated debt, etc.	395,000	395,000
Exclusions	—	△ 6,999
Other	554,584	590,650
Total amount of risk $\sqrt{R1^2 + (R2+R3+R7)^2} + R4$	528,801	541,619
Amount equivalent to insurance risk R1	159,451	155,359
Amount equivalent to assumed rate of return risk R2	122,155	118,105
Amount equivalent to investment risks R3	344,452	339,902
Amount equivalent to management risk R4	12,999	13,208
Amount equivalent to minimum guarantee risk R7	23,929	47,048
Solvency margin ratio	949.7%	1,068.6%

Notes:
1. "Total net assets section" refers to the total net assets listed on the balance sheet exclusive of Total unrealized gains/losses, Revaluation reserve and adjustments and the amount of Appropriated Surplus.
2. Figures are before exclusion of tax effects.
3. The amount equivalent to minimum guarantee risk is calculated with the standard formula established in Table 6.2 of the 1996 Ministry of Finance Directive No. 50.
4. The figures above are calculated in accordance with Article 130 of the Insurance Business Law, Articles 86 and 87 of the Insurance Business Law Enforcement Regulations and the 1997 Ministry of Finance Directive No. 50.
5. The calculation standard for total solvency margin has been partially changed as of March 31, 2007 due to revisions to the Insurance Business Law Enforcement Regulations. (Figures for March 31, 2006 are stated using the previous standard.) "Total of net assets section" for March 31, 2006 lists the figure corresponding to the "total of capital section."

Real Net Assets

In addition to the solvency margin ratio, regulatory authorities also use the difference between real assets and liabilities as an indicator for assessing the financial strength of life insurance companies.
A company has real net assets when total assets net of unrealized gains or losses on securities and real estate exceed total liabilities exclusive of contingency reserve, reserve for price fluctuations and certain other reserves. If the figure is negative, the company may be judged to have excessive debt and ordered to suspend its operations, or be subjected to other regulatory measures.
Sumitomo Life maintains an adequate level of ¥2509.3 billion.

(Unit: billion yen)

Item	March 31, 2006	March 31, 2007
Difference between real assets and liabilities	2,024.3	2,509.3

Accumulated Retained Surplus

Stable core business profit provided the source of funds for increasing accumulated retained surplus for the year, including contingency reserve and reserve for price fluctuations, by ¥228.5 billion. This brought the balance of accumulated retained surplus to ¥959.0 billion.

(Unit: billion yen)

Item	March 31, 2006	March 31, 2007	YoY
Accumulated retained surplus	730.4	959.0	228.5
(Liabilities section)			
Contingency reserve	236.5	407.3	170.8
Reserve for price fluctuations	138.4	174.2	35.7
(Net assets section)			
Fund prepared for price redemption	140.0	140.0	—
Reserves for redemption of foundation fund + Reserves for fund redemption	215.5	237.5	22.0

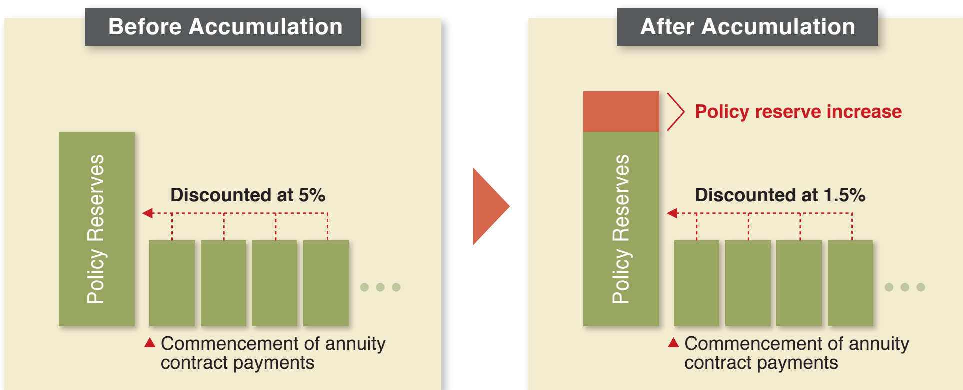
Notes: 1. The net assets section lists amounts after surplus appropriation.
2. "Net assets section" for March 31, 2006 lists amounts in the "Capital section."

Dealing with Negative Spread

In order to improve our financial profile against negative spread, Sumitomo Life has begun to increase policy reserves by applying the standard calculation basis (see Note) as of the commencement of the annuity contract, in principle, to individual annuities with annuity payments that first started after April 1, 2006. These steps are intended to address the negative spread and shore up policy reserves.

Note: Assumed mortality rate and assumed rate of return stipulated in Ministry of Finance Notification No. 48 in 1996.

Accumulating Policy Reserves for Individual Annuities
(Policies with an assumed rate of return of 5%)



Asset Management

Management of General Account Assets

Sumitomo Life manages its general account assets in order to secure stable returns. It has a basic investment policy of managing assets and liabilities based on the nature of life insurance as a long-term liability. While its investment is primarily in yen-denominated, interest-bearing assets such as JGB, corporate bonds and loans, its diversification is achieved by investing in risk weighted assets such as stocks and real estate, within the scope of permissible risk.

Asset Portfolio (Units: Millions of yen, %)

Asset Type	March 31, 2006		March 31, 2007	
	Amount	Portion	Amount	Portion
Cash, deposits and call loans	533,048	2.6	513,551	2.5
Monetary claims brought	739,621	3.6	832,901	4.0
Securities	13,315,220	64.8	13,773,771	66.7
Bonds	6,269,599	30.5	6,928,904	33.6
Equities	2,203,511	10.7	2,157,591	10.4
Foreign securities	4,776,578	23.2	4,620,856	22.4
Bonds	4,151,767	20.2	4,005,647	19.4
Equities, etc.	624,811	3.0	615,209	3.0
Other securities	65,530	0.3	66,418	0.3
Loans	4,639,698	22.6	4,186,203	20.3
Policy loans	499,154	2.4	459,418	2.2
General loans	4,140,544	20.1	3,726,784	18.0
Real estate	1,145,630	5.6	1,076,130	5.2
Investment real estate	865,021	4.2	818,367	4.0
Deferred tax assets	—	—	36,244	0.2
Other	192,094	0.9	234,813	1.1
Allowance for possible loan losses	△ 2,047	△ 0.0	△ 4,877	△ 0.0
General account total	20,563,265	100.0	20,648,739	100.0
Foreign-denominated assets	2,523,609	12.3	1,954,025	9.5

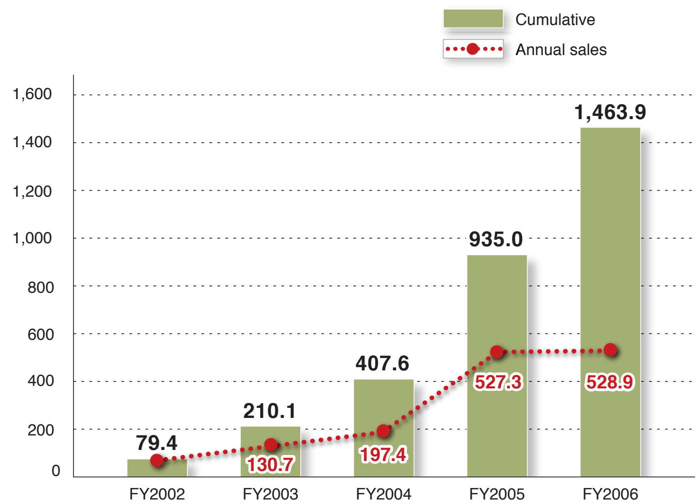
Notes: 1. "Other securities" are listed at market price.
2. "Real estate" lists the sum of land, buildings and construction in progress.

Other Initiatives

Sales through the Bank Channel

As of March 31, 2007, variable annuities sold through the bank channel topped approximately 350,000 policies and ¥1,460.0 billion in premiums (single premium format). Sumitomo Life has one of the industry's largest bank channel networks made up of 325 Mega Banks, Regional Banks, Shinkin Banks and Other Financial Institutions conveniently spread across the country.

Sales of Variable Annuities Through Banking Institutions
(Single premium format; Unit: Billions of yen)



Contracted Financial Institutions

(As of April 2, 2007)

	Mega Banks	Regional Banks	Shinkin Banks	Other Financial Institutions	Total
Network	5	96	223	1	325

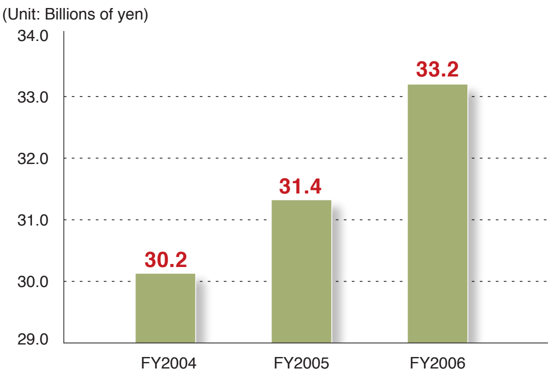
Non-Life Insurance Business

In August 1996, Sumitomo Life established The Sumi-Sei General Insurance Co., Ltd. as a fully owned subsidiary, aiming to expand Sumitomo Life's non-life insurance business. Through Sumitomo Life's sales personnel, the company provides products and services closely tied to the lifestyles of its customers.

Net premium income for FY2006 (including premiums from policies with savings accounts) increased 5.8% over the previous year to ¥33.2 billion, as all the major categories of insurance (auto, fire, damage and injury) exceeded last year's levels. The company has been steadily increasing its income since its establishment.

As a result, Sumi-Sei General Insurance achieved an ordinary profit of ¥300 million and a current term net surplus of ¥100 million. It has earned a stable income since FY2001 after moving out of negative territory.

Net Premium Income (Note)



Note: Including premium income from policies with savings accounts

Overseas Operations

Operations in China

In November 2005 Sumitomo Life established PICC Life Insurance Company in partnership with PICC Holding Company, which owns PICC Property & Casualty Co., Ltd., the largest non-life insurance company in China. The Beijing branch of PICC Life Insurance was opened in March 2006, followed by branch openings in Hunan, Jilin, and Sichuan provinces (as of June 30, 2007).

Business is rapidly expanding as the company shores up its operating foundation, which consists of marketing products through the bank channel and its more than 7,000 insurance agents, the equivalent of Japan's sales personnel. Premium income for FY2006 totaled 849 million yuan (approximately ¥12.7 billion). This level of income puts the company 17th among China's 44 life insurance companies, and seventh among its 25 foreign-affiliated life insurers.

In June 2007 PICC Life Insurance increased its capital. This additional capital invested by PICC Property & Casualty Co. Ltd., strengthens the connection between the non-life insurance and life insurance divisions within the PICC Group. This capital increase will create greater synergies with the non-life insurance business, for which PICC Property & Casualty in China enjoys exceptional name recognition, and generate momentum to quickly expand the life insurance business nationwide.

New Sales Channels

WELL'S

WELL'S is a new sales organization that was started in 2006. It combines methods developed over the years by Sumitomo Life with active use of exceptional sales practices associated with foreign-affiliated insurers.
It works in urban areas to provide more advanced consultation services to individual customers as well as small and medium-sized enterprise customers. The program is intended to establish a next-generation sales format for life insurance that inspires even greater customer confidence.

Direct Marketing

With interest in medical insurance growing and more people requesting information over the Internet when considering insurance, Sumitomo Life has started publicizing and marketing its insurance products using the Internet and direct mail.
Sumitomo Life hopes customers who become interested in its products through the Internet or direct mail will request further consultation services from our sales personnel, our main marketing channel. Combining these new sales channels with the traditional activities of sales personnel, the company's main marketing channel, enables Sumitomo Life to propose insurance products that fit the individual needs of each customer.

Hoken-Hyakka

Hoken-Hyakka is an in-store retail outlet channel run by Insurance Designers Co., Ltd., a joint venture of Sumitomo Life, Mitsui Life Insurance Company Ltd., and Sumitomo Mitsui Banking Corp. The first branch store was opened in October 2006 and the channel has since expanded to 10 branches in the metropolitan Tokyo area. All the stores are located in shopping centers so that customers can easily stop by. *Hoken-Hyakka* is an independent agent that sells products from 12 life insurance companies, including foreign-affiliated insurers, not only products from Mitsui Life and Sumitomo Life. The stores are therefore capable of meeting diverse customer needs.
Through its retail insurance business centered on these stores, Sumitomo Life will continue to work to gain an accurate understanding of customer needs and further improve customer service.

100th Anniversary Project

Child Rearing For a Bright Future Project

Marking our 100th anniversary, Sumitomo Life has launched the Child Rearing for a Bright Future Project, in line with growing national concern over Japan's low birthrate.
The reasons for Japan's low birthrate are varied and there are no instant solutions currently available, due, in part, to the complexity of the problem. However, perhaps one of the reasons for the fall in the birthrate is that raising children is often perceived to be exceedingly difficult.
Through an essay contest and giving recognition to programs that provide child rearing assistance, this project reaffirms the wonderful, positive aspects of having a family and rearing children, and provides proactive support for activities concerned with child rearing. This includes a broad introduction to the public of specific child rearing assistance programs.
The project raises awareness via a comprehensive set of programs of the joys of child rearing and supports conditions that make rearing children easier. There is a program to assist female researchers and provide support for working women, a program to provide support for child rearing groups in order to lessen the burden of rearing a child, and a lecture series designed to ease anxiety over child rearing.

Child Rearing Award Programs

Essay Contest

This contest will welcome essays on the theme of rearing children in Japan. It will introduce innovative child rearing ideas for teaching children social skills and helping them become independent. These include ideas for child rearing in harmony with the local community and with the help of the whole family, including grandparents. The contest aims to convey the wonderful, positive aspects of rearing children, and to help parents achieve the satisfaction and awareness gained by overcoming the difficulties of rearing children and helping them become independent.

Giving Recognition to Child Rearing Support Programs

In Japan, Sumitomo Life will solicit individuals and groups involved in creating conditions that facilitate better child rearing practices in Japan, and shares helpful ideas about child rearing support activities in local areas and promote them to other areas. The goal of the initiative is to improve the child rearing environment and relieve anxieties about child rearing.

Support for Female Researchers

This program provides grants for female researchers in Japan who have stopped their research work to raise children or are continuing it while rearing children. It is intended to make it possible for female researchers to maintain and continue both their research and family responsibilities.

Making it Easier to Rear Children (Help for Core Groups Supporting Child Rearing)

This program supports nationwide organizations that are involved in providing child rearing assistance and whose ideas are informative for other groups.

Lecture Series on Child Rearing

A series of lectures and symposiums will be conducted in Japan to raise general awareness of the low birthrate problem. The lectures are also intended to generate awareness of the joys of rearing children and alleviate fears about it. Sumitomo Life plans to sponsor or co-sponsor events in several locations around the country.

Sumitomo Life has been officially recognized by the Minister of Health, Labor and Welfare as a company actively engaged in support for child rearing.

Sumisei "Humany" Activity: Sumisei Beautiful Earth Campaign

Sumitomo Life already operates a program of social awareness activities known as "*Humany*" (a word coined from "human" and "harmony"), and has taken the occasion of its 100th anniversary to launch the Sumisei Beautiful Earth Campaign, a company-wide initiative dedicated to environmental activities. As a company that intends to deliver peace of mind to customers for another hundred years, Sumitomo Life will engage in various environmental activities, including having employees participate in local cleanup initiatives throughout Japan.

Charity Concerts throughout Japan

Sumitomo Life's charity concerts were introduced in 1986 to spread the joy of classical music throughout Japan. This year marks the 22nd year of the concerts, and as it is also Sumitomo Life's 100th anniversary, 45 concerts will be held around Japan centering on works from 100 years ago, the same era that the company was founded. Over ¥200 million has been raised by the concerts to date, which has been used to support a variety of welfare activities.

Children's Picture-Drawing Contest

Sumitomo Life started its children's poster contest in 1977 to nurture children's dreams and support their healthy development. This year marks its 31st anniversary. The contest has grown in scale, having received over 8.8 million entries from children living in Japan and overseas. The prize winning works have been exhibited at the Louvre in France since 2000. This year, the number of works exhibited at the Louvre will increase to 100 to commemorate Sumitomo Life's 100th anniversary. Sumitomo Life supports the activities of UNICEF through the contest.

Risk Management

Basic Approach

Sumitomo Life actively takes control over various risks we face by identifying and analyzing them in order to ensure conscientious business execution, a healthy financial foundation, and reliable, appropriate payment of insurance benefits to policyholders.
Specifically, Sumitomo Life has established management frameworks for each category of risk, such as underwriting and investment risks, and strives to improve and advance risk management governance to reinforce the soundness of its business.
Also, for risks that are exceedingly difficult to foresee under normal risk management practices, such as large-scale natural disasters, Sumitomo Life has established rules for contingency and is working to enhance its systems for preventing and handling contingency.

Risk Management Policies and Rules

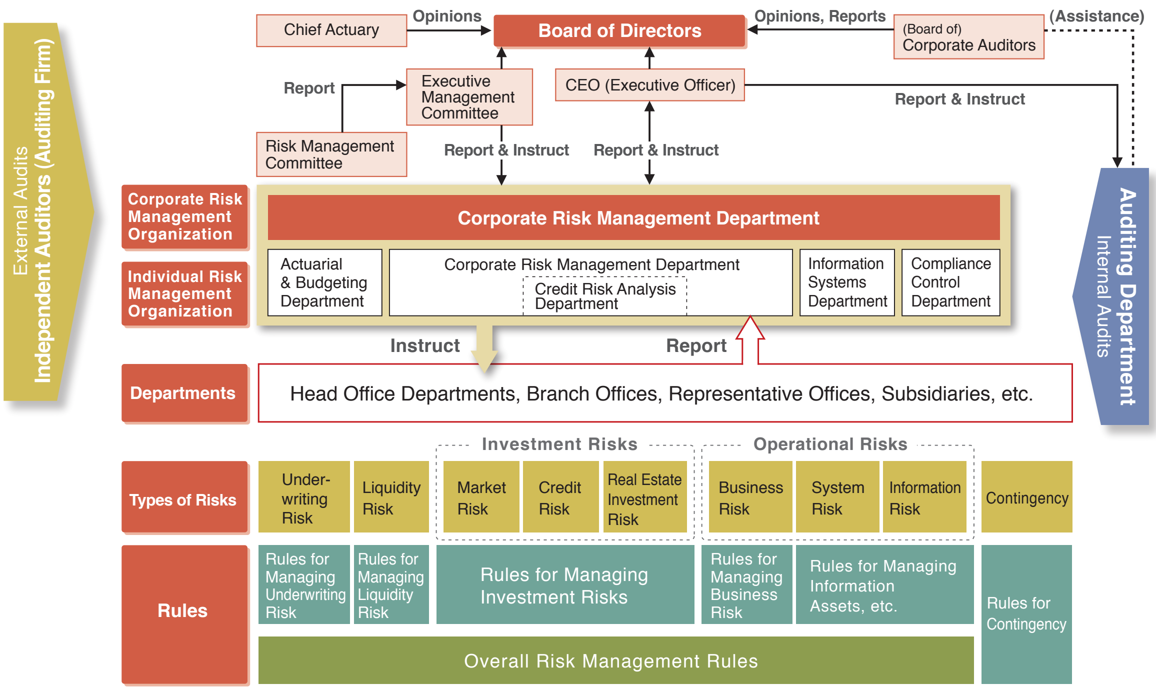
Overall risk management rules decided on by the Board of Directors establish company-wide risk management governance, define risks, and lay out the company's basic approach to risk management. Rules have also been established for each of the risk categories defined in the risk management rules in order to clarify management methods and systems for them.

Risk Management Governance

Sumitomo Life has the Individual Risk Management Organization and the Corporate Risk Management Department that manage the risks associated with the life insurance business according to the basic policies on risk management established by the Board of Directors.
In addition, the Risk Management Committee has been established to advise the Executive Management Committee (see Note) in order to ensure that systems are in place for properly monitoring risk, that inter-departmental risk management issues are addressed, and that ALM management (comprehensive management of assets and liabilities) is conducted appropriately.
The appropriateness and efficacy of risk management are monitored through the internal audits conducted by the Auditing Department and the external audits by corporate auditors and independent auditors. The Board of Directors and Executive Management Committee receive those reports on the status of risk management practices and use them when making decisions on managerial matters.

Note: The Executive Management Committee is comprised of directors at the Managing Director level and above. In accordance with basic management policies determined by the Board of Directors, the committee deliberates and makes decisions on important matters related to management strategy and business execution.

Risk Management Governance



Integrated Risk Management

With products and sales channels diversifying and changes taking place in the operating environment, Sumitomo Life calculates overall risk exposure by measuring risk levels for market risk, credit risk, real estate investment risk, underwriting risk (including minimum guarantee risk for variable insurance and annuity products) and operational risks using a unified method, while taking into account diversification benefits. Overall risk is then compared to the risk buffer to help Sumitomo Life appropriately manage the potential impact of various risks in an integrated manner.

Sumitomo Life has established risk limits (see Note) for each category of risk and monitors risk levels accordingly. The risk levels are regularly reported to the Risk Management Committee, Executive Management Committee, and the Board of Directors.

Note: Risk limits are limits placed on estimated losses for each risk category to buffer the company from risk exposure. They are set after comprehensively considering the characteristics of each type of risk.

The ALM System

ALM refers to the comprehensive management of assets and liabilities.

Sumitomo Life makes changes to its asset portfolio, sales policies for insurance products, and premium rates as they become necessary after analyzing and estimating cash flows for each type of insurance and considering corresponding asset and market conditions.

When making decisions on investment strategy, the ALM Subcommittee of the Risk Management Committee deliberates on the appropriateness of the decisions from an ALM perspective.

These ALM initiatives make it possible to reliably ensure assets will be available when it is necessary to pay insurance benefits.

Stress Testing

Sumitomo Life conducts stress testing as part of its framework for company-wide risk management. Stress testing involves envisioning the potential worst-case scenario based on the past data, and other considerations, and analyzing the impact of such events. The results of stress testing are regularly reported to the Risk Management Committee, Executive Management Committee and Board of Directors.

Considerations Ahead of Full-Fledged Introduction of ERM

Sumitomo Life's management goal is to increase the present value of policies in force.

For investment operations, we are working to promote ALM by optimizing cash flows on both sides of the balance sheet. On the business side, we strive to improve the new business persistency rate, boost the sales personnel retention rate, and upgrade the quality of our sales processes, services, and products. Having launched this management strategy, the company is deliberately looking into the introduction of ERM (Enterprise Risk Management) which is expected to enable integrated and organic links between return, risk and surplus management.

Since there are still outstanding issues regarding the evaluation of liabilities, the company's present course of action entails evaluation of assets on the economic capital base and liabilities on the accounting base, the surpluses being the difference between the two.

Furthermore, as a separate measure, Sumitomo Life is making trial evaluations of the economic capital base of its liabilities and monitoring it for the supplemental measure.

Consolidated Financial Statements

Consolidated Balance Sheets

	Millions of Yen		Millions of U.S. Dollars
March 31, 2007 and 2006	2007	2006	2007
Assets			
Cash and Deposits	¥ 134,562	¥ 85,339	$1,139
Call Loans	504,700	514,100	4,275
Monetary Claims Bought	832,901	739,621	7,055
Securities	16,291,369	15,073,069	138,003
Loans	4,186,885	4,640,889	35,467
Real Estate and Movable Properties	—	1,190,932	—
Tangible Fixed Assets	1,092,719	—	9,256
Intangible Fixed Assets	35,390	—	299
Due from Insurance Agencies	191	171	1
Due from Reinsurers	441	409	3
Other Assets	221,925	207,500	1,879
Deferred Tax Assets	41,052	4,664	347
Customers' Liabilities for Acceptances and Guarantees	3,320	260	28
Allowance for Possible Loan Losses	(5,003)	(2,188)	(42)
Total Assets	¥23,340,457	¥22,454,770	$197,716
Liabilities			
Policy Reserves:			
Reserves for Outstanding Claims	¥ 141,024	¥ 127,397	$1,194
Policy Reserves	19,789,998	19,008,991	167,640
Policyholders' Dividend Reserves	442,648	501,670	3,749
Total Policy Reserves	20,373,672	19,638,059	172,585
Due to Reinsurers	898	742	7
Other Liabilities:			
Deposits Received under Securities Lending Transactions	803,774	656,883	6,808
Other	861,429	853,531	7,297
Total Other Liabilities	1,665,203	1,510,414	14,105
Accrued Retirement Benefits	29,403	56,787	249
Reserve for Price Fluctuations	174,496	138,715	1,478
Deferred Tax Liabilities	—	44,171	—
Deferred Tax Liabilities on Revaluation of Land	41,189	44,236	348
Acceptances and Guarantees	3,320	260	28
Total Liabilities	22,288,184	21,433,387	188,802
Minority Interests	—	35	—
Capital			
Foundation Fund	—	149,000	—
Reserve for Redemption of Foundation Fund	—	170,000	—
Reserve for Revaluation	—	2	—
Surplus	—	231,539	—
Revaluation Reserve for Land, Net of Taxes	—	(127,018)	—
Unrealized Gains on Securities, Net of Taxes	—	604,740	—
Foreign Currency Translation Adjustments	—	(6,916)	—
Total Capital	—	1,021,347	—
Total Liabilities, Minority Interests and Capital	—	¥22,454,770	—

Net Assets			
Fund, Reserve and Surplus:			
Foundation Fund	¥ 149,000	—	1,262
Reserve for Redemption of Foundation Fund	170,000	—	1,440
Reserve for Revaluation	2	—	0
Surplus	270,170	—	2,288
Total Fund, Reserve and Surplus	589,173	—	4,990
Unrealized Gains / Losses, Revaluation Reserve and Adjustments:			
Unrealized Gains on Available-for-Sale Securities, Net of Taxes	592,236	—	5,016
Unrealized Losses on Deferred Hedge Instruments	(25)	—	(0)
Revaluation Reserve for Land, Net of Taxes	(123,893)	—	(1,049)
Foreign Currency Translation Adjustments	(5,253)	—	(44)
Total Unrealized Gains / Losses, Revaluation Reserve and Adjustments	463,063	—	3,922
Minority Interests	35	—	0
Total Net Assets	1,052,272	—	8,913
Total Liabilities and Net Assets	23,340,457	—	197,716

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

Consolidated Statements of Income

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31, 2007 and 2006	2007	2006	2007
Ordinary Income			
Insurance Premiums and Other	¥2,971,190	¥3,054,371	$25,168
Investments Income:			
Interest and Dividend Income	471,582	444,663	3,994
Gains on Money-Held-in-Trust	0	0	0
Gains on Trading Securities	1,049	1,228	8
Gains on Sales of Securities	101,844	54,080	862
Gains on Redemption of Securities	905	—	7
Gains on Assets in Separate Accounts	107,097	231,895	907
Other	474	2,105	4
Total Investment Income	682,953	733,973	5,785
Other Ordinary Income	126,151	131,987	1,068
Total Ordinary Income	3,780,295	3,920,331	32,022
Ordinary Expenses			
Benefits and Other Payments:			
Claims Paid	670,201	746,153	5,677
Annuities Paid	225,443	206,913	1,909
Benefits Paid	451,710	431,081	3,826
Surrenders	580,425	764,462	4,916
Other	159,025	146,508	1,347
Total Benefits and Other Payments	2,086,807	2,295,118	17,677
Provision for Policy Reserves and Other Reserves:			
Provision for Reserves for Outstanding Claims	13,627	—	115
Provision for Policy Reserve	781,007	739,522	6,615
Provision for Interest on Policyholders' Dividend Reserves	264	290	2
Total Provision for Policy Reserves and Other Reserves	794,898	739,812	6,733
Investment Expenses:			
Interest Expense	10,182	8,200	86
Losses on Sales of Securities	59,275	35,862	502
Losses on Devaluation of Securities	5,536	1,782	46
Losses on Redemption of Securities	1	—	0
Losses on Derivatives	11,406	44,401	96
Losses on Foreign Exchange Transactions	958	1,011	8
Transfer to allowance for Possible Loan Losses	2,865	—	24
Write off of Loans	144	161	1
Depreciation of Real Estate for Investment	21,315	25,283	180
Other Expenses	23,808	26,234	201
Total Investment Expenses	135,492	142,938	1,147
Operating Expenses	392,982	387,017	3,328
Other Ordinary Expenses	239,332	212,587	2,027
Total Ordinary Expenses	3,649,512	3,777,475	30,914
Ordinary Profit	130,782	142,856	1,107
Special Gains			
Gains on Disposal of Real Estate and Movable Properties	—	25,038	—
Gains on Disposal of Fixed Assets	17,094	—	144
Reversal of Allowance for Possible Loan Losses	—	1,261	—
Gain on Contribution of Securities to Retirement Benefit Trust	11,854	—	100
Other Special Gains	—	85	—
Total Special Gains	28,948	26,385	245

Special Losses			
Losses on Disposal of Real Estate and Movable Properties	—	36,049	—
Losses on Disposal of Fixed Assets	16,993	—	143
Impairment Losses on Fixed Assets	5,786	3,237	49
Provision for Reserve for Price Fluctuations	35,780	47,413	303
Advanced Depreciation for Real Estate	156	—	1
Payments to Social Responsibility Reserve	448	471	3
Other Special Losses	—	196	—
Total Special Losses	59,165	87,368	501
Surplus before Income Taxes and Minority Interests	100,565	81,874	851
Income Taxes:			
Current	90,931	60,772	770
Deferred	(76,438)	(50,507)	(647)
Minority Interests	0	26	0
Net Surplus for the Year	¥ 86,072	¥ 71,581	$729

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

Consolidated Statements of Changes in Net Assets

	Millions of Yen					Millions of U.S. Dollars
	Fund, Reserve and Surplus					
Year2007 (From April 1, 2006 to March 31, 2007)	Foundation Fund	Reserve for Redemption of Foundation Fund	Reserve for Revaluation	Surplus	Total Fund	Total Fund
Balance at the beginning of the year	¥149,000	¥170,000	¥2	¥231,539	¥550,542	$4,663
Changes during the current year						
Provision for Policyholders' Dividend Reserves				(41,038)	(41,038)	(347)
Payment of Interest on Fund				(3,089)	(3,089)	(26)
Net Surplus for the Year				86,072	86,072	729
Reversal of Revaluation Reserve for Land				(3,275)	(3,275)	(27)
Decrease due to Inclusion of Subsidiaries in Scope of Consolidation				(36)	(36)	(0)
Other Changes during the current year						
Total changes in current year	—	—	—	38,631	38,631	327
Balance at the end of the year	¥149,000	¥170,000	¥2	¥270,170	¥589,173	$4,990.00

	Millions of Yen							Millions of U.S. Dollars
	Unrealized Gains/Losses, Revaluation Reserve and Adjustments							
	Net Unrealized Gains/Losses on AFS Securities	Net Unrealized Gains/Losses on Deferred Hedge Instruments	Revaluation Reserve for Land	Foreign Currency Translation Adjustments	Total Unrealized Gains/ Losses, Revaluation Reserve and Adjustments	Minority Interest	Total Net Assets	Total Net Assets
Balance at the beginning of the year	¥604,740	—	(¥127,018)	(¥6,916)	¥470,805	¥35	¥1,021,382	$8,652
Changes during the current year								
Provision for Policyholders' Dividend Reserves							(41,038)	(347)
Payment of Interest on Fund							(3,089)	(26)
Net Surplus for the Year							86,072	729
Reversal of Revaluation Reserve for Land							(3,275)	(27)
Decrease due to Inclusion of Subsidiaries in Scope of Consolidation							(36)	(0)
Other Changes during the current year	(12,503)	(25)	3,124	1,663	(7,741)	0	(7,740)	(65)
Total changes in current year	(12,503)	(25)	3,124	1,663	(7,741)	0	30,890	261
Balance at the end of the year	¥592,236	(¥25)	(¥123,893)	(¥5,253)	¥463,063	35	¥1,052,272	$8,913

Consolidated Statements of Surplus

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31, 2006 and 2005	2006	2005	2006
Balance at the beginning of the year	¥203,576	¥263,300	$1,733
Additions:			
Net Surplus for the Year	71,581	85,592	609
Increase due to Exclusion of a Subsidiary from Scope of Consolidation	—	1,112	—
Additions Total	71,581	86,704	609
Deductions:			
Reversal of Revaluation Reserve for Land	1,046	5,536	8
Provision for Policyholders' Dividend Reserves	40,130	38,753	341
Provision for Reserve for Redemption of Fund	—	100,000	—
Interest on Fund	2,442	1,989	20
Decrease due to Exclusion of a Subsidiary from Scope of Consolidation	—	148	—
Deductions Total	43,618	146,428	371
Balance at the end of the year	¥231,539	¥203,576	$1,971

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

Consolidated Statements of Cash Flows

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31, 2007 and 2006	2007	2006	2007
I Cash Flows from Operating Activities:			
Surplus before Income Taxes and Minority Interests	¥100,565	¥81,874	$851
Depreciation of Real Estate for Investment	21,315	25,283	180
Depreciation	15,119	16,338	128
Impairment Losses on Fixed Assets	5,786	3,237	49
Amortization of Goodwill on Consolidation	—	(508)	—
Gain on Contribution of Securities to Retirement Benefit Trust	(11,854)	—	(100)
Increase in Reserves for Outstanding Claims	13,627	198	115
Increase in Policy Reserves	781,007	739,462	6,615
Accrued Interest on Policyholders' Dividend Reserves	264	290	2
Increase (Decrease) in Allowance for Possible Loan Losses	2,814	(1,736)	23
Increase in Accrued Retirement Benefits	(6,684)	2,403	(56)
Increase in Reserve for Price Fluctuations	35,780	47,413	303
Interest and Dividend Income	(471,582)	(444,663)	(3,994)
Gains on Securities	(102,429)	(277,279)	(867)
Interest Expense	10,182	8,200	86
Losses on Foreign Exchange Transactions	128	556	1
Losses on Real Estate and Movable Properties	—	11,011	—
Losses on Tangible Fixed Assets	55	—	0
Equity in Income of Affiliates	(917)	(999)	(7)
Decrease (Increase) in Due from Insurance Agencies	(19)	2	(0)
Decrease (Increase) in Due from Reinsurers	(31)	73	(0)
Decrease (Increase) in Other Assets (Excluding Assets for Investing and Financing Activities)	(4,355)	83,305	(36)
(Decrease) Increase Due to Reinsurers	156	(14)	1
Increase (decrease) in Other Liabilities (Excluding Liabilities for Investing and Financing Activities)	(1,948)	30,556	(16)
Other, Net	(38,519)	(101,468)	(326)
Sub total	348,461	223,538	2,951
Interest and Dividend Income Received	530,543	449,809	4,494
Interest Expense Paid	(7,129)	(8,764)	(60)
Policyholders' Dividends Paid	(100,324)	(109,707)	(849)
Other, Net	(448)	(471)	(3)
Income Taxes Paid	(91,817)	(30,645)	(777)
Net Cash Provided by Operating Activities	679,282	523,759	5,754
II Cash Flows from Investing Activities:			
Net Increase (Decrease) in Deposits	(40,537)	22,713	(343)
Purchase of Monetary Claims Bought	(2,953,021)	(2,592,370)	(25,015)
Proceeds from Sales and Redemption of Monetary Claims Bought	2,860,006	2,773,896	24,227
Purchase of Securities	(6,720,997)	(7,453,561)	(56,933)
Proceeds from Sales and Redemption of Securities	5,557,607	6,792,209	47,078
Loans Made	(424,605)	(677,073)	(3,596)
Collection of Loans	842,703	861,931	7,138
Other, Net	(157,252)	(272,371)	(1,332)
II ① Sub total	(721,591)	(544,624)	(6,112)
[I+II ①]	[(42,309)]	[(20,865)]	[(358)]
Purchase of Real Estate and Movable Properties	—	(39,281)	—

Purchase of Tangible Fixed Assets	(17,013)	—	(144)
Proceeds from Sales of Real Estate and Movable Properties	—	60,644	—
Proceeds from Sales of Tangible Fixed Assets	77,543	—	656
Other, Net	(8,221)	—	(69)
Net Cash Used in Investing Activities	(669,283)	(523,261)	(5,669)
III Cash Flows from Financing Activities:			
Proceeds from Issuance of Debt	78,113	38,094	661
Repayment of Debt	(78,313)	(78,344)	(663)
Increase in Foundation Fund	—	40,000	—
Payment of Interest on Foundation Fund	(3,089)	(2,442)	(26)
Other, Net	—	(1,277)	—
Net Cash Used in Financing Activities	(3,289)	(3,969)	(27)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	1	97	0
V Net (Decrease) Increase in Cash and Cash Equivalents	6,710	(3,374)	56
VI Cash and Cash Equivalents at the Beginning of the Year	40,327	43,701	341
VII Increase in Cash and Cash Equivalents due to Inclusion of Subsidiaries from the Consolidation Scope	1,945	—	16
VIII Cash and Cash Equivalents at the End of the Year	¥ 48,983	¥ 40,327	$414

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

Notes to Consolidated Financial Statements

Financial Years Ended March 31, 2006 and 2005

I. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SUMITOMO LIFE INSURANCE COMPANY (the "Company") and its consolidated subsidiaries 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 in the respective countries of domicile. In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued for domestic purposes in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

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, 2007, which was ¥118.05 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 seven of its subsidiaries as of and for the year ended March 31, 2007 and six of its subsidiaries as of and for the year ended March 31, 2006. The following is the consolidated subsidiaries of the Company: The Sumisei General Insurance Co., Ltd., SUMISEI COMPUTER SERVICE Co., Ltd., Sumisei Card Service Co., Ltd., Izumi Agency Co., Ltd., Sumitomo Life Realty (N.Y.), Inc., Sumitomo Life Insurance Agency America, Inc. and SLR Investments, Inc.

Izumi Agency Co., Ltd. is included in consolidation from this year as it began the new business and it is considered material in making reasonable judgment on the consolidated financial position of the Company and its subsidiaries and the consolidated results of their operations.

The consolidated financial statements do not include the accounts of Sumisei Insatsu Co.,Ltd. and Sumisei Building Management Co., Ltd, as they are considered immaterial, individually and in the aggregate, in terms of total assets, ordinary income, net income and surplus, and excluding these subsidiaries from the consolidation 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

Investments in affiliates are accounted for by the equity method. Five affiliated companies were accounted for by equity method for the year ended March 31, 2007 and four affiliated companies for the year ended March 31, 2006. The affiliates accounted for by the equity method are as follows: Office Building Fund Management Japan, Ltd. Sumitomo Mitsui Asset Management Co., Ltd., Japan Pension Navigator Co., Ltd., Insurance Designers Co., Ltd. and PICC Life Insurance Company Limited. Insurance Designers Co., Ltd. was established during the year ended March 31, 2007 and was treated as an affiliate accounted for by the equity method.

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

3. Fiscal Year-ends of Consolidated Subsidiaries

The fiscal year-end of overseas subsidiaries is December 31. The consolidated financial statements include the accounts of such subsidiaries 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

All assets and liabilities of the consolidated subsidiaries are recorded at fair value on the date of acquisition.

5. Goodwill on Consolidation

Goodwill on consolidation is charged or credited to income in the year of acquisition.

6. Treatment of Appropriation of Surplus

The consolidated statements of surplus (for years ended March 31, 2006 and 2005) are prepared based on the appropriation of surplus approved during the year.

III. Balance Sheets

1. Securities

Securities of the Company are classified and accounted for as follows:

Trading securities are stated at fair market value. Cost of securities sold is calculated by the moving average method. Held-to-maturity debt securities are stated at amortized cost and the cost of securities sold is calculated by the moving average method. Amortization is calculated by the straight line method. Debt securities earmarked for policy reserve are stated at amortized cost 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(November 16, 2000)", issued by the Japanese Institute of Certified Public Accountants. Cost of securities sold is calculated by the moving average method and amortization is calculated by the straight line method. Investments in non-consolidated subsidiaries and affiliated companies (defined in Article 110 Clause 2 of the Insurance Business Law) are stated at cost. Equity securities with readily determinable market values classified as available-for sale securities are stated at fair market value which is determined as the average of the market value during the month of fiscal year-end. Other available-for-sale securities with readily determinable market values are stated at fair market value at the end of the financial year. Available-for-sale securities without readily determinable market values are stated at amortized cost for debt securities whose premium or discount represents the interest rate adjustment and at cost for other securities. Cost of these securities sold is calculated by the moving average method.

Certain deposits, monetary claims bought and securities in money-held-in-trusts deemed equivalent to investment in securities are stated in the same methods described in the above.

Unrealized Gains and Losses of Available-for-Sale Securities are reported net of applicable income taxes, as a separate component of Net Assets for this fiscal year and Capital for the previous fiscal year in the consolidated balance sheets, respectively.

2. Securities Earmarked for Policy Reserves

The Company classifies debt securities held in order to match the duration of liabilities (provided for payments of insurance claim) to the duration of securities related to individual insurance and individual annuities among securities corresponding to the subsections set for individual insurances and individual annuities (such as type of insurance, remaining policy term and fund management), as debt securities earmarked for policy reserves 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 (November 16, 2000)", issued by the Japanese Institute of Certified Public Accountants.

The balance of debt securities earmarked for policy reserves on the balance sheet as of March 31, 2007 is ¥5,220,616 million (U.S.$ 44,223 million) and the fair market value is ¥ 5,224,626 million (U.S.$ 44,257).

3. Derivatives

Derivatives are stated at fair value.

4. Revaluation of Land

The Company revalued its Land for operating use as of March 31, 2001, as permitted by the Land Revaluation Law (the "Law"). The difference in value before and after revaluation is directly included in Net Assets (2007) and Capital (2006) respectively and presented as Revaluation Reserve for Land, net of applicable income taxes which is presented as

Deferred Tax Liabilities on Revaluation of Land in the consolidated balance sheets.
Revaluation method is stipulated in Article 3 Clause 3 of the Law. Pursuant to the provision of the Law, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2 Paragraph 1 of the Enforcement Ordinance of the Land Revaluation Law (the "Ordinance") (Government Ordinance No. 119 on March 31, 1998) and appraisal value (detailed in Article 2 Paragraph 5 of the Ordinance) for the revaluation.

Under the Law and related ordinances, the revaluation is a one-time event and subsequent changes in fair value of land are not reflected in the consolidated financial statements. But the Company shall disclose the decline in the fair value in the subsequent years pursuant to Article 10 of the Law. The excess of the total book value of the land after revaluation over the total fair value of land for business operating use at the balance sheet date was ¥30,327 million as of March 31, 2006.

5. Tangible Fixed Assets

Buildings of the Company are depreciated using the straight-line method, and other tangible fixed assets are depreciated using the declining balance method.

6. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies, except for investments in non-consolidated subsidiaries and affiliates are translated at the exchange rates prevailing on the balance sheet date. Investments in non-consolidated subsidiaries and affiliates are translated at the exchange rates at the time of acquisition.

7. Allowance for Possible Loan Losses

The Company's Allowance for Possible Loan Losses is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses. For loans to borrowers that are legally bankrupt (hereafter, "bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but virtually bankrupt (hereafter, "borrowers virtually bankrupt"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collateral and the execution of guarantees. For loans to borrowers that are likely to become bankrupt (hereafter, "borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposing of collateral and by executing guarantees. For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed based on its standards for the self-assessment of asset quality and the assessment is reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided on the basis of the results.

For loans to bankrupt borrowers and borrowers virtually bankrupt, the amount of loans exceeding the value of estimated recovery through disposal of collateral or execution of guarantees is deemed uncollectible and written-off. The amount of loans written-off for the year ended March 31, 2007 and 2006 amounted to ¥ 2,217 million (U.S.$ 18 million) and ¥ 4,417 million, respectively, out of which ¥ 240 million (U.S.$ 2 million) and ¥ 3,037 million were write-off of loans with collateral or guarantees at March 31, 2007 and 2006, respectively.

An Allowance for Possible Loan Losses of the consolidated subsidiaries is provided pursuant to their standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses which each consolidated subsidiary sets and maintains consistently with those of the Company.

8. Accrued Retirement Benefits

The following table sets forth funded status of accrued retirement allowances for the Company's defined benefit plan at March 31, 2007 and 2006:

	Millions of Yen		Millions of U.S.Dollars
	2007	2006	2007
Projected Benefit Obligation	¥(339,074)	¥(339,159)	$(2,872)
Plan Assets at Fair Value	321,104	307,199	2,720
[Plan Assets Held in Retirement Benefit Trust (Included in the Above Plan Assets)]	[179,869]	[173,903]	[1,523]
Net Projected Benefit Obligation	(17,969)	(31,960)	(152)
Unrecognized Actuarial Differences	(10,706)	(24,144)	(90)
Unrecognized Prior Service Cost	[−]	[−]	[−]
Accrued Retirement Allowances	¥ (28,676)	¥ (56,104)	$(242)

Assumptions used in the accounting for the defined benefit plans for the years ended March 31, 2007 and 2006 are as follows:
Method of attributing benefit to period of service: straight-line basis

	2007	2006
Discount Rate	2.0%	2.0%
Long-term Rates of Return on Plan Assets:		
Tax Qualified Retirement Pension Plan	2.7%	1.9%
Retirement Benefit Trust	0.0%	0.0%
Amortization Period for Actuarial Differences (Commencing in the Following Year)	8 years	8 years

9. Reserve for Price Fluctuations

Reserve for Price Fluctuations is calculated pursuant to the provisions of Article 115 of the Insurance Business Law.

10.Hedge Accounting

The Company is exposed to foreign currency exposures arising from foreign currency investment in securities. The Company uses foreign exchange related derivatives to effectively manage those foreign currency exposures. The Company applies fair value hedge method of accounting to the hedging financial instruments and the corresponding hedged items. Hedge effectiveness is evaluated by comparing the cumulative changes in fair values or cash flows from hedged items to those from the hedging instruments.

11.Leases Accounting

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 that the Company receives and pays are not included in income and expenses, and net payments (or receipts) of consumption taxes are recorded as asset (or liability) in the consolidated balance sheets. The consumption taxes paid on purchases of certain assets, which are not deductible from the consumption taxes received, are deferred as prepaid expense (included in Other Assets in the consolidated balance sheets) and amortized over a five-year period on a straight-line basis pursuant to the Corporation Tax Law. Consumption taxes paid on other than the purchases of assets are charged to income as incurred.

13.Policy Reserves

Policy reserves of the Company are provided pursuant to Article 116 of the Insurance Business Law. Premium Reserves, a main component of Policy Reserves, is calculated according to the following method:

(1) For policies that are subject to the standard liability reserve requirements, policy reserve is calculated pursuant to the method stipulated by the Prime Minister and the Minister of Finance (Ministry of Finance Notification No. 48, in 1996).

(2) For policies that are not subject to the standard liability reserve requirements, policy reserve is calculated by the net level premium method.
The Company applies the calculation basis stipulated by the Prime Minister and the Minister of Finance (Ministry of Finance Notification No.48, in 1996) to individual annuities payments made after April 1, 2006 (except individual annuities which have anticipated variable rate of return on insurance premium investments without dividends (the type of lump sum payment)), ascribing the date of commencement of every annuity payment to the date of execution of each annuity contract (and applying the life insurance standard life table 2007 (for after commencement of annuity payment) to assumed rate of mortality), and adds the difference arising from the calculation by the net level premium method to policy reserves, from this fiscal year

(2007).
Under such circumstances that it is important to consider the fluctuation of interest rate and expansion of average duration of life relating to commencement of payments of existing individual annuities in order to maintain sufficient solvency margin, in recognition of declining the rate of mortality, Ministry of Finance Notification No.48 was revised on December 27, 2006. This revision applies to new individual annuity contracts made after April 1, 2007. In these environmental changes, the Company also provides for policy reserves relating to existing individual annuities of which payment have been already commenced, which should better reflect the Company's solvency and be based on the objective calculation basis.
By this accounting change, the current ordinary profit and the current surplus before income taxes and minority interests decreased ¥27,417 million compared to the previous fiscal year.

14.Software

Certain software of the Company for internal use (included in Intangible Fixed Assets) is capitalized and amortized over the estimated useful life by the straight line method.

15.Net Assets

The Company applies "Accounting Standard for Presentation of Net assets in the Balance Sheet and its Implementation Guidance (December 9, 2005)" (Accounting Standards Board of Japan, ASBJ Statement No.5 and ASBJ Guidance No.8) from this year.
The amount equivalent to "Capital" in the previous fiscal year is ¥1,052,262million.
In fact, Net Assets in the balance sheet as of March 31, 2007 is presented pursuant to the revisions to the Enforcement Regulation of Insurance Business Law.

16.Presentation of Accounts

Due to the revisions to the Enforcement Regulation of Insurance Business law, the Company altered the presentation as follows:
(1)"Real Estate and Movable Properties" in the prior year was altered to "Tangible Fixed Assets" from this year.
(2)"Intangible Fixed Assets" which was included in "Other Assets" in the prior year is stated separately from this year. Just for information, the amount of "Intangible Fixed Assets" included in "Other Assets" in the previous year was ¥33,063million.
(3)"Unrealized Gains or Losses on Securities" was altered to "Unrealized Gains or Losses on Available-for-Sale Securities" from this year.

17.Loans Receivable

The aggregate amount of risk-monitored loans, which are comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, was ¥ 15,707 million (U.S.$ 133 million) and ¥ 11,919 million at March 31, 2007 and 2006, respectively. The aggregate amount of loans to bankrupt borrowers was ¥ 398 million (U.S.$ 3 million) and ¥ 322 million, and loans in arrears was ¥ 13,626 million (U.S.$ 115 million) and ¥ 7,178 million at March 31, 2007 and 2006, respectively. The amount of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as March 31, 2007 and 2006 was ¥1,024 million (U.S.$8 million) and ¥1,482 million for loans to bankrupt loans, and ¥1,225 million (U.S.$ 10 million) and ¥ 2,973 million for loans in arrears, respectively. Loans to bankrupt borrowers represent the loans on which interests are not accrued due to unlikeliness of repayment of principal or interest resulted from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in Article 96 Clause 1 Paragraph 3 and Paragraph 4 of Enforcement Ordinance of Corporation Tax Law (Government Ordinance No. 97 in 1965).

Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties. Loans in arrears also include the non-accrual loans to borrowers classified as "borrowers virtually bankrupt" or "borrowers likely to become bankrupt" in the self-assessment of asset quality.

The amount of loans in arrears for three months or longer was ¥ 1,159 million (U.S.$ 9 million) and ¥ 1,462 million at March 31, 2007 and 2006, respectively.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amount of restructuring loans was ¥ 523 million (U.S.$ 4 million) and ¥ 2,956 million at March 31, 2007 and 2006, respectively. Restructuring loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructuring loans do not included loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

18.Accumulated Depreciation

Accumulated depreciation of Tangible Fixed Assets amounted to ¥ 425,807 million (U.S.$ 3,607 million) and of Real Estate and Movable Properties amounted to ¥ 456,610 million at March 31, 2007 and 2006, respectively.

19.Separate Accounts

The amount of assets held in separate accounts defined in Article 118 of the Insurance Business Law was ¥2,669,759 million (U.S.$ 22,615 million) and ¥1,932,173 million at March 31, 2007 and 2006, respectively.

20.Leases

In addition to movable properties capitalized in the consolidated balance sheets, the Company and the consolidated subsidiaries used computers and peripherals under lease agreements as of March 31, 2006.

21.Policyholders' Dividend Reserves

A reconciliation of the policyholders' dividend reserves for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen		Millions of U.S.Dollars
	2007	2006	2007
Reserves, Beginning of Year	¥501,670	¥570,957	$4,249
Transfer from Surplus	41,038	40,130	347
Dividend Payments to Policyholders during the Year	(100,324)	(109,707)	(849)
Interest Accrued during the Year	264	290	2
Reserves, End of Year	¥422,648	¥501,670	$3,580

22.Investment in Non-Consolidated Subsidiaries and Affiliates

Total amount of investment in non-consolidated subsidiaries and affiliates is ¥15,421million (U.S.$130 million).

23.Pledged Assets

Among assets pledged as collateral, securities amounted to ¥ 505,963million (U.S.$ 4,286 million), buildings amounted to ¥ 27,096 million(U.S.$229million) as of March 31, 2007. Compared with this, the amount of assets pledged as collateral for the year ended in March 31, 2006 was ¥578,006 million. In addition to above, secured debts as collateral amounted to ¥ 7,903 million (U.S.$ 66 million) and ¥ 7,903 million at March 31, 2007 and 2006, respectively.

24.Foundation Fund

The Company increased the Foundation Fund in Capital of ¥40,000 million in accordance with Article 60 of the Insurance Business Law for the year ended March 31, 2006.

25.Securities Lending

Securities loaned under security lending agreement amounted to ¥ 910,839 million (U.S.$ 7,715 million) and ¥ 733,948 million at March 31, 2007 and 2006, respectively.

26.Loan Commitments

Outstanding loan commitments were ¥ 23,523 million (U.S.$ 199 million) and ¥ 27,506 million at March 31, 2007 and 2006, respectively.

27.Subordinated Debt

Other Liabilities in the consolidated balance sheets include ¥ 395,000 million (U.S.$ 3,346 million) and ¥ 395,000 million of borrowings whose repayment is subordinated to other obligations at March 31, 2007 and 2006, respectively.

28. Obligations to Former Insurance Policyholder Protection Fund

The Company estimated future obligations to the former Insurance Policyholders Protection Fund, which was taken over by the Life Insurance Policyholders Protection Corporation under Article 140 Clause 5 of the Supplementary Provision of Laws Related to Reform of the Financial System, at ¥ 1,254 million (U.S.$ 10 million) and ¥ 3,849 million at March 31, 2007 and 2006, respectively. These obligations are recognized as operating expenses when the contributions are made.

29. Obligations to Life Insurance Policyholders Protection Corporation

The Company estimated future obligations to the Life Insurance Policyholders Protection Corporation at ¥ 50,090 million (U.S.$ 424 million) and ¥ 51,960 million at March 31, 2007 and 2006, respectively, as stipulated by Article 259 of the Insurance Business Law.

These obligations are recognized as operating expenses when the contributions are made.

30. Deferred Taxes

Gross deferred tax assets at March 31, 2007 and 2006 totaled ¥ 398,488 million (U.S.$ 3,375 million) and ¥ 324,479 million, respectively, and gross deferred tax liabilities at March 31, 2007 and 2006 totaled ¥ 350,344 million (U.S.$ 2,967 million) and ¥ 356,928 million, respectively. Valuation allowances which are deducted from deferred tax assets amounted to ¥ 7,091 million (U.S.$ 60 million) and ¥ 7,057 million at March 31, 2007 and 2006, respectively.

The main components of deferred tax assets were as follows:

	Millions of Yen		Millions of U.S.Dollars
	2007	2006	2007
Losses on Devaluation of Securities	¥72,569	¥77,050	$614
Policy Reserves	180,750	104,979	1,531
Accrued Retirement Allowances	46,902	49,303	397
Reserve for Price Fluctuations	63,080	50,145	534

The main components of deferred tax liabilities were as follows:

	Millions of Yen		Millions of U.S.Dollars
	2007	2006	2007
Unrealized Gains on Securities	¥335,255	¥ 342,385	$2,839

The statutory tax rate was 36.15% in the years ended March 31, 2007 and 2006, which was different from the effective tax rates of 14.4% and 12.5% in the years ended March 31, 2007 and 2006, respectively. The principal reason for the difference was the provision for the reserves for policyholders' dividends, which accounted for a decrease in the effective tax rate by 17.2% and 18.0% in the years ended March 31, 2007 and 2006, respectively.

IV. Income Statements

1. Gains / Losses on Disposal of Fixed Assets

In the year ended March 31, 2007, due to revisions to the Enforcement Regulation of Insurance Business Law, the Company altered the presentation as follows: The Company altered from Gains / Losses on Disposal of Real Estate and Movable Properties to Gains / Losses on Disposal of Fixed Assets.

2. Securities

The components of the Company's gains on sales of securities were ¥ 2,921 million (U.S.$ 24 million) and ¥ 8,040 million from government and other bonds, ¥ 98,179 million (U.S.$ 831 million) and ¥ 41,959 million from stocks and the equivalent securities, and ¥ 690 million (U.S.$ 5 million) and ¥ 4,077 million from foreign securities for the years ended March 31, 2007 and 2006, respectively.

The components of losses on sales of securities of the Company were ¥ 7,392 million (U.S.$ 62 million) and ¥ 9,925 million from government and other bonds, ¥ 8,216 million (U.S.$ 69 million) and ¥ 6,509 million from stocks and equivalent securities, and ¥ 43,653 million (U.S.$ 369 million) and ¥ 19,422 million from foreign securities for the years ended March 31, 2007 and 2006, respectively.

The components of losses on devaluation of securities of the Company were ¥ 5,536 million (U.S.$ 46 million) and ¥ 1,816 million from stocks and equivalent securities for the years ended March 31, 2006 and 2005, respectively, and ¥ 226 million from foreign securities for the years ended March 31, 2006.

3. Trading Securities

Gains on Trading Securities are comprised of interest and dividend income, gains and losses on sales of trading securities, valuation gains and losses. Interest and dividend income on trading securities of the Company were ¥ 3 million (U.S.$ 0 million) and ¥ 7 million for the years ended March 31, 2007 and 2006, respectively. Gains on sales of trading securities, net of losses on sales, were ¥ 1,067 million (U.S.$ 9 million) and ¥1,224 million for the year ended March 31, 2007 and 2006, respectively. Devaluation losses, net of valuation gains, were ¥ 21 million (U.S.$ 0 million) for the year ended March 31, 2007, and valuation gains, net of devaluation losses, were ¥ 3 million for the year ended March 31, 2006.

4. Derivatives

The Company's devaluation losses of ¥2,930 million (U.S.$ 24 million) and ¥6,542 million are included in Losses on Derivatives in the consolidated statements of income for the years ended March 31, 2007 and 2006, respectively.

5. Retirement Benefit Expenses

Severance and retirement benefit expenses of the Company for the years ended March 31, 2007 and 2006 are comprised of the following:

	Millions of Yen		Millions of U.S.Dollars
	2007	2006	2007
Service Costs	¥12,909	¥12,980	$109
Interest Cost on Projected Benefit Obligation	6,783	6,685	57
Return on Plan Assets	(3,598)	(2,317)	(30)
Amortization of Actuarial Differences	1,806	10,794	15
Severance and Retirement Benefit Expenses	¥17,899	¥28,143	$151

6. Impairment of Fixed Assets

The method of measurement and recognition of the impairment loss on fixed assets of the Company is as follows:

a. Grouping of fixed assets

The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the measurement and recognition of the impairment losses. For real estate for investment and other idle assets, each asset is treated as an independent unit for the impairment test.

b. Description of impairment losses recognized

For the years ended March 31, 2007 and 2006, the Company recognized impairment losses on real estate for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in fair value. For these assets, the Company reduced the carrying amount to a recoverable amount, and recognized impairment losses as special losses in the consolidated statements of income.

c. Details of fixed assets causing impairment losses

Group	Type	Millions of Yen		Millions of U.S.Dollars
		2007	2006	2007
Real estate for investment	Land and buildings	¥ 5,190	¥ 2,885	$ 43
Idle real estate	Land and buildings	¥ 592	¥ 351	$ 5
	total	¥ 5,783	¥ 3,237	$ 48

d. The recoverable amount

The recoverable amounts of real estate for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value.

Net realizable value are calculated based on an estimated value of asset on sale, appraisal value based on Real Estate Appraisal Standards, or publicly announced value used as tax basis. Value in use is determined as the estimated net future cash flow discounted at 5.0%.

V. Statements of Cash Flows

1. Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand and bank deposits bearing no interest.

2. Reconciliations of Cash and Cash Equivalents

A reconciliation of Cash and Deposits in the consolidated balance sheets with Cash and Cash Equivalents in the consolidated statements of cash flows at March 31, 2007 and 2006 is as follows:

	Millions of Yen		Millions of U.S.Dollars
	2007	2006	2007
Cash and Deposits	¥134,562	¥85,339	$1,139
Deposits Bearing Interest	(85,579)	(45,011)	(724)
Cash and Cash Equivalents	¥48,983	¥40,327	$414

International Network

New York Representative Office

Develops business relationships in the United States and carries out research and analysis of the North American financial market;
established in 2001
600 Lexington Avenue, 2F,
New York, NY 10022, U.S.A.
Tel: (212) 521-8340 Fax: (212) 750-7930

London Representative Office

Develops business relationships in Europe and carries out research and analysis of 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

Beijing Representative Office

Carries out research and analysis of 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

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

Makes real estate investments and manages real estate properties in principal U.S. cities; incorporated in 1982
600 Lexington Avenue, 2F,
New York, NY 10022, U.S.A.
Tel: (212) 521-8370 Fax: (212) 750-7931

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
600 Lexington Avenue, 2F,
New York, NY 10022, U.S.A.
Tel: (212) 521-8300 Fax: (212) 980-4008

Directors, Corporate Auditors, and Executive Officers

Chairman	Shinichi Yokoyama
President and CEO	Yoshio Sato
Deputy President	Eiichi Shibao
Senior Managing Director	Keisuke Inoue
Managing Directors	Koji Hanaoka Ikunori Kato Norio Takamatsu Haruo Urata Michihisa Tanimoto Masahiro Hashimoto
Directors	Yosaku Fuji Hiroyuki Kamano
Corporate Auditors	Takashi Nakagawa Masaaki Kamohara Tadayoshi Ota Takemochi Ishii Eiko Shinotsuka
Managing Executive Officers	Fumio Tokubutsu Arata Ito Tsutomu Yasukawa Hiroshi Okazaki Koichi Suzaki Tatsuhiko Oda
Executive Officers	Yutaka Amino Toru Nakamura Kazuhiko Tsutsumi Mitsutoshi Mise Hiroshi Yamaguchi Shinji Haruhara Hiroaki Sunagawa Sachio Kondo Hironobu Sakai Yukio Noro Masaya Honjo

Our Management Policy

1. Based upon the concept of coexistence, co-prosperity 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 a progressive and indomitable spirit, responding to changes in our environment and keeping abreast of the times.

2007

SUMITOMO LIFE

ANNUAL REPORT

SUMITOMO LIFE

SUMITOMO LIFE INSURANCE COMPANY

HEAD OFFICE (Osaka)

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