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Regeneration and Creation 再 生 創 造

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## Business Highlights

Non-Consolidated Data	Millions of yen			Millions of U.S. dollars* <sup>1</sup>
	2009	2008	2007	2009
Total ordinary income	¥ 3,604,842	¥ 3,289,813	¥ 3,732,220	\$ 36,697
Ordinary profit	103,738	109,207	129,137	1,056
Core business profit	148,562	238,153	302,809	1,512
Net surplus for the year	106,408	89,965	80,002	1,083
Total foundation funds* <sup>2</sup>	369,000	369,000	319,000	3,756
Total assets	22,609,749	23,382,567	23,286,436	230,171
[Separate account]	[2,612,125]	[2,741,745]	[2,669,759]	[26,591]
Policy reserves	19,287,447	19,672,951	19,753,746	196,349
Loans	3,869,177	4,057,938	4,186,203	39,388
Securities	15,792,810	16,024,737	16,281,024	160,773
Solvency margin ratio (%)	837.2%	1030.7%	1068.6%	—
Number of employees (individuals)	44,546	43,434	45,834	—
Number of members (policyholders)* <sup>3</sup>	7,255,703	7,409,345	7,555,359	—
Policies in force* <sup>4</sup>	170,884,334	178,834,952	187,264,892	1,739,634
Group annuities* <sup>5</sup>	2,451,770	2,674,058	2,912,318	24,959

### Consolidated Financial Data

Total ordinary income	¥ 3,647,518	¥ 3,339,925	¥ 3,780,295	\$ 37,132
Ordinary profit	104,198	111,887	130,782	1,060
Net surplus for the year	104,244	93,280	86,072	1,061
Total assets	22,666,512	23,440,081	23,340,457	230,749

\* 1. U.S. dollar amounts are converted, for convenience only, at ¥98.23 = US\$1.00, the rate prevailing on March 31, 2009.

\* 2. Total foundation funds includes reserve for redemption of foundation funds.

\* 3. In the case of a mutual company, "Members" refers to policyholders (excluding those not eligible for the distribution of surplus).

\* 4. Policies in force are the total of individual life insurance, individual annuities and group insurance policies in force.

\* 5. Policies in force for group annuities indicate the amount of policy reserves.



We continued to maintain a robust financial base, despite difficult market conditions.

**Yoshio Sato**  
President and  
Chief Executive Officer

### Looking back on FY2008

In FY2008, which ended on March 31, 2009, the Japanese economy deteriorated considerably amid the worldwide financial crisis. Nevertheless, Sumitomo Life continued to overcome these difficulties with a solid management strategy emphasizing stability without taking excessive risks. This approach is based on our management philosophy, which places first priority on protecting the long-term profits of policyholders in our role as a mutual company. Consequently, the impact of the global financial crisis on our performance was limited, allowing us to maintain a resilient financial base capable of withstanding further market deterioration.

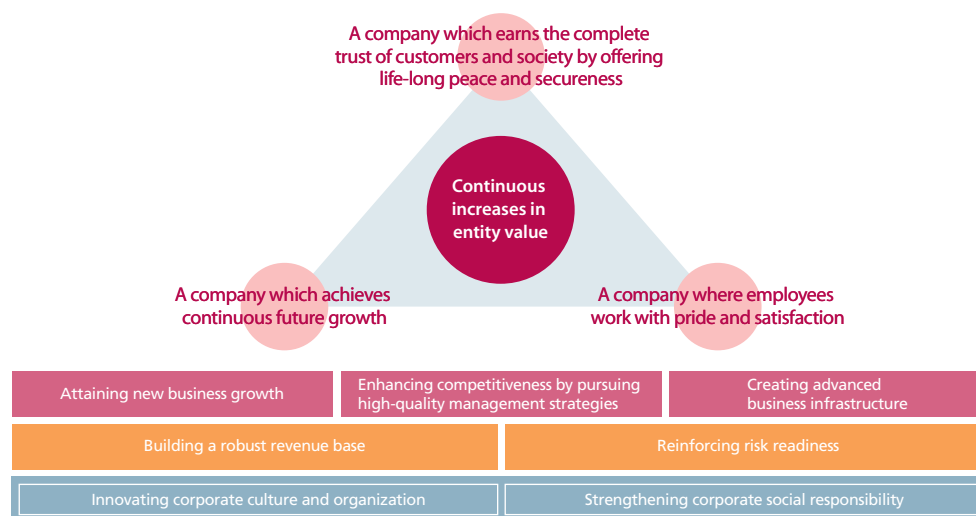
As a result, the annualized premium of new business increased 6.6% year-on-year. The annualized premium of policies in force rose 0.6%, while the annualized premium of surrenders and lapses also continued to improve. In addition, persistency rates for insurance policies increased steadily.

With respect to earnings, core business profit, the main indicator of a life insurance company's earning strength, amounted to ¥148.5 billion. Although this does represent a year-on-year decline, Sumitomo Life would have recorded an increase in core business profit had it not been for a provision of policy reserves to cover variable annuities in the wake of falling stock prices.

On the asset management side, we used innovative Asset Liability Management (ALM) techniques to address risk. We strived to secure stable earnings by investing mainly in yen-denominated interest-bearing assets. In terms of reducing risk, we continued to hold a smaller proportion of domestic equities in our total assets than our competitors, and we also hedged this risk. For foreign-currency-denominated bonds, we fully hedged our foreign exchange exposure to protect the principal. By pursuing such policies, we were able to minimize the impact of market fluctuations.

Up until FY2007, Sumitomo Life had an accumulated retained surplus of over ¥1 trillion. Rapid changes in the operating environment led to a reduction of this to ¥786.7 billion, however, we continue to reserve a sufficient level for possible further falls in stock prices. In FY2008 our solvency margin ratio was 837.2%, which proves that in the face of challenging circumstances, Sumitomo Life is resilient enough to maintain a high level of financial soundness.

## Regeneration and Creation: Sumitomo Life's vision for our next 100 years.



### Management Guided by our Long-Term Vision of “Regeneration and Creation”

In last year's Annual Report, I outlined our management strategy, which is guided by the two keywords *Regeneration* and *Creation*. We have formulated this long-term vision to achieve continuous growth over the next one hundred years.

#### *Regeneration*

As part of our *Regeneration* strategy, Sumitomo Life will reinforce and maximize the skills of the sales personnel, our main distribution channel, in order to create strong consulting and sales capabilities. This year in particular, we have recruited staff with excellent potential and have augmented our training system as part of our focus on increasing the persistency rate for insurance policies and fostering outstanding sales personnel. Under marketing strategies tailored to regional characteristics, we have introduced separate new sales systems and service methods for metropolitan areas and other regions. These measures are already yielding higher persistency rates and improved retention rates for our sales personnel.

#### *Creation*

As part of our *Creation* strategy, Sumitomo Life will seek to diversify distribution channels and create new business. By April 2009, we sold more than half a million life insurance policies and individual annuities via banks. Sales are also expanding steadily via the Japan Post Group channel that commenced sales in FY2008.

Recently, there has been a changing trend in customer behaviour, with customers beginning to use insurance outlets in shopping malls and Internet sites to compare different insurers' products to find the ones that best suit their needs. To address this new trend, we plan to establish a life insurance subsidiary in the first half of FY2010 to develop simple and competitive products. Sumitomo Life and the new subsidiary will separately pursue the best products, price and service strategies for each particular distribution channel. Sumitomo Life as a whole will strive for continuous growth by providing more varied options to a wide range of customers.



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In the non-life insurance business, we have entered into an agreement with Mitsui Sumitomo Insurance Company, a leading provider of non-life insurance, to strengthen our alliance. Sumitomo Life will now provide non-life insurance as an agency of Mitsui Sumitomo Insurance, and will offer their innovative products and services alongside our life products. As for overseas operations, following the establishment of a life insurance company in China, we will seek to create new business opportunities, including new alliances in Asia and other regions.

### **FY2009 and Beyond**

In the present situation, we do not expect the worldwide recession to end soon, nor will we be immune from its effects. To surmount the current difficult conditions, in FY2009, we will focus on building a corporate structure that generates higher earnings and a stable revenue base while reinforcing risk readiness.

With respect to building a robust revenue base, we will aim to strengthen our sales capabilities while making further cost reductions. To this end, in line with our long-term vision, we will boost the consulting skills of our sales personnel and accelerate efforts to expand customer services. Regarding the reinforcement of our risk readiness, we will continue to strive to reduce risks through ongoing ALM strategies and flexible hedging policies. At the same time, we will improve the level of economic value-based risk management and revenue management by anticipating changes to international supervisory regulations and accounting standards. Our current decision to discontinue sales of single-premium variable annuities from the end of September 2009, meanwhile, is in line with these tight risk management strategies, and enables us to control any future unexpected costs of the minimum guarantee risk.

Two years ago, Sumitomo Life celebrated our first centennial. Looking back on our history, we have experienced challenges even more difficult than today's crisis, but have overcome each challenge. Therefore even if global financial markets fall further and Japan's economic downturn is protracted, I am convinced that we will continue to surmount these issues. Furthermore, we are determined to regard the current crisis as an opportunity that comes along only once in a hundred years.

In pursuing this long-term vision of *Regeneration* and *Creation*, we will strive to continually enhance entity value. With such initiatives, we will establish an advanced level of management to attain further new business growth, thus contributing to the creation of an affluent, fulfilled and long-living society. These efforts, I believe, will earn Sumitomo Life the further trust of our customers and society.

July 2009



Yoshio Sato  
President and Chief Executive Officer

## Review of Operations

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#### Review of Operations

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## Individual Life Insurance and Annuities (Non-Consolidated & General Account Base)

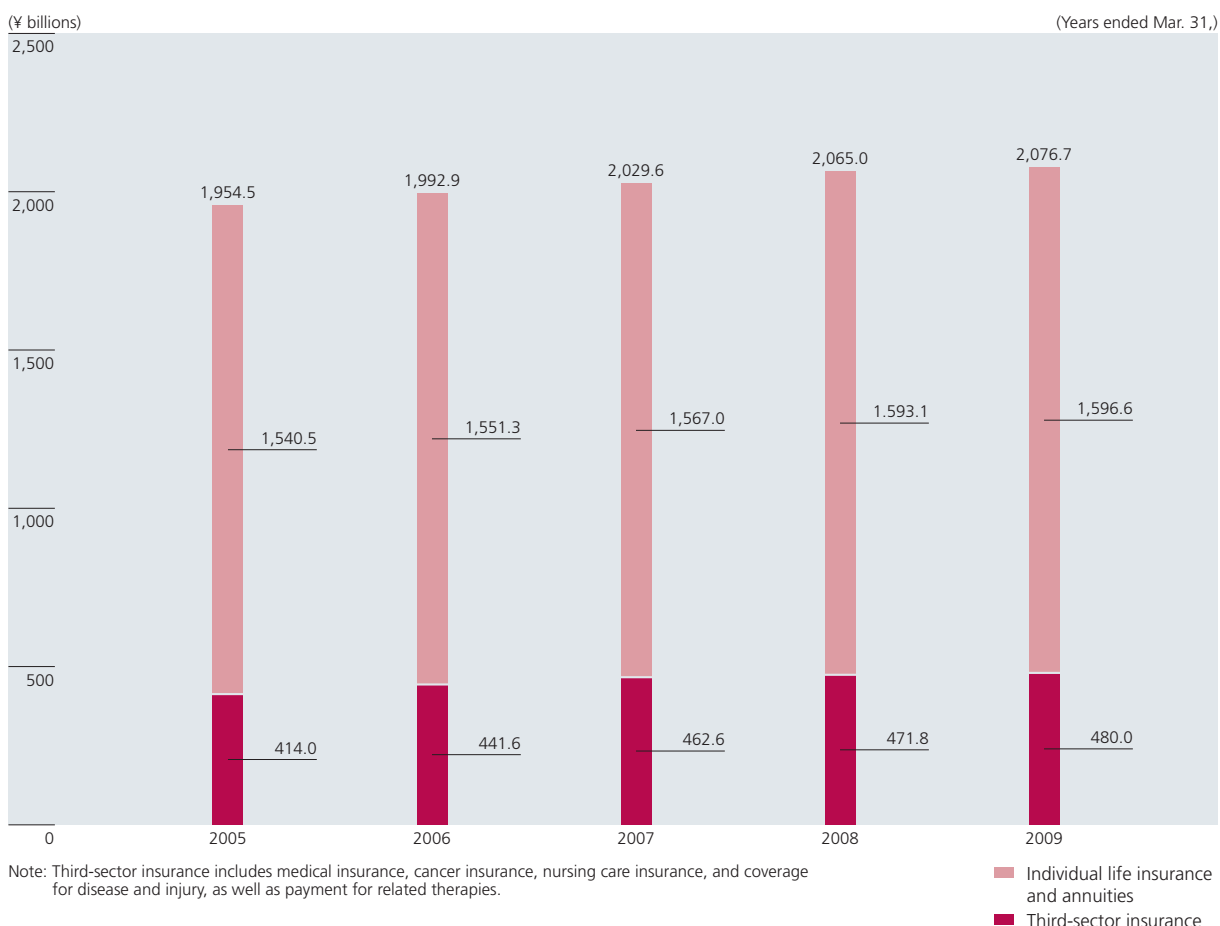
The annualized premium of individual life insurance and individual annuities in force increased year-on-year, reflecting an increase in new policies and a decline in surrenders and lapses.

### Annualized Premium of Policies in Force

In the fiscal year ended March 31, 2009, the annualized premium of policies in force rose 0.6% to ¥2,076.7 billion (\$21.1 billion) for the fourth consecutive year-on-year increase. Individual life insurance consists of death protection, together with third-sector insurance products, such as living benefits insurance and medical insurance, while individual annuities consist of fixed annuities and variable annuities.

While continuing to face the challenges of Japan's aging and low-birthrate society, the macroeconomic

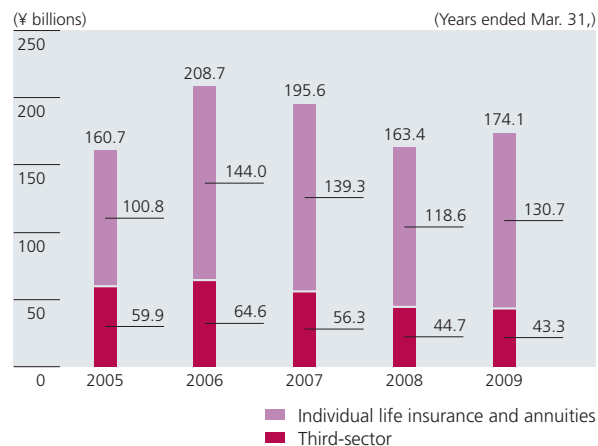
environment deteriorated considerably. Despite these testing circumstances, Sumitomo Life recorded an increase in the annualized premium of policies in force due to our efforts to obtain new policies and minimize the surrenders and lapses of existing policies. The annualized premiums of both first-sector (individual life insurance and annuities) and third-sector insurance products increased by 0.2% to ¥1,596.6 billion (\$16.2 billion) and 1.7% to ¥480.0 billion (\$4.8 billion) respectively.





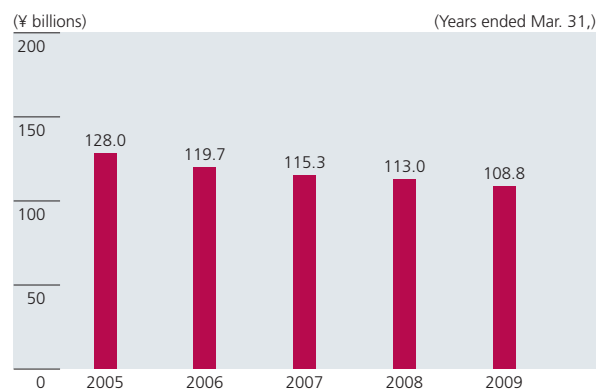
### Annualized Premium of New Business (New Business + Net Increase from Conversion)

The annualized premium of new business for individual life insurance and individual annuities totaled ¥174.1 billion (\$1.7 billion), up 6.6% from the previous year. Overall, new business was unaffected by the worsening economic conditions. The 10.2% increase in first-sector insurance products to ¥130.7 billion (\$1.3 billion) made a significant contribution to this result, despite a 3.1% decline in third-sector insurance products to ¥43.3 billion (\$0.4 billion).



### Annualized Premium of Surrenders and Lapses

Due to enhanced consulting and after-sales service for existing customers, the annualized premium of surrenders and lapses decreased 3.7% to ¥108.8 billion (\$1.1 billion) improving for the sixth consecutive year since such figures were first disclosed.



### Other Insurance Business — Group Insurance and Group Annuities

To help foster employee benefit plans to meet current needs, Sumitomo Life has been upgrading its lineup of products for domestic corporations and enhancing its asset management capabilities. At the same time, we have been delivering comprehensive services, including consulting services for issues regarding retirement benefit obligations, and delivering new pension services with defined contribution plans.

In the year ended March 31, 2009, group insurance policies in force edged up 0.05% to ¥33.9 trillion (\$345.1 billion), while group annuities in force fell 8.3% to ¥2.4 trillion (\$24.9 billion).

## Operating Results

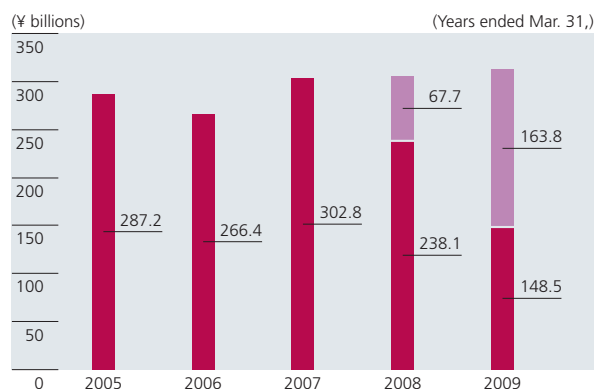
Due to the provisions for the standard policy reserves for minimum guarantee risks of variable annuities in the wake of the falling share market, core business profit declined 37.6% to ¥148.5 billion.

### Core Business Profit

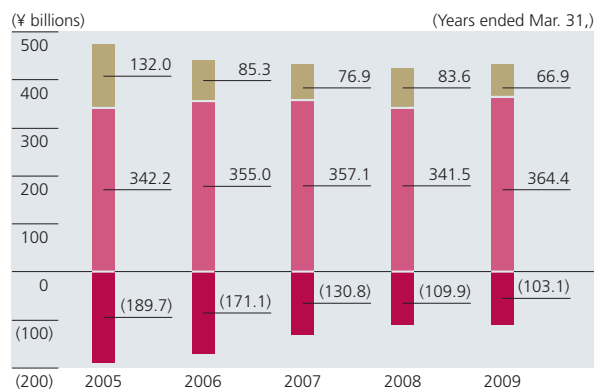
Core business profit is an indicator of a life insurance company's earning strength. After covering negative spread, core business profit amounted to ¥148.5 billion (\$1.5 billion), down 37.6% from the previous year. This decline was mostly due to the provision of ¥163.8 billion (\$1.6 billion) for the standard policy reserves for minimum guarantee risks of variable annuities in the wake of falling share markets. Excluding this provision, core business profit would have amounted to ¥312.4 billion (\$3.1 billion), an improvement on the previous year's level, underscoring Sumitomo Life's ongoing stable earnings position. If stock markets recover and the reserve is no longer required, we will post a gain from the reversal of that reserve.

Core business profit has three components: expense savings, mortality gain, and negative spread. Expense savings declined ¥16.6 billion year-on-year to ¥66.9 billion, while mortality gain rose by ¥22.8 billion to ¥364.4 billion. Negative spread improved by ¥6.8 billion to ¥103.1 billion, due to the provision of an additional policy reserve.

In order to improve our financial profile against the negative spread, Sumitomo Life has been accumulating policy reserves by applying the latest standard calculation rate on commencement of the annuity payment, to individual annuities with payments that start at the beginning of each year. The average annual increase in policy reserves is approximately ¥30.0 billion. These steps are intended to lower the average assumed interest rate, and thus improve negative spread.



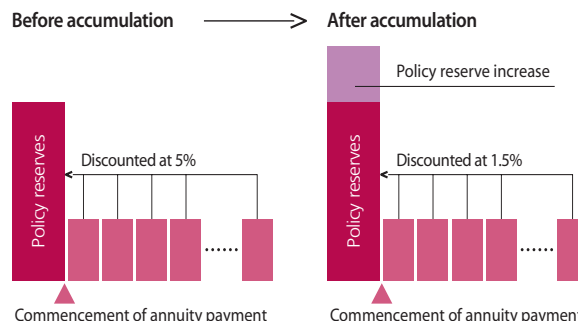
■ Core business profit  
■ Provision for policy reserves for variable annuities



■ Expense savings  
■ Mortality gain  
■ Negative spread

### Accumulating Policy Reserves for Individual Annuities

(For policies with an assumed interest rate of 5%)



### Ordinary Profit and Net Surplus

In the year ended March 31, 2009, ordinary profit (sum of core business profit, capital gains/losses, and non-recurring income/loss) declined 5.0% to ¥103.7 billion (\$1.0 billion). After adding extraordinary gains and

losses, and deducting current and deferred income taxes, the net surplus for the year rose 18.2% to ¥106.4 billion (\$1.0 billion).

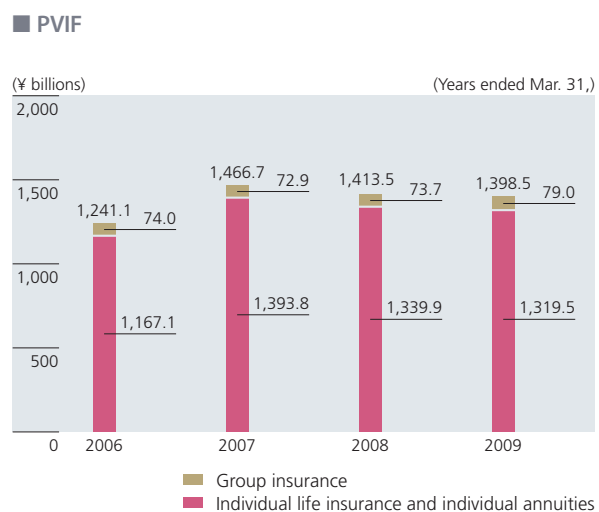
Years ended Mar. 31,	Billions of yen			Billions of U.S. dollars
	2009	2008	2007	2009
<b>Core business profit (A):</b>				
Insurance premiums and other	¥2,533.7	¥2,548.5	¥2,934.4	\$25.7
Interest and dividend income	474.7	480.4	468.1	4.8
Benefits and other payments	2,139.1	2,142.2	2,065.3	21.7
Provision for policy reserves for variable annuities	163.8	67.7	—	1.6
Operating expenses	367.7	372.1	382.5	3.7
<b>Total core business profit (A)</b>	<b>148.5</b>	<b>238.1</b>	<b>302.8</b>	<b>1.5</b>
Capital gains (losses) (B)	(253.0)	(52.4)	25.6	(2.5)
Non-recurring income (loss) (C)	208.2	(76.4)	(199.3)	2.1
<b>Ordinary profit (D=A+B+C)</b>	<b>103.7</b>	<b>109.2</b>	<b>129.1</b>	<b>1.0</b>
Extraordinary gains (E)	61.5	18.6	24.6	0.6
Extraordinary losses (E)	(13.4)	(19.2)	(62.9)	(0.1)
Surplus before income taxes	151.8	108.6	90.7	1.5
Current income taxes (F)	0.4	43.9	83.7	0.0
Deferred income taxes (F)	45.0	(25.2)	(72.9)	0.4
<b>Net surplus for the year (G=D+E-F)</b>	<b>¥ 106.4</b>	<b>¥ 89.9</b>	<b>¥ 80.0</b>	<b>\$ 1.0</b>

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

PVIF is the present value of future after-tax earnings expected to be generated from policies in force. It is a component of embedded value and an indicator of a life insurance company's corporate value. NBV is the present value of future earnings expected from new business acquired during each fiscal year. Both PVIF and NBV figures are before cost of capital.

In the year ended March 31, 2009, PVIF edged down 1.1% to ¥1,398.5 billion (\$14.2 billion). Within this amount, PVIF for individual life insurance and individual annuities, a major component of total PVIF, declined 1.5% to ¥1,319.5 billion (\$13.4 billion), while NBV for individual life insurance and individual annuities fell 3.8% to ¥71.2 billion (\$0.7 billion).

In order to achieve continuous growth, Sumitomo Life will strive to reinforce its sales and service capabilities and to improve asset management yields.



The principal assumptions for calculating PVIF are given below.

■ Principal assumptions

	Calculation method
Discount rate	5.8% Based on the risk-free interest rate (10-year JGB: approx. 1.345%) 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: 2.53% (FY2009) 2.53% (FY2010) 2.53% (FY2011) 2.53% (FY2012) 2.53% (After FY2013)
Operating expenses	Based on actual expenses in 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, etc.
Dividend rate	Based on the dividend rate applied in the FY2009.

The impact of revised assumptions on individual life insurance and individual annuities are given below.

■ Impact of revised assumptions (Sensitivities)

		Billions of yen		Billions of U.S. dollars	
		Impact on PVIF	PVIF	PVIF	PVIF
Discount rate	5.8% 6.8%	¥ (77.8)	¥1,241.8	\$12.6	
	5.8% 4.8%	90.0	1,409.5	14.3	
Investment yield	+0.25%	212.8	1,532.4	15.6	
	-0.25%	(213.6)	1,105.9	11.2	
Operating expenses	Assumption X 110%	(70.9)	1,248.6	12.7	
	Assumption X 90%	70.9	1,390.4	14.1	
Surrender and lapse	Assumption X 110%	(62.3)	1,257.3	12.7	
	Assumption X 90%	67.1	1,386.6	14.1	
Mortality and morbidity	Assumption X 110%	(230.9)	1,088.6	11.0	
	Assumption X 90%	234.4	1,553.9	15.8	

Review by Actuarial Firm

Towers Perrin, an independent actuarial firm, has reviewed the methodology used and the assumptions applied for calculating PVIF. Towers Perrin has also carried out a limited review on consistency between the

results and the method and the assumptions, without detailed checks on the calculation models and the calculation processes.

## Financial Soundness and Other Indicators

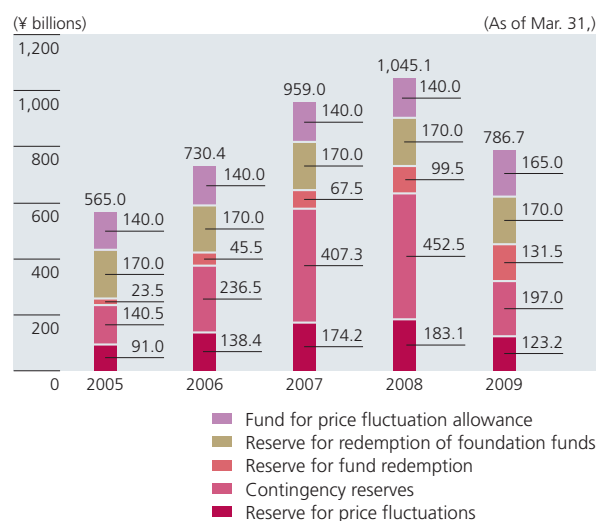
Despite challenging operating conditions, Sumitomo Life achieved an accumulated retained surplus of ¥786.7 billion, and recorded a sound solvency margin ratio of 837.2%.

### Capital Strategies and Accumulated Retained Surplus

At fiscal year-end, total foundation funds — the sum of foundation funds and reserves for redemption of foundation funds — totaled ¥369.0 billion (\$3.7 billion), the same as the previous fiscal year. At ¥786.7 billion (\$8.0 billion), the accumulated retained surplus maintained a sound level yet again despite a year-on-year fall of ¥258.4 billion due to changes in the operating environment.

Sumitomo Life's strategy on capital has been to increase the level of accumulated retained surplus as well as using funds, subordinated debt, and other external capital sources. In addition, we procured hybrid capital recently to enhance the quality and soundness of our financial base. In January 2009, we raised ¥100.0 billion (\$1.0 billion) of hybrid capital from the domestic capital market. Meanwhile, in July 2008 we established a Euro Medium Term Note (MTN) Program to gain access to overseas capital markets, and to permit procurement of hybrid capital from overseas capital markets through the Program.

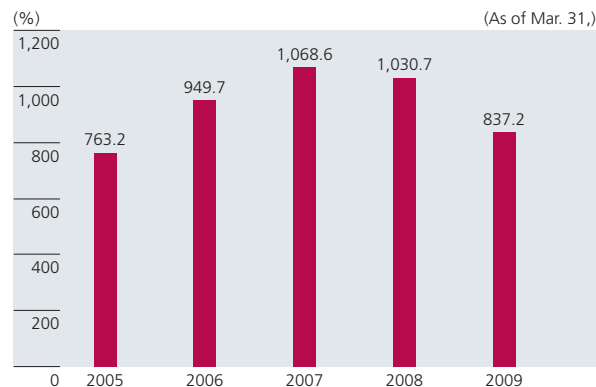
### ■ Accumulated Retained Surplus



### Solvency Margin Ratio

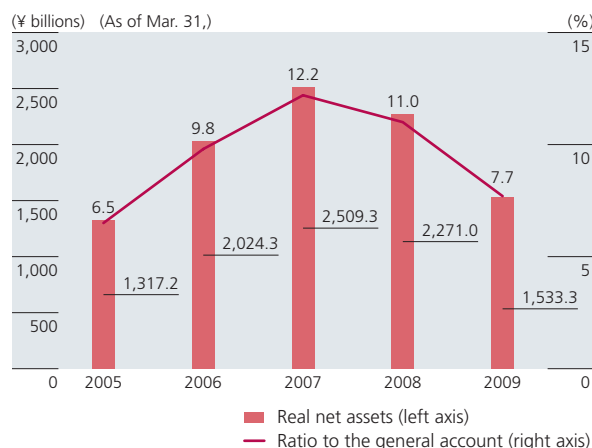
The solvency margin ratio is the ratio of the total solvency margin to the total amount of risk, quantified for risks outside the normal scope of predictability. In the year ended March 31, 2009, Sumitomo Life's solvency margin ratio fell from 1,030.7% to 837.2%, due to the decline in global stock markets since the previous fiscal year. However, at 837.2%, the ratio far exceeds the 200% level which in Japan is considered to be the indication of a sound insurer.

Sumitomo Life will work to reinforce its capital strength by making ongoing additions to the accumulated retained surplus. We will also further strengthen and stabilize our financial position by using external funds.



## Real Net Assets

Real net assets are the value of total assets (the net of unrealized gains or losses on securities and real estate) minus the value of total liabilities (excluding the contingency reserve, the reserve for price fluctuations, and certain other reserves). They are another indicator of a life insurance company's financial strength. Due to a decline in unrealized gains/losses as a result of falling stock markets, Sumitomo Life's real net assets at fiscal year-end stood at ¥1,533.3 billion, down from ¥2,271.0 billion a year earlier.



## Basic Strategy on Policyholders' Dividend

Adopting a medium-to-long-term perspective, Sumitomo Life pays a dividend to each policy according to the level of contribution. The distribution of interest dividends is based on operating performance and

market conditions, while the distribution of mortality and morbidity gains, expense margins, and special gains are based on the medium-to-long-term claim payment scenario and the business expenditure situation.

## Ratings

As of the end of June 2009, Sumitomo Life has received a insurance financial strength rating of A2 from Moody's, an A from Rating and Investment Information (R&I), an A from Japan Credit Rating Agency (JCR), and a BBB+ from Standard & Poor's. Each of these ratings has been assigned Stable Outlooks, which reflect Sumitomo Life's relatively low exposure to stocks compared with other major Japanese life insurers and such efforts as foreign exchange hedging to reduce asset management risks. They also recognize our multi-

channel strategies that herald a departure from the conventional business model for Japanese life insurance companies.

By contrast, in May 2009, Fitch Ratings downgraded Sumitomo Life's rating from A to BBB+ (Negative). Fitch's downgrading of our rating and those of other Japanese life insurance companies reflects its Negative Outlook for the industry in Japan as a whole due to the decline of the stock market and other factors.

## Rating status

### Rating Agency

As of June 30, 2009

Rating and Investment Information (R&I)	A
Japan Credit Rating Agency (JCR)	A
Moody's	A2
Standard & Poor's (S&P)	BBB+
Fitch Ratings (Fitch)	BBB+



## Asset Management (General Account)

Sumitomo Life's investment strategy is based on Asset-Liability Management (ALM). In addition to investing primarily in yen-denominated fixed-income assets, we worked hard to stabilize income flow by properly managing risk in response to world financial market turmoil.

### Asset Management

Sumitomo Life has a basic investment policy of managing assets and liabilities based on the nature of life insurance as a long-term liability. We invest mainly in yen-denominated interest-bearing assets to boost earnings in the medium and long terms while adopting a flexible hedging approach to reduce risk.

For the past 10 years, Sumitomo Life has carefully

managed its assets mainly by reducing its exposure to stocks and opting for assets with low credit risk. At the same time, we are not exposed to securitized products backed by overseas assets, such as subprime loan-related products. Thanks to this approach, the global financial crisis has had a limited impact on Sumitomo Life.

As of Mar. 31,	Millions of yen						Millions of U.S. dollars
	2009	(%)	2008	(%)	2007	(%)	2009
Cash, deposits and call loans	¥ 344,988	1.7	¥ 599,277	2.9	¥ 513,551	2.5	\$ 3,512
Monetary claims bought	437,022	2.2	880,103	4.3	832,901	4.0	4,448
Securities:							
Bonds	7,314,209	36.5	6,805,043	32.9	6,928,904	33.6	74,460
Stocks	1,148,805	5.7	1,664,309	8.1	2,157,591	10.4	11,695
Foreign securities:							
Bonds	4,051,836	20.2	4,356,048	21.1	4,005,647	19.4	41,248
Stocks, etc.	861,539	4.3	615,490	3.0	615,209	3.0	8,770
Total foreign securities	4,913,376	24.5	4,971,538	24.1	4,620,856	22.4	50,019
Other securities	34,202	0.2	54,365	0.3	66,418	0.3	348
Total securities	13,410,593	66.9	13,495,257	65.3	13,773,771	66.7	136,522
Loans:							
Policy loans	414,280	2.1	436,673	2.1	459,418	2.2	4,217
General loans	3,454,896	17.2	3,621,265	17.5	3,726,784	18.0	35,171
Total loans	3,869,177	19.3	4,057,938	19.6	4,186,203	20.3	39,388
Real estate:	997,424	5.0	1,006,917	4.9	1,076,130	5.2	10,153
Investment real estate	749,069	3.7	754,203	3.6	818,367	4.0	7,625
Deferred tax assets	441,632	2.2	321,582	1.6	36,244	0.2	4,495
Other	537,167	2.7	308,851	1.5	234,813	1.1	5,468
Allowance for possible loan losses	(2,233)	(0.0)	(1,584)	(0.0)	(4,877)	(0.0)	(22)
General account total	20,035,772	100.0	20,668,343	100.0	20,648,739	100.0	203,967
Foreign currency denominated assets	1,824,237	9.1	1,971,870	9.5	1,954,025	9.5	18,571

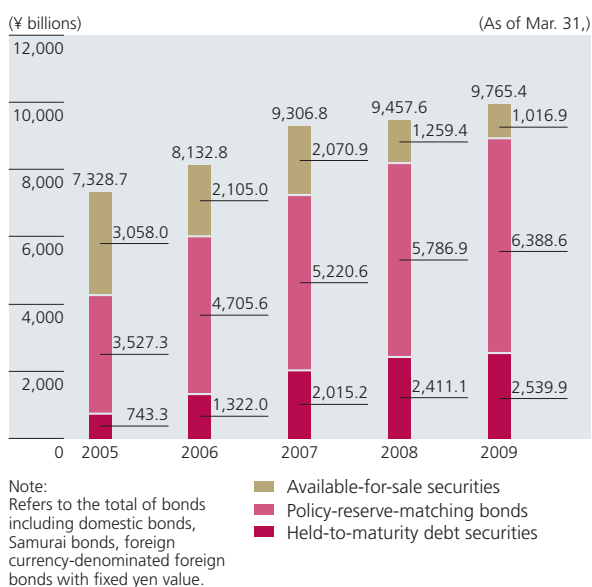
Note: Real estate lists the sum of land, buildings and construction in progress

## Securities

In line with our ALM strategy, Sumitomo Life strives to accumulate yen-denominated interest-bearing assets, centering on held-to-maturity bonds and policy reserve-matching bonds. We also seek to improve the rate of return by extending asset duration and thus investing in long-term and super-long-term bonds.

With respect to foreign currency-denominated foreign bonds, we invested in government bonds and other securities with low credit risk while controlling the foreign exchange risk. Since the second quarter of FY2008, we have not been affected by the appreciating yen due to our full foreign exchange hedging to protect the principal.

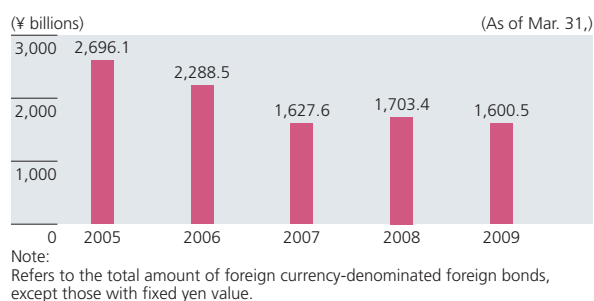
### Yen-denominated Bonds



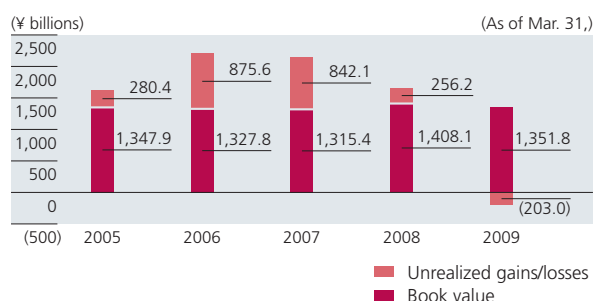
With respect to domestic stocks, we worked hard to improve profitability by rearranging our portfolio while monitoring market movements closely. In view of market instability, we made use of options and futures to manage the risk of falling stock prices.

Unrealized gains/losses on Sumitomo Life's investment securities declined ¥420.8 billion to a loss of ¥106.8 billion (\$1.0 billion). This was largely owing to a ¥459.2 billion year-on-year decrease in unrealized gains on domestic stocks, resulting in an unrealized loss of ¥203.0 billion (\$2.0 billion).

### Foreign Currency-denominated Bonds



### Domestic Stocks



## Loans

Due to a decline in both policy loans and general loans, the balance of loans at fiscal year-end stood at ¥3,869.1 billion (\$39.3 billion), down 4.7% from the previous

year. With respect to domestic lending, we focused on high-quality borrowers in our lending activities after properly ascertaining their credit risk.

## Real Estate

In response to the downturn in the real estate market, we adopted a cautious approach, which included curtailing new investment and selling property with low profitability. We also strove to increase the occupancy

rates and profitability of our office building holdings. At fiscal year-end, unrealized gains on real estate holdings stood at ¥130.2 billion (\$1.3 billion), down ¥61.9 billion from the previous year.

## Sales Network

Sumitomo Life is seeking to build the strongest sales network in the domestic life insurance industry. In addition to sales via our own sales personnel, we are also focusing on selling via banks and members of the Japan Post Group.

### Sales Personnel

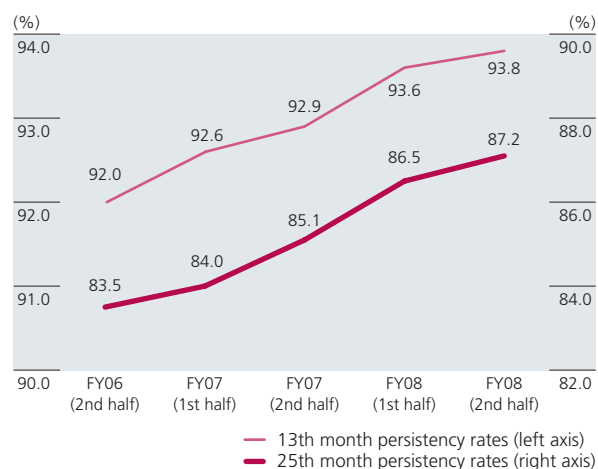
Sumitomo Life has one of Japan's largest sales networks, encompassing 80 branches offices, 1,895 district offices, and around 35,000 sales personnel. One of our most valuable assets is our customer base, with around 11 million policies in force covering 6 million households, and we are utilizing this base to advance our business.

With respect to evaluation standards for our sales personnel, we regard the persistency rate of insurance policies and the retention rate of sales personnel as indicators of policyholder satisfaction levels from a long-term perspective. To strengthen our consulting capabilities in selling insurance, we have enhanced our education and training systems for sales personnel. At the same time, we are currently introducing a different sales structure and different services for urban and rural areas under a strategy that tailors marketing activities to the characteristics of a particular area.

We continue to maintain high persistency rates for both the 13th month and 25th month rates. In FY2008, we recorded a rise in the number of new policies issued per sales personnel, and the number of sales personnel increased, representing a turnaround from the down-

ward trend we had experienced through the previous fiscal year. We achieved these outcomes by upgrading our education and training program for sales personnel, into which we have been channeling significant resources.

### Persistency Rates of Insurance Policies



### Sales via Banks

Sumitomo Life also sells its products via a domestic network of more than 300 financial institutions. This is our second largest distribution channel behind our sales personnel. At present, we have been building Japan's largest life insurance sales network by forming sales agency agreements with financial institutions to sell insurance products, including individual annuities and

medical insurance. We have sold in excess of 500,000 policies in the six and a half years since we began selling insurance via banks in October 2002.

To bolster sales via banks, we will step up development of new products and enhance our support infrastructure to take the "top runner" position in this field.

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### Sales via Japan Post Group

Seeking to foster a third powerful distribution channel to support our own sales personnel and the bank channels, we have formed sales agreements to supply our products to all three members of the Japan Post Group, which was privatized in October 2007. Those

companies are Japan Post Bank Company, with 234 branches and 11,800 employees; Japan Post Network Company, with 24,500 branches and 116,000 employees; and Japan Post Insurance Company, with 80 branches and 5,700 employees.

### Other Channels

Sumitomo Life's subsidiary, Insurance Designers Company, sells a diverse range of insurance products through Hoken-Hyakka, an in-store retail outlet operating mainly in shopping centers. It sells not only Sumitomo Life products, but also those of foreign-affiliated insurers.

WELL'S is a sales organization that combines methods developed over the years by Sumitomo Life

with active use of know-how and scientific techniques adopted in overseas nations and by foreign-affiliated insurers. Through this organization, we are building a sales model tailored to urban markets condition.

In addition, Sumitomo Life uses the Internet and direct mail to promote our products to customers.

#### The Establishment of Life Insurance Subsidiary

In recent years, the Japanese life insurance industry has witnessed diversification in customer needs, and there has been a growing number of customers who compare products by using new sales channels, such as insurance retail outlets and insurance websites, which sell products of several insurance companies before choosing a suitable one. Another trend is the growth of sales at banks of protection-type products following the remarkable success of variable annuities.

To deal with this changing business environment, Sumitomo Life plans to establish a life insurance subsidiary in the first half of FY2010 with the aim of providing products that best meet those customer needs.

#### Strengthened Alliance with Mitsui Sumitomo Insurance

Sumitomo Life is also active in a broad range of non-life insurance products, provided by our subsidiary Sumi-Sei General Insurance Company. We also have an alliance with Mitsui Sumitomo Insurance Company, which has advanced risk consulting capabilities and one of the largest service networks in Japan.

In September 2008, we entered into an agreement with Mitsui Sumitomo Insurance to further strengthen this business alliance. Under the agreement, from October 2009 non-life insurance products offered by Mitsui Sumitomo Insurance will be sold through our sales personnel who are qualified to offer non-life insurance. Sumi-Sei General insurance policies will gradually be transferred to Mitsui Sumitomo Insurance, and after winding up this business Sumitomo Life will concentrate on life insurance and other growth areas.

## Overseas Operations

### Asia

Encouraged by growing economic relations between Japan and China, in November 2005 Sumitomo Life established PICC Life Insurance Company in partnership with PICC Holding Company, which owns PICC Property & Casualty, the largest non-life insurance company in China. In June 2007, PICC Life Insurance increased its capital from PICC Property & Casualty, which has created greater synergies between the life and non-life insurance businesses. As of December 31, 2008, PICC Life Insurance has 31 branches, including those in Beijing and other major Chinese cities.

PICC Life Insurance's operations are expanding as it develops its sales network through banking channels and approximately 94,000 insurance agents. Premium

income in the year ended December 2008 totaled RMB 28.8 billion (\$4.2 billion), placing the company in sixth position among China's 56 life insurance companies.

Sumitomo Life and PICC Life Insurance have together set up a scholarship program for Chinese medical students, to support the advancement of medical studies in China. As in the previous two fiscal years, in FY2008 the program awarded scholarships to 710 students.

In addition, Sumitomo Life has a representative office in Beijing, which opened in 1991. Through this office, we gather information about the local financial and insurance sectors.

### North America

Since opening a representative office in New York in 1972, Sumitomo Life has pursued a range of activities in the region. Seeking to advance our operations globally in the future, our New York office now gathers a diversity of information about the U.S. financial, securities and insurance businesses, which it conveys to our management and key departments in our head office in Japan.

We also have a wholly owned US subsidiary, Sumitomo Life Insurance Agency America, Inc. (SLIA),

which has been accommodating the needs of Japanese companies with operations in the region for over 23 years. SLIA provides high quality brokerage services for employee benefits in broad range, including corporate health insurance. At present, it has offices in New York, Los Angeles, Atlanta, Kentucky, Chicago and South Carolina, acting as one of the largest Japanese brokers of employee benefits in the US.

### Europe

Sumitomo Life opened a representative office in London in 1980 and has conducted various initiatives ever since. With a view to developing our operations globally in the future, our London office gathers a wide range of information about the financial, securities and insurance sectors in Europe, which it conveys to our management and key departments in Japan. The London Representative Office also provides support to our head office investment and loan division by providing credit information and maintaining contacts with borrowers to gain

an accurate grasp of the credit risk profile of our existing loan customers in Europe, who constitute part of our loan portfolio.

Meanwhile, Sumitomo Life engages in a variety of social contribution activities in Europe. These include running an international art competition with an annual art exhibition held at the Louvre in Paris, as well as providing support for the training of assistance dogs specially trained to provide daily life assistance for the blind and disabled.







## Governance System

### Mutual Company Framework

As Sumitomo Life is a mutual insurance company, each policyholder is a member of the company, and has rights similar to those of a company shareholder. Efforts to ensure a transparent and proper management center on the Board of Members' Representatives (equivalent to the general shareholders' meeting of a stock company), in which selected policyholders participate. At the annual Board of Members' Representatives, decisions

are made on important matters, including the appropriation of the company's net surplus, changes to the articles of incorporation, and the appointment of directors/auditors. Sumitomo Life also holds the Board of Councillors attended by elected policyholders and academic experts. At these meetings, important business and advisory issues are discussed.

### Corporate Governance

Sumitomo Life's corporate governance framework is coordinated to improve management transparency and to clarify the division of roles between management oversight and business execution. In order for this framework to function, Sumitomo Life has adopted several management structures. The Board of Corporate Auditors, an independent organ, audits the activities of directors who are well versed in the insurance industry. We have also adopted an Executive Officer System in order to separate the decision-making and oversight

functions from the business execution function. To ensure the transparency of management, we have appointed three external directors: a corporate executive, a lawyer and a certified public accountant. The Corporate Governance Committee, headed by one of the external directors, adopts an outside perspective in its deliberation of issues related to the appointment of directors and executive officers, remuneration for executive officers, and the enhancement of the system of internal controls.

### Internal Control System

Sumitomo Life's internal control system aims to ensure the soundness and appropriateness of the company's business operations. Guided by our basic policies on internal control, we have upgraded our compliance and

risk management elements as well as internal auditing functions. In order to further improve this system, we have also set up a framework to enable our corporate auditors to conduct audits more effectively.

### Compliance

Fulfilling our responsibility to contribute to social and public welfare through life insurance operations, we conduct our business with integrity according to our Management Policy and the Sumitomo Life Group Code of Conduct, which together embody our basic management philosophy. To clarify our basic policy on compliance, we formulated a set of Legal and Compliance

Rules and have been setting up systems accordingly. In addition, we have created a Compliance Manual, a set of guidelines on concrete business conduct in order to foster a compliance-oriented corporate culture. We distribute the manual to all executives and employees and ensure that they observe it.

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## CSR Vision

Back in 1952, Sumitomo Life formulated a Management Policy which included our commitment to “contributing to the furtherance of social and public welfare.” This marked the beginning of our CSR oriented approach, which has continued to this day. We have since further clarified our commitment, setting out to “help create an affluent, content and long-living society through effective management and development of insurance services.”

Fulfilling our social responsibilities is our fundamental guiding principle and on this basis, we will strive to win the trust of all our stakeholders. In addition, we have established stringent regulations in corporate governance, compliance and risk management.

Our CSR vision is also embodied in the Sumitomo Life Group Code of Conduct, a set of principles guiding the behaviour of all executives and employees of the Group.

## Social Contribution Activities

Sumitomo Life regards contribution to society as one of its most important management priorities. To this end, we promote a variety of social welfare and cultural support initiatives.

With respect to social welfare activities, we provide various means of support to address Japan’s declining population, a major issue for the nation. We also provide support for people suffering from cancer, which causes a third of all deaths in Japan. Since FY2007, Sumitomo Life has supported the Pink Ribbon Campaign, which provides assistance to those with breast cancer, said to be one in every 20 women in Japan today. Around 35,000 of our sales personnel throughout Japan support the campaign and promote breast cancer screening to customers.

In addition, we help to install automated external defibrillators (AEDs) and provide care for dementia patients, whose numbers are increasing as the population ages. Other initiatives include contributing to

regional communities and providing support to raise assistance dogs to make life easier for people with visual, hearing and other impairments.

Regarding cultural support, since 1986 we have hosted regular charity concerts throughout Japan, raising money for welfare facilities. To date, we have held 870 such concerts, attracting more than 1,080,000 people.

Our wide-ranging cultural support activities also include organizing an international children’s picture drawing contest. In 1960, we established two organizations—the Sumitomo Life Social Welfare Business Foundation and the Sumitomo Life Health Foundation—to help foster social welfare and improve the health of citizens. Sumitomo Life also participates in the Sumitomo Foundation, set up by 20 members of the Sumitomo Group to promote a diversity of social contribution initiatives.

## Environmental Protection Activities

Sumitomo Life regards protecting the global environment as one of our most important tasks and specific behavioral guidelines are set out in our Sumitomo Life Environmental Policy. We are actively implementing our CSR Vision, which calls for all employees to be constantly vigilant concerning the environmental impact of their daily work activities. For example, we promote the

use of recycled paper and vegetable ink when preparing printed material.

We have been participating in the Coral Reef Protection Project, to conserve and ensure the sustainability of coral reefs in the South Pacific nation of Fiji, as well as Ishigaki Island in Okinawa Prefecture.

## Risk Management System

### Basic Approach

Sumitomo Life actively manages risks by identifying and analyzing them in order to ensure thorough business execution, a healthy financial foundation and reliable, appropriate payments of insurance benefit to policyholders.

Specifically, we have established management frameworks for each category of risk, such as underwrit-

ing and investment risks, and strive to improve and advance risk management governance to reinforce the soundness of our business.

Also, for risks that are very difficult to foresee under normal risk management practices, such as large-scale natural disasters, we have established rules for handling contingencies.

### Risk Management Policies and Rules

The overall risk management rules, decided on by the Board of Directors, establish company-wide risk management governance, define risks and lay out the basic approach to risk management.

Other rules have also been established for each of the risk categories defined in the risk management rules, in order to clarify management procedures and policies.

### Risk Management Governance

Sumitomo Life has an Individual Risk Management Organization and a Corporate Risk Management Department, who manage the various 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 and that inter-departmental risk management issues are addressed.

The effectiveness of risk management is monitored through the internal audits conducted by the Internal

Audit Department and the external audits by corporate auditors and independent auditors. The Board of Directors and the Executive Management Committee then use the reports made by the auditors in managerial decision-making matters.

Note: The Executive Management Committee is comprised of directors of 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.

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## Integrated Risk Management

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With products and distribution channels diversifying and changes taking place in the operating environment, Sumitomo Life calculates the 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 risk, using a unified method, while taking into account diversification benefits. Integrated risk is then compared to the risk buffer to help us efficiently manage the potential impact of various risks.

We have established risk limits (see note) for each category of risk and monitor risk levels accordingly. Reports on these risks are submitted regularly to the Risk Management Committee, Executive Management Committee and the Board of Directors, so that they may consider timely and appropriate measures.

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.

## ALM System

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ALM refers to the comprehensive management of assets and liabilities. Sumitomo Life analyzes and estimates the cash flow for each type of insurance. Where necessary, we make changes to its asset portfolio, sales policies and premium rates for insurance products after taking account of assets, market conditions, asset management risk, liquidity risk, underwriting risk, as well as other risks.

We established the ALM Committee as an advisory organ of the Executive Management Committee to undertake comprehensive management of assets and liabilities. The ALM Committee discusses strategy and important matters related to ALM.

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

## Stress Testing

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Lastly, Sumitomo Life conducts stress testing as part of our framework for company-wide risk management. Stress testing involves envisioning potential worst-case scenarios, such as large scale natural disasters or financial market crisis. The results of stress testing are

reported regularly to the Risk Management Committee, Executive Management Committee and Board of Directors. Where necessary, these committees take actions to ensure the Company's financial foundation is well maintained.

## Financial Section

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## Consolidated Balance Sheets

At March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>ASSETS</b>				
Cash and deposits	¥ 109,071	¥ 225,247	¥ 134,562	\$ 1,110
Call loans	379,300	543,800	504,700	3,861
Monetary claims bought	437,022	880,103	832,901	4,448
Securities	15,826,995	16,059,439	16,291,369	161,121
Loans	3,869,240	4,058,009	4,186,885	39,389
Tangible fixed assets:				
Land	554,985	—	—	5,649
Buildings	440,609	—	—	4,485
Construction in progress	2,040	—	—	20
Other tangible fixed assets	10,742	—	—	109
	1,008,377	1,018,869	1,092,719	10,265
Intangible fixed assets:				
Software	15,497	—	—	157
Other intangible fixed assets	17,125	—	—	174
	32,623	34,791	35,390	332
Due from insurance agencies	179	185	191	1
Due from reinsurers	422	295	441	4
Other assets	561,025	295,384	221,925	5,711
Deferred tax assets	444,048	325,141	41,052	4,520
Customers' liabilities for acceptances and guarantees	440	400	3,320	4
Allowance for possible loan losses	(2,234)	(1,587)	(5,003)	(22)
Total assets	¥ 22,666,512	¥ 23,440,081	¥ 23,340,457	\$ 230,749



	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>LIABILITIES</b>				
Policy reserves:				
Reserves for outstanding claims	¥ 123,949	¥ 141,989	¥ 141,024	\$ 1,261
Policy reserves	19,325,869	19,709,685	19,789,998	196,741
Policyholders' dividend reserves	367,459	398,782	442,648	3,740
Total policy reserves	19,817,278	20,250,457	20,373,672	201,743
Due to reinsurers	757	757	898	7
Other liabilities:				
Deposits received under securities lending transactions	1,391,342	1,541,069	803,774	14,164
Other	843,523	733,672	861,429	8,587
Total other liabilities	2,234,866	2,274,742	1,665,203	22,751
Accrued retirement benefits	14,783	10,282	29,403	150
Reserve for directors' and corporate auditors' retirement benefits	39	34	—	0
Reserve for price fluctuations	123,546	183,430	174,496	1,257
Deferred tax liabilities on revaluation of land	39,182	39,763	41,189	398
Acceptances and guarantees	440	400	3,320	4
Total liabilities	22,230,893	22,759,868	22,288,184	226,314
<b>NET ASSETS</b>				
Funds, reserve and surplus:				
Foundation funds	199,000	199,000	149,000	2,025
Reserve for redemption of foundation funds	170,000	170,000	170,000	1,730
Reserve for revaluation	2	2	2	0
Surplus	352,354	303,433	270,170	3,587
Total funds, reserve and surplus	721,356	672,436	589,173	7,343
Unrealized gains / losses, revaluation reserve and adjustments:				
Unrealized gains (losses) on available-for-sale securities, net of taxes	(162,188)	130,401	592,236	(1,651)
Deferred unrealized gains (losses) on hedging instruments	151	23	(25)	1
Revaluation reserve for land, net of taxes	(123,398)	(122,555)	(123,893)	(1,256)
Foreign currency translation adjustments	(302)	(93)	(5,253)	(3)
Total unrealized gains / losses, revaluation reserve and adjustments	(285,737)	7,776	463,063	(2,908)
Minority interests	—	—	35	—
Total net assets	435,619	680,212	1,052,272	4,434
Total liabilities and net assets	¥ 22,666,512	¥ 23,440,081	¥ 23,340,457	\$ 230,749

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

## Consolidated Statements of Income

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Ordinary income</b>				
Insurance premiums and other	¥ 2,570,786	¥ 2,586,098	¥ 2,971,190	\$ 26,171
Investment income:				
Interest and dividend income	473,782	481,177	471,582	4,823
Gains on money-held-in-trust	—	—	0	—
Gains on trading securities	488	65	1,049	4
Gains on sales of securities	42,667	38,926	101,844	434
Gains on redemption of securities	3,889	—	905	39
Foreign exchange gains	1,877	—	—	19
Other	294	452	474	2
Gains on assets in separate accounts	—	—	107,097	—
Total investment income	522,999	520,622	682,953	5,324
Other ordinary income	553,732	233,204	126,151	5,637
Total ordinary income	3,647,518	3,339,925	3,780,295	37,132
<b>Ordinary expenses</b>				
Benefits and other payments:				
Claims paid	759,598	731,565	670,201	7,732
Annuities paid	271,209	251,718	225,443	2,760
Benefits paid	437,134	450,688	451,710	4,450
Surrenders	536,196	567,865	580,425	5,458
Other	157,236	164,349	159,025	1,600
Total benefits and other payments	2,161,375	2,166,188	2,086,807	22,003
Provision for policy reserves and other reserves:				
Provision for reserves for outstanding claims	—	964	13,627	—
Provision for policy reserves	—	—	781,007	—
Provision for interest on policyholders' dividend reserves	1,898	1,407	264	19
Total provision for policy reserves and other reserves	1,898	2,371	794,898	19
Investment expenses:				
Interest expenses	16,690	14,985	10,182	169
Losses on sales of securities	118,989	32,024	59,275	1,211
Losses on devaluation of securities	127,983	5,893	5,536	1,302
Losses on redemption of securities	—	—	1	—
Losses on derivatives	50,552	53,573	11,406	514
Foreign exchange losses	—	880	958	—
Provision for allowance for possible loan losses	20,572	—	2,865	209
Write-off of loans	—	35	144	—
Depreciation of real estate for investment	18,768	19,622	21,315	191
Other expenses	22,471	20,453	23,808	228
Losses on assets in separate accounts	398,953	292,986	—	4,061
Total investment expenses	774,983	440,456	135,492	7,889
Operating expenses	375,126	382,844	392,982	3,818
Other ordinary expenses	229,935	236,177	239,332	2,340
Total ordinary expenses	3,543,319	3,228,038	3,649,512	36,071
Ordinary profit	¥ 104,198	¥ 111,887	¥ 130,782	\$ 1,060

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Extraordinary gains</b>				
Gains on disposal of fixed assets, etc.	¥ 1,669	¥ 20,998	¥ 17,094	\$ 16
Reversal of reserve for price fluctuations	59,884	—	—	609
Reversal of allowance for possible loan losses	—	3,491	—	—
Gains on contribution of securities to retirement benefit trust	—	3,291	11,854	—
Total extraordinary gains	61,553	27,781	28,948	626
<b>Extraordinary losses</b>				
Losses on disposal of fixed assets, etc.	1,430	11,695	16,993	14
Impairment losses on fixed assets	11,299	2,783	5,786	115
Provision for reserve for price fluctuations	—	8,934	35,780	—
Advanced depreciation for real estate	56	166	156	0
Payments to social responsibility reserve	670	602	448	6
Other extraordinary losses	781	—	—	7
Total extraordinary losses	14,238	24,182	59,165	144
Surplus before income taxes and minority interests	151,513	115,485	100,565	1,542
Income taxes:				
Current	1,178	47,629	90,931	11
Deferred	46,089	(25,423)	(76,438)	469
Total income taxes	47,268	—	—	481
Minority interests	—	(0)	0	—
Net surplus for the year	¥ 104,244	¥ 93,280	¥ 86,072	\$ 1,061

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

## Consolidated Statements of Changes in Net Assets

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Funds, reserve and surplus</b>				
<b>Foundation funds</b>				
Balance at the end of previous fiscal year	¥ 199,000	¥ 149,000	¥ 149,000	\$ 2,025
Changes during the current fiscal year:				
Financing of additional foundation funds	—	50,000	—	—
Total changes in current fiscal year	—	50,000	—	—
Balance at the end of current fiscal year	199,000	199,000	149,000	2,025
<b>Reserve for redemption of foundation funds</b>				
Balance at the end of previous fiscal year	170,000	170,000	170,000	1,730
Changes during the current fiscal year:				
Total changes in current fiscal year	—	—	—	—
Balance at the end of current fiscal year	170,000	170,000	170,000	1,730
<b>Reserve for revaluation</b>				
Balance at the end of previous fiscal year	2	2	2	0
Changes during the current fiscal year:				
Total changes in current fiscal year	—	—	—	—
Balance at the end of current fiscal year	2	2	2	0
<b>Surplus</b>				
Balance at the end of previous fiscal year	303,433	270,170	231,539	3,089
Changes during the current fiscal year:				
Provision for policyholders' dividend reserves	(51,043)	(50,588)	(41,038)	(519)
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net surplus for the year	104,244	93,280	86,072	1,061
Decrease due to exclusion of subsidiaries from scope of consolidation	—	(4,923)	—	—
Decrease due to inclusion of subsidiaries in scope of consolidation	—	—	(36)	—
Increase due to exclusion of companies accounted for under equity method	—	682	—	—
Reversal of revaluation reserve for land	842	(1,501)	(3,275)	8
Total changes in current fiscal year	48,920	33,262	38,631	498
Balance at the end of current fiscal year	352,354	303,433	270,170	3,587
<b>Total funds, reserve and surplus</b>				
Balance at the end of previous fiscal year	672,436	589,173	550,542	6,845
Changes during the current fiscal year:				
Financing of additional foundation funds	—	50,000	—	—
Provision for policyholders' dividend reserves	(51,043)	(50,588)	(41,038)	(519)
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net surplus for the year	104,244	93,280	86,072	1,061
Decrease due to exclusion of subsidiaries from scope of consolidation	—	(4,923)	—	—
Decrease due to inclusion of subsidiaries in scope of consolidation	—	—	(36)	—
Increase due to exclusion of companies accounted for under equity method	—	682	—	—
Reversal of revaluation reserve for land	842	(1,501)	(3,275)	8
Total changes in current fiscal year	48,920	83,262	38,631	498
Balance at the end of current fiscal year	¥ 721,356	¥ 672,436	¥ 589,173	\$ 7,343

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Unrealized gains/losses, revaluation reserve and adjustments</b>				
<b>Unrealized gains (losses) on available-for-sale securities, net of taxes</b>				
Balance at the end of previous fiscal year	¥ 130,401	¥ 592,236	¥ 604,740	\$ 1,327
Changes during the current fiscal year:				
Other changes during the current fiscal year	(292,590)	(461,834)	(12,503)	(2,978)
Total changes in current fiscal year	(292,590)	(461,834)	(12,503)	(2,978)
Balance at the end of current fiscal year	(162,188)	130,401	592,236	(1,651)
<b>Deferred unrealized gains (losses) on hedging instruments</b>				
Balance at the end of previous fiscal year	23	(25)	—	0
Changes during the current fiscal year:				
Other changes during the current fiscal year	128	49	(25)	1
Total changes in current fiscal year	128	49	(25)	1
Balance at the end of current fiscal year	151	23	(25)	1
<b>Revaluation reserve for land, net of taxes</b>				
Balance at the end of previous fiscal year	(122,555)	(123,893)	(127,018)	(1,247)
Changes during the current fiscal year:				
Other changes during the current fiscal year	(842)	1,338	3,124	(8)
Total changes in current fiscal year	(842)	1,338	3,124	(8)
Balance at the end of current fiscal year	(123,398)	(122,555)	(123,893)	(1,256)
<b>Foreign currency translation adjustments</b>				
Balance at the end of previous fiscal year	(93)	(5,253)	(6,916)	(0)
Changes during the current fiscal year:				
Other changes during the current fiscal year	(209)	5,159	1,663	(2)
Total changes in current fiscal year	(209)	5,159	1,663	(2)
Balance at the end of current fiscal year	(302)	(93)	(5,253)	(3)
<b>Total unrealized gains/losses, revaluation reserve and adjustments</b>				
Balance at the end of previous fiscal year	7,776	463,063	470,805	79
Changes during the current fiscal year:				
Other changes during the current fiscal year	(293,514)	(455,287)	(7,741)	(2,988)
Total changes in current fiscal year	(293,514)	(455,287)	(7,741)	(2,988)
Balance at the end of current fiscal year	(285,737)	7,776	463,063	(2,908)
<b>Minority interests</b>				
Balance at the end of previous fiscal year	—	35	35	—
Changes during the current fiscal year:				
Other changes during the current fiscal year	—	(35)	0	—
Total changes in current fiscal year	—	(35)	0	—
Balance at the end of current fiscal year	—	—	35	—
<b>Total net assets</b>				
Balance at the end of previous fiscal year	680,212	1,052,272	1,021,382	6,924
Changes during the current fiscal year:				
Financing of additional foundation funds	—	50,000	—	—
Provision for policyholders' dividend reserves	(51,043)	(50,588)	(41,038)	(519)
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net surplus for the year	104,244	93,280	86,072	1,061
Decrease due to exclusion of subsidiaries from scope of consolidation	—	(4,923)	—	—
Decrease due to inclusion of subsidiaries in scope of consolidation	—	—	(36)	—
Increase due to exclusion of companies accounted for under equity method	—	682	—	—
Reversal of revaluation reserve for land	842	(1,501)	(3,275)	8
Other changes during the current fiscal year	(293,514)	(455,323)	(7,740)	(2,988)
Total changes in current fiscal year	(244,593)	(372,060)	30,890	(2,490)
Balance at the end of current fiscal year	¥ 435,619	¥ 680,212	¥ 1,052,272	\$ 4,434

## Consolidated Statements of Cash Flows

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>I. Cash flows from operating activities:</b>				
Surplus before income taxes and minority interests	¥ 151,513	¥ 115,485	¥ 100,565	\$ 1,542
Depreciation of real estate for investment	18,768	19,622	21,315	191
Depreciation	16,007	16,206	15,119	162
Impairment losses on fixed assets	11,299	2,783	5,786	115
Amortization of goodwill	(8)	—	—	(0)
Gains on contribution of securities to retirement benefit trust	—	(3,291)	(11,854)	—
Increase (Decrease) in reserves for outstanding claims	(18,039)	964	13,627	(183)
Increase (Decrease) in policy reserves	(383,816)	(80,313)	781,007	(3,907)
Provision for interest on policyholders' dividend reserves	1,898	1,407	264	19
Increase (Decrease) in allowance for possible loan losses	647	(3,220)	2,814	6
Increase (Decrease) in accrued retirement benefits	4,500	(3,351)	(6,684)	45
Increase (Decrease) in reserve for price fluctuations	(59,884)	8,934	35,780	(609)
Interest and dividend income	(473,782)	(481,177)	(471,582)	(4,823)
Losses (Gains) on securities	627,312	345,358	(102,429)	6,386
Interest expenses	16,690	14,985	10,182	169
Losses (Gains) on foreign exchange transactions	(1,877)	1,093	128	(19)
Losses (Gains) on tangible fixed assets	(90)	(10,985)	55	(0)
Equity in losses (earnings) of affiliates	363	(2,214)	(917)	3
Decrease (Increase) in due from insurance agencies	5	6	(19)	0
Decrease (Increase) in due from reinsurers	(127)	146	(31)	(1)
Increase in other assets				
(Excluding assets for investing and financing activities)	(119,208)	(2,490)	(4,355)	(1,213)
Increase (Decrease) due to reinsurers	0	(141)	156	0
Increase (Decrease) in other liabilities				
(Excluding liabilities for investing and financing activities)	134,607	(8,197)	(1,948)	1,370
Other, net	63,124	(45,419)	(38,519)	642
Subtotal	(10,093)	(113,810)	348,461	(102)
Interest and dividend received	538,339	548,065	530,543	5,480
Interest paid	(17,175)	(13,902)	(7,129)	(174)
Policyholders' dividends paid	(84,265)	(95,861)	(100,324)	(857)
Other, net	(670)	(602)	(448)	(6)
Income taxes paid	(26,246)	(91,316)	(91,817)	(267)
Net cash provided by operating activities (I)	¥ 399,887	¥ 232,571	¥ 679,282	\$ 4,070



Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>II. Cash flows from investing activities:</b>				
Net decrease (increase) in deposits	¥ 124,968	¥ (86,745)	¥ (40,537)	\$ 1,272
Purchase of monetary claims bought	(753,113)	(2,365,917)	(2,953,021)	(7,666)
Proceeds from sales and redemption of monetary claims bought	1,196,247	2,319,212	2,860,006	12,178
Purchase of securities	(8,577,418)	(8,024,942)	(6,720,997)	(87,319)
Proceeds from sales and redemption of securities	7,391,302	7,097,223	5,557,607	75,244
Loans made	(452,643)	(510,068)	(424,605)	(4,607)
Proceeds from collection of loans	599,128	615,372	842,703	6,099
Other, net	16,654	698,531	157,252	169
Sub total (IIa)	(454,872)	(257,333)	(721,591)	(4,630)
[I+IIa]	[(54,985)]	[(24,761)]	[(42,309)]	(559)
Purchase of tangible fixed assets	(30,378)	(20,570)	(17,013)	(309)
Proceeds from sales of tangible fixed assets	4,035	71,872	77,543	41
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,550)	—	—	(15)
Other, net	(4,657)	(13,819)	(8,221)	(47)
Net cash used in investing activities	(487,423)	(219,849)	(669,283)	(4,962)
<b>III. Cash flows from financing activities:</b>				
Proceeds from issuance of debt	100,040	11,190	78,113	1,018
Repayment of debt	—	(61,190)	(78,313)	—
Increase in foundation funds	—	50,000	—	—
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net cash provided by (used in) financing activities	94,917	(3,686)	(3,289)	966
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>				
	(4)	9	1	(0)
<b>V. Net increase in cash and cash equivalents</b>	<b>7,377</b>	<b>9,044</b>	<b>6,710</b>	<b>75</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	<b>52,797</b>	<b>48,983</b>	<b>40,327</b>	<b>537</b>
<b>VII. Decrease in cash and cash equivalents due to exclusion of subsidiaries from the consolidation scope</b>	<b>—</b>	<b>(5,230)</b>	<b>—</b>	<b>—</b>
<b>VIII. Increase in cash and cash equivalents due to inclusion of subsidiaries in the consolidation scope</b>	<b>—</b>	<b>—</b>	<b>1,945</b>	<b>—</b>
<b>IX. Cash and cash equivalents at the end of the year</b>	<b>¥ 60,174</b>	<b>¥ 52,797</b>	<b>¥ 48,983</b>	<b>\$ 612</b>

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

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## Notes to Consolidated Financial Statements

Financial Years Ended March 31, 2009, 2008 and 2007

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### 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 from International Financial Reporting Standards. The applicable provisions and the accounting principles differ every year. The financial statements for each period are prepared in compliance with the provisions and accounting principles in effect for the respective accounting period.

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.

Amounts of less than one million have been eliminated. As a result, totals may not add up exactly.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at March 31, 2009, which was ¥98.23 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.

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### II. PRINCIPLES OF CONSOLIDATION

#### 1. Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and five of its subsidiaries as of and for the year ended March 31, 2009, four of its subsidiaries as of and for the year ended March 31, 2008 and seven of its subsidiaries as of and for the year ended March 31, 2007. The following are the consolidated subsidiaries of the Company as of March 31, 2009: The Sumisei General Insurance Co., Ltd., Sumitomo Life Information Systems Co., Ltd. (On October 1, 2008, SUMISEI COMPUTER SERVICE Co., Ltd. changed its corporate name to Sumitmo Life Information Systems Co., Ltd.), Izumi Agency Co., Ltd., Insurance Designers Co., Ltd., and Sumitomo Life Insurance Agency America, Inc.

Izumi Agency Co., Ltd. is included in consolidation from the fiscal year ended March 31, 2007 as it began a 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 major subsidiaries excluded from consolidation are Sumisei Insatsu Co., Ltd. and Sumisei Building Management Co., Ltd.

Since Insurance Designers Co., Ltd. became a subsidiary, it is included in the scope of consolidation in the current fiscal year.

Owing to their decreased materiality during the fiscal year ended March 31, 2008, Sumitomo Life Realty (N.Y.), Inc., SLR Investments, Inc., and Sumisei Card Service Co., Ltd., as well as unconsolidated subsidiaries were excluded from the scope of consolidation, as this exclusion was determined not to pose an impediment to rational decisions concerning the financial status and management performance of the corporate group, owing to the small scale of these companies' total assets, ordinary income, and net income and surplus.

#### 2. Affiliates

Investments in affiliates are accounted for by the equity method. Three affiliated companies were accounted for by the equity method for the year ended March 31, 2009, four affiliated companies for the year ended March 31, 2008 and five affiliated companies for the year ended March 31, 2007.

The following are the equity-method affiliates of the Company as of March 31, 2009: Sumitomo Mitsui Asset Management Co., Ltd., Office Building Fund Management Japan, Ltd. and Japan Pension Navigator Co., Ltd.

As PICC Life Insurance Company Limited was no longer an affiliate from the fiscal year ended March 31, 2008, this company has been removed from equity-method affiliates. Insurance Designers

Co., Ltd., established during the fiscal year ended March 31, 2007, was also removed from equity-method affiliates as it became a subsidiary during the fiscal year ended March 31, 2009.

The respective and aggregate effects of the unconsolidated subsidiaries and affiliates including Japan Pension Service Co., Ltd., etc. excluded from the scope of the equity method are considered immaterial to net income and surplus.

### 3. Fiscal Year-end 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.

## 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 trading securities sold is calculated by the moving average method. Held-to-maturity debt securities are stated at amortized cost and the cost of these 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 these securities sold is calculated by the moving average method and amortization is calculated by the straight-line method. Investments in unconsolidated 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 fiscal 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 on available-for-sale securities are reported net of applicable income taxes, as a separate component of Net Assets for the year ended March 31, 2009, 2008 and 2007, respectively in the consolidated balance sheets.

### 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.

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The balance of debt securities earmarked for policy reserves on the balance sheet and the fair market value as of March 31, 2009 were ¥6,388,640 million (\$65,037 million) and ¥6,530,354 million (\$66,480 million), March 31, 2008 were ¥5,786,998 million and ¥5,912,892 million and as of March 31, 2007 were ¥5,220,616 million and ¥5,224,626 million, respectively.

### 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 and presented as Revaluation reserve of land, net of 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.

### 5. Tangible Fixed Assets

Tangible fixed assets owned by the parent company were depreciated as follows:

#### a. Buildings

- (1) Items acquired on or before March 31, 2007  
Calculated according to the previous straight-line method
- (2) Items acquired on or after April 1, 2007  
Calculated according to the straight-line method

#### b. Other tangible fixed assets

- (1) Items acquired on or before March 31, 2007  
Calculated according to the previous declining-balance method
- (2) Items acquired on or after April 1, 2008  
Calculated according to the declining-balance method  
From the fiscal year ended March 31, 2008, in accordance with revisions to the Corporate Tax Code (Act on Partial Revision, etc. of the Income Tax Act, etc., March 30, 2007, No. 6, and Decree Law on Partial Revision, etc. of the Corporate Tax Code Enforcement Ordinance, March 30, 2007, No. 83.), tangible fixed assets acquired on or after April 1, 2007, are accounted for by the straight-line method and the declining-balance method, as stipulated by the revised Corporate Tax Code.

The impact of this revision for the year ended March 31, 2008 was to reduce ordinary profit and surplus before income taxes and minority interests by ¥364 million.

The residual book value of tangible fixed assets acquired on or before March 31, 2007, that have been depreciated down to their deductible limit of depreciation is depreciated in equal amounts over a five-year period.

The impact of this revision for the year ended March 31, 2008 was to reduce ordinary profit and surplus before income taxes and minority interests by ¥454 million.

### 6. Foreign Currency Translation

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

Foreign currency denominated debt securities classified as available-for-sale securities, which are exposed to significant exchange rate fluctuations, are translated at the monthly average exchange rate of month of fiscal year-end, for the year ended March 31, 2009.

## 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 substantially bankrupt (hereafter, "borrowers substantially 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 disposal 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 substantially 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 years ended March 31, 2009, 2008 and 2007 amounted to ¥20,990 million (\$213 million), ¥1,325 million and ¥2,217 million, respectively, out of which ¥251 million and ¥240 million were write-off of loans with collateral or guarantees at March 31, 2008 and 2007, 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 the status of accrued retirement allowances for the Company's defined benefit plans at March 31, 2009, 2008 and 2007:

### (1) Projected Benefit Obligation

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
a. Projected benefit obligation	¥ (323,183)	¥ (331,462)	¥ (339,074)	\$ (3,290)
b. Plan assets at fair value	191,116	263,043	321,104	1,945
[ Plan assets held in retirement benefit trust (Included in the above plan assets)]	[79,429]	[136,233]	[179,869]	[808]
c. Net projected benefit obligation (a+b)	(132,067)	(68,418)	(17,969)	(1,344)
d. Unrecognized actuarial differences	131,925	67,001	(10,706)	1,343
e. Net value on the balance sheets (c+d)	(142)	(1,417)	(28,676)	(1)
f. Pre-paid plan cost	13,670	8,093	—	139
g. Accrued retirement benefits (e-f)	¥ (13,813)	¥ (9,510)	¥ (28,676)	\$ (140)

(2) Assumption used in calculation

Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
	Straight-line basis	Straight-line basis	Straight-line basis
Method of attributing benefit to period of service			
Discount rate	2.0%	2.0%	2.0%
Long-term rates of return on plan assets:			
Tax qualified retirement pension plan	4.4%	4.7%	2.7%
Retirement benefit trust	0.0%	0.0%	0.0%
Amortization period for actuarial differences (Commencing in the following year)	8 years	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. Lease Accounting

Prior to the fiscal year ended March 31, 2009, finance leases which do not transfer ownership of the leased property to the lessee were accounted for as operating leases. Effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Lease Transactions and its Implementation Guidance (March 30, 2007)" (Accounting Standards Board of Japan, ASBJ Statement No. 13 and ASBJ Guidance No. 16), and changed its accounting policy to account for such finance leases as capital leases.

There were no applicable finance lease transactions for the year ended March 31, 2009.

As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases.

### 11. Hedge Accounting

The Company is exposed to foreign currency exposures arising from foreign currency investments 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.

### 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 expenses (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, are calculated according to the following method:

- (1) For policies that are subject to the standard liability reserve requirements, the Premium reserve is calculated pursuant to the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48, in 1996).
- (2) For policies that are not subject to the standard liability reserve requirements, Premium reserve is calculated by the net level premium method.

The Company changed its accounting policy for Premium reserves for existing individual annuity policies whose annuity payments commenced on or after April 1, 2006, effective from the year ended March 31, 2007, as follows:

The difference arising by applying the calculation basis determined by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996) to individual annuity policies, assuming that the date of commencement of an annuity payment is the date of the annuity contract, has also been provided for by the Company. The life insurance standard life table 2007 for after commencement of annuity payment is used for the assumed rate of mortality in the above calculation. Single-premium non-participating individual annuities which have variable crediting interest rates are not subject to the above calculation.

This change was made in order to address the following changes in the circumstances:

The Company is required to secure sufficient solvency margins, taking into consideration the interest rate environment and increase in average policyholder longevity. Upon the amendment to the Ministry of Finance Notification No. 48 on December 27, 2006, for new individual annuity contracts entered into on or after April 1, 2007, the Premium reserves will better reflect economic reality. As for the existing policies whose annuity payments had commenced, mortalities had been improving. To address this situation, the Company decided to use objective calculation bases stipulated in the Ministry of Finance Notification No. 48 in providing for Premium reserves for existing policies whose annuity payments commenced, in order to better reflect economic reality.

As a result of this accounting change, ordinary profit and surplus before income taxes and minority interests for the year ended March 31, 2007 decreased by ¥27,417 million compared to the fiscal year ended March 31, 2006.

### 14. Software

Certain software of the Company for internal use (included in Intangible fixed assets as of March 31, 2009, 2008 and 2007) is capitalized and amortized over the estimated useful life by the straight-line method.

### 15. Net Assets

The Company applied "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 the year ended March 31, 2007.

The amount equivalent to "Capital" in the year ended March 31, 2006 was ¥1,052,262 million as of March 31, 2007.

Net Assets in the balance sheets as of March 31, 2009, 2008 and 2007 are 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 year ended March 31, 2006 was altered to "Tangible Fixed Assets" from the year ended March 31, 2007.



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- (2) "Intangible Fixed Assets" which was included in "Other Assets" in the year ended March 31, 2006 is presented separately from the year ended March 31, 2007.
- (3) "Unrealized Gains or Losses on Securities" was altered to "Unrealized Gains or Losses on Available-for-sale Securities" from the year ended March 31, 2007.

### 17. Loans Receivable

The aggregate amounts 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 ¥2,237 million (\$22 million), ¥2,851 million and ¥15,707 million at March 31, 2009, 2008 and 2007, respectively. The aggregate amounts of loans to bankrupt borrowers were none, ¥21 million and ¥398 million, and loans in arrears was ¥2,230 million (\$22 million), ¥1,226 million and ¥13,626 million at March 31, 2009, 2008 and 2007, respectively. The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets at March 31, 2009, 2008 and 2007 was ¥20,905 million (\$212 million), ¥1,239 million and ¥1,024 million for loans to bankrupt loans, and ¥72 million (\$0 million), ¥84 million and ¥1,225 million for loans in arrears, respectively.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting 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 substantially bankrupt" or "borrowers likely to become bankrupt" in the self-assessment of asset quality.

The amounts of loans in arrears for three months or longer were none, ¥1,124 million and ¥1,159 million at March 31, 2009, 2008 and 2007, 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 for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amounts of restructured loans were ¥6 million (\$0 million), ¥479 million and ¥523 million at March 31, 2009, 2008 and 2007, respectively. Restructured 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. Restructured loans do not include 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 ¥445,074 million (\$4,530 million), ¥431,569 million and ¥425,807 million at March 31, 2009, 2008 and 2007, respectively.

### 19. Separate Accounts

The amount of assets held in separate accounts defined in Article 118 of the Insurance Business Law was ¥2,612,125 million (\$26,591 million), ¥2,741,745 million and ¥2,669,759 million at March 31, 2009, 2008 and 2007, respectively. The amounts of liabilities were the same as these figures.



## 20. Policyholders' Dividend Reserves

Changes in the policyholders' dividend reserves for the years ended March 31, 2009, 2008 and 2007 are as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Reserves at the end of previous fiscal year	¥ 398,782	¥ 442,648	¥ 501,670	\$ 4,059
Transfer from surplus	51,043	50,588	41,038	519
Dividend payments to policyholders during the year	(84,265)	(95,861)	(100,324)	(857)
Interest accrued during the year	1,898	1,407	264	19
Reserves at the end of current fiscal year	¥ 367,459	¥ 398,782	¥ 442,648	\$ 3,740

## 21. Investments in Unconsolidated Subsidiaries and Affiliates

Total amounts of investments in unconsolidated subsidiaries and affiliates as of March 31, 2009, 2008 and 2007 were ¥13,532 million (\$137 million), ¥12,618 million and ¥15,421million, respectively.

## 22. Pledged Assets

Among assets pledged as collateral, securities amounted to ¥565,079 million (\$5,752 million), ¥493,065 million and ¥505,963 million as of March 31, 2009, 2008 and 2007, and buildings amounted to ¥27,096 million as of March 31, 2007. In addition to above, secured debts as collateral amounted to ¥7,903 million at March 31, 2007.

## 23. Foundation Funds

The Company increased the Foundation Funds in Net Assets and Capital of ¥50,000 million for the year ended March 31, 2008 in accordance with Article 60 of the Insurance Business Law.

## 24. Securities Lending

Securities loaned under security lending agreements amounted to ¥1,352,997 million (\$13,773 million), ¥1,493,733 million and ¥910,839 million at March 31, 2009, 2008 and 2007, respectively.

## 25. Loan Commitments

Outstanding loan commitments were ¥3,436 million (\$34 million), ¥6,578 million and ¥23,523 million at March 31, 2009, 2008 and 2007, respectively.

## 26. Subordinated Debt

Other Liabilities in the consolidated balance sheets include ¥445,000 million (\$4,530 million), ¥345,000 million and ¥395,000 million of borrowings whose repayment is subordinated to other obligations at March 31, 2009, 2008 and 2007, respectively.

## 27. 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 at March 31, 2007. These obligations were recognized as Operating expenses when the contributions were made.

## 28. Obligations to Life Insurance Policyholders Protection Corporation

The Company estimated future obligations to the Life Insurance Policyholders Protection Corporation at ¥47,815 million (\$486 million), ¥49,161 million and ¥50,090 million at March 31, 2009, 2008 and 2007, respectively, as stipulated by Article 259 of the Insurance Business Law.

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

## 29. Deferred Taxes

Gross deferred tax assets at March 31, 2009, 2008 and 2007 totaled ¥469,661 million (\$4,781 million), ¥419,150 million and ¥398,488 million, respectively, and gross deferred tax liabilities at March 31, 2009, 2008 and 2007 totaled ¥15,004 million (\$152 million), ¥87,710 million and ¥350,344 million, respectively. Valuation allowances which are deducted from deferred tax assets amounted to ¥10,608 million (\$107 million), ¥6,298 million and ¥7,091 million at March 31, 2009, 2008 and 2007, respectively.

The main components of deferred tax assets were as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Policy reserves	¥124,845	¥210,036	¥180,750	\$1,270
Tax loss carry forwards	97,744	—	—	995
Unrealized losses on available-for-sale securities	92,069	—	—	937
Reserve for price fluctuations	44,662	66,310	63,080	454
Accrued retirement benefits	42,402	—	46,902	431
Losses on devaluation of securities	—	68,662	72,569	—

The main components of deferred tax liabilities were as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Unrealized gains on available-for-sale securities	¥ —	¥ 73,854	¥ 335,255	\$ —

The statutory tax rate was 36.15% in the years ended March 31, 2009, 2008 and 2007, which was different from the effective tax rates of 31.1%, 19.2% and 14.4% in the years ended March 31, 2009, 2008 and 2007, 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 14.6% and 17.2% in the years ended March 31, 2008 and 2007, respectively.

## IV. STATEMENTS OF INCOME

### 1. Gains / Losses on Disposal of Fixed Assets

From 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 as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Government and other bonds	¥ 22,512	¥ 6,479	¥ 2,921	\$ 229
Stocks and the equivalent securities	14,347	24,616	98,179	146
Foreign securities	5,211	7,830	690	53

The components of losses on sales of securities of the Company were as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Government and other bonds	¥ 637	¥ 8,249	¥ 7,392	\$ 6
Stocks and the equivalent securities	28,074	8,106	8,216	285
Foreign securities	90,220	15,668	43,653	918

The components of losses on devaluation of securities of the Company were as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Stocks and the equivalent securities	¥ 105,580	¥ 6,168	¥ 5,536	\$ 1,074
Foreign securities	22,400	—	—	228

## 3. Trading Securities

Gains on Trading Securities are comprised as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Interest and dividend income	¥ 399	¥ 6	¥ 3	\$ 4
Gains on sales of trading securities, net of losses on sales	94	19	1,067	0
Valuation gains (losses)	(5)	39	(21)	(0)

## 4. Derivatives

The Company's valuation losses of ¥56,948 million (\$579 million) and valuation gains of ¥6,943 million and ¥2,930 million are included in Losses on Derivatives in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007, respectively.

## 5. Retirement Benefit Expenses

Retirement benefit expenses of the Company for the years ended March 31, 2009, 2008 and 2007 are comprised of the following:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
a. Service costs	¥ 11,950	¥ 12,375	¥ 12,909	\$ 121
b. Interest cost on projected benefit obligation	6,629	6,810	6,783	67
c. Return on plan assets	(5,579)	(6,638)	(3,598)	(56)
d. Amortization of actuarial differences	13,912	3,895	1,806	141
Retirement benefit expenses	¥ 26,912	¥ 16,442	¥ 17,899	\$ 273

## 6. Impairment of Fixed Assets

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

Total impairment losses on fixed assets are applied to directly reduce the total asset amounts of their respective asset categories.

### 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, 2009, 2008 and 2007, 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 extraordinary 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
		2009	2008	2007	2009
Real estate for investment	Land and buildings	¥ 10,173	¥ 2,399	¥ 5,190	\$ 103
Idle real estate	Land and buildings	1,126	383	592	11
Total		¥ 11,299	¥ 2,783	¥ 5,783	\$ 115

### 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 is 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, 2009, 2008 and 2007 is as follows:

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Cash and deposits	¥ 109,071	¥ 225,247	¥ 134,562	\$ 1,110
Deposits bearing interest	(48,896)	(172,450)	(85,579)	(497)
Cash and cash equivalents	¥ 60,174	¥ 52,797	¥ 48,983	\$ 612

## Report of Independent Auditors



### Independent Auditors' Report

To the Board of Directors of  
SUMITOMO LIFE INSURANCE COMPANY

We have audited the accompanying consolidated balance sheets of SUMITOMO LIFE INSURANCE COMPANY and consolidated subsidiaries as of March 31, 2009, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2009, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SUMITOMO LIFE INSURANCE COMPANY and subsidiaries as of March 31, 2009, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

1. As discussed in Note I to the consolidated financial statements, the applicable provisions set forth in the Japanese Insurance Business Law and its related accounting regulations and accounting principles generally accepted in Japan differ every year, and the financial statements for each period are prepared in compliance with the provisions and accounting principles in effect for the respective accounting periods.
2. As discussed in Note III 13 to the consolidated financial statements, SUMITOMO LIFE INSURANCE COMPANY changed its accounting policy for Premium reserves for existing individual annuity policies whose annuity payments commenced on or after April 1, 2006, effective from the year ended March 31, 2007.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note I to the consolidated financial statements.

*KPMG AZSA & Co.*

Tokyo, Japan  
May 19, 2009

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

## Non-Consolidated Balance Sheets (Non Audited)

At March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>ASSETS</b>				
Cash and deposits:				
Cash	¥ 889	¥ 868	¥ 1,465	\$ 9
Bank deposits	96,389	215,719	113,345	981
Total Cash and deposits	97,279	216,587	114,811	990
Call loans	379,300	543,800	504,700	3,861
Monetary claims bought	437,022	880,103	832,901	4,448
Securities:				
Government bonds	5,026,388	4,506,783	4,487,735	51,169
Local government bonds	327,039	457,210	570,049	3,329
Corporate bonds	3,048,759	2,959,888	2,870,077	31,036
Stocks	1,721,766	2,329,665	2,903,291	17,527
Foreign securities	5,376,798	5,615,437	5,270,946	54,736
Other securities	292,058	155,752	178,924	2,973
Total securities	15,792,810	16,024,737	16,281,024	160,773
Loans :				
Policy loans	414,280	436,673	459,418	4,217
Ordinary loans	3,454,896	3,621,265	3,726,784	35,171
Total loans	3,869,177	4,057,938	4,186,203	39,388
Tangible fixed assets:				
Land	554,956	550,921	587,007	5,649
Buildings	440,426	453,694	487,686	4,483
Construction in progress	2,040	2,301	1,436	20
Other tangible fixed assets	10,601	11,541	10,503	107
Total tangible fixed assets	1,008,026	1,018,458	1,086,634	10,261
Intangible fixed assets:				
Software	15,062	17,464	17,267	153
Other intangible fixed assets	16,979	15,949	17,300	172
Total intangible fixed assets	32,041	33,414	34,568	326
Due from insurance agencies	18	9	17	0
Due from reinsurers	165	97	83	1
Other assets :				
Accounts receivable	123,349	31,489	31,181	1,255
Prepaid expenses	101,620	80,005	44,047	1,034
Accrued income	94,098	102,625	105,277	957
Deposits	5,480	5,615	5,469	55
Differential account for futures trading	25,343	—	45	258
Derivatives	157,378	37,896	6,578	1,602
Suspense payment	21,453	9,260	5,561	218
Other	25,344	20,129	12,642	258
Total other assets	554,068	287,022	210,804	5,640
Deferred tax assets	441,632	321,582	36,244	4,495
Customers' liabilities for acceptances and guarantees	440	400	3,320	4
Allowance for possible loan losses	(2,233)	(1,584)	(4,877)	(22)
<b>Total assets</b>	<b>¥ 22,609,749</b>	<b>¥ 23,382,567</b>	<b>¥ 23,286,436</b>	<b>\$ 230,171</b>

	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>LIABILITIES</b>				
Policy reserves:				
Reserves for outstanding claims	¥ 112,844	¥ 130,629	¥ 130,137	\$ 1,148
Policy reserves	19,287,447	19,672,951	19,753,746	196,349
Policyholders' dividend reserves	367,459	398,782	442,648	3,740
Total policy reserves	19,767,751	20,202,364	20,326,533	201,239
Due to reinsurers	132	107	124	1
Other liabilities:				
Deposits received under securities lending transactions	1,391,342	1,541,069	803,774	14,164
Long-term debt	445,040	345,000	395,000	4,530
Income tax payable	404	583	47,729	4
Accounts payable	60,995	183,794	112,590	620
Accrued expenses	40,905	38,634	45,783	416
Unearned income	3,245	3,610	4,043	33
Deposits received	50,212	50,579	52,977	511
Guarantee deposits received	55,796	55,965	56,343	568
Securities borrowed	32	29	250	0
Derivatives	91,497	46,696	135,819	931
Suspense receipt	5,245	3,096	3,603	53
Other	84,625	—	—	861
Total other liabilities	2,229,342	2,269,060	1,657,915	22,695
Accrued retirement benefits	13,813	9,510	28,676	140
Reserve for price fluctuations	123,247	183,147	174,228	1,254
Deferred tax liabilities on revaluation of land	39,182	39,763	41,189	398
Acceptances and guarantees	440	400	3,320	4
Total liabilities	22,173,908	22,704,354	22,231,988	225,734
<b>NET ASSETS</b>				
Funds, reserve and surplus:				
Foundation funds	199,000	199,000	149,000	2,025
Reserve for redemption of foundation funds	170,000	170,000	170,000	1,730
Reserve for revaluation	2	2	2	0
Surplus:				
Reserve for future losses	3,604	3,404	3,204	36
Other surplus:				
Reserve for fund redemption	99,500	67,500	45,500	1,012
Fund for price fluctuation allowance	140,000	140,000	140,000	1,425
Reserve for assisting social responsibility	1,452	1,422	1,325	14
Other reserves	223	223	223	2
Unappropriated surplus	107,922	89,066	77,175	1,098
Total other surplus	349,097	298,213	264,224	3,553
Total surplus	352,702	301,617	267,429	3,590
Total funds, reserve and surplus	721,704	670,620	586,431	7,347
Unrealized gains / losses, revaluation reserve and adjustments:				
Unrealized gains (losses) on available-for-sale securities, net of taxes	(162,617)	130,124	591,936	(1,655)
Deferred unrealized gains (losses) on hedging instruments	151	23	(25)	1
Revaluation reserve for land, net of taxes	(123,398)	(122,555)	(123,893)	(1,256)
Total unrealized gains / losses, revaluation reserve and adjustments	(285,864)	7,592	468,017	(2,910)
Total net assets	435,840	678,212	1,054,448	4,436
Total liabilities and net assets	¥ 22,609,749	¥ 23,382,567	¥ 23,286,436	\$ 230,171



## Non-Consolidated Statements of Income (Non Audited)

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Ordinary income</b>				
Insurance premiums and other:				
Premium income	¥ 2,529,256	¥ 2,544,184	¥ 2,930,428	\$ 25,748
Reinsurance income	644	635	445	6
Other income to policy reserves	3,830	3,745	3,538	38
Total insurance premiums and other	2,533,731	2,548,565	2,934,411	25,793
Investment income:				
Interest and dividend income:				
Interest from deposits	390	662	228	3
Interest and dividend from securities	315,650	315,333	297,150	3,213
Interest on loans	80,264	82,757	90,215	817
Income from real estate rental	67,075	69,107	72,888	682
Other interest and dividend	11,375	12,595	7,700	115
Total interest and dividend income	474,755	480,456	468,183	4,833
Gains on money-held-in-trust	—	—	0	—
Gains on trading securities	488	65	1,049	4
Gains on sales of securities	42,071	38,926	101,791	428
Gains on redemption of securities	3,889	—	905	39
Foreign exchange gains	1,877	327	—	19
Other	296	450	429	3
Gains on assets in separate accounts	—	—	107,097	—
Total investment income	523,378	520,225	679,456	5,328
Other ordinary income:				
Annuity supplementary contract premiums	12,838	10,936	8,942	130
Benefits left to accumulate at interest	120,856	109,973	94,571	1,230
Reversal of reserves for outstanding claims	17,785	—	—	181
Reversal of policy reserves	385,504	80,794	—	3,924
Reversal of accrued retirement benefits	1,275	11,498	6,718	12
Other	9,472	7,819	8,119	96
Total other ordinary income	547,732	221,022	118,351	5,576
Total ordinary income	3,604,842	3,289,813	3,732,220	36,697
<b>Ordinary expenses</b>				
Benefits and other payments:				
Claims paid	742,747	713,719	653,849	7,561
Annuities paid	271,209	251,718	225,443	2,760
Benefits paid	437,134	450,688	451,710	4,450
Surrenders	535,163	566,399	579,338	5,448
Other refunds paid	151,952	158,831	154,234	1,546
Reinsurance premiums	914	896	800	9
Total benefits and other payments	2,139,122	2,142,254	2,065,376	21,776
Provision for policy reserves and other reserves:				
Provision for reserves for outstanding claims	—	492	11,910	—
Provision for policy reserves	—	—	778,593	—
Provision for interest on policyholders' dividend reserves	1,898	1,407	264	19
Total provision for policy reserves and other reserves	¥ 1,898	¥ 1,899	¥ 790,768	\$ 19



	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Investment expenses:				
Interest expenses	¥ 16,690	¥ 14,978	¥ 10,170	\$ 169
Losses on sales of securities	118,933	32,024	59,262	1,210
Losses on devaluation of securities	127,981	6,168	5,536	1,302
Losses on redemption of securities	—	—	1	—
Losses on derivatives	50,552	53,573	11,406	514
Foreign exchange losses	—	—	957	—
Provision for allowance for possible loan losses	20,573	—	2,888	209
Depreciation of real estate for investment	18,768	19,437	20,530	191
Other expenses	22,567	20,286	22,494	229
Losses on assets in separate accounts	398,953	292,986	—	4,061
Total investment expenses	775,021	439,456	133,248	7,889
Operating expenses	367,716	372,198	382,584	3,743
Other ordinary expenses:				
Payments of benefits left to accumulate at interest	174,229	179,999	187,679	1,773
Taxes	21,240	21,530	23,114	216
Depreciation	15,457	15,886	15,091	157
Other	6,416	7,381	5,218	65
Total other ordinary expenses	217,344	224,797	231,104	2,212
Total ordinary expenses	3,501,103	3,180,606	3,603,082	35,641
Ordinary profit	103,738	109,207	129,137	1,056
<b>Extraordinary gains</b>				
Gains on disposal of fixed assets, etc.	1,669	11,875	12,771	16
Reversal of allowance for price fluctuations	59,900	—	—	609
Reversal of allowance for possible loan losses	—	3,526	—	—
Gains on contribution of securities to retirement benefit trust	—	3,291	11,854	—
Total extraordinary gains	61,569	18,692	24,625	626
<b>Extraordinary losses</b>				
Losses on disposal of fixed assets, etc.	1,411	6,819	20,829	14
Impairment losses on fixed assets	11,299	2,783	5,783	115
Provision for reserve for price fluctuations	—	8,919	35,765	—
Advanced depreciation for real estate	56	166	156	0
Payments to social responsibility reserve	670	602	448	6
Total extraordinary losses	13,438	19,291	62,984	136
Surplus before income taxes	151,869	108,608	90,779	1,546
Income taxes:				
Current	422	43,912	83,718	4
Deferred	45,037	(25,268)	(72,941)	458
Total income taxes	45,460	—	—	462
Net surplus for the year	¥ 106,408	¥ 89,965	¥ 80,002	\$ 1,083

## Non-Consolidated Statements of Changes in Net Assets (Non Audited)

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Funds, reserve and surplus</b>				
<b>Foundation funds</b>				
Balance at the end of previous fiscal year	¥ 199,000	¥ 149,000	¥ 149,000	\$ 2,025
Changes during the current fiscal year:				
Financing of additional foundation funds	—	50,000	—	—
Total changes in current fiscal year	—	50,000	—	—
Balance at the end of current fiscal year	199,000	199,000	149,000	2,025
<b>Reserve for redemption of foundation funds</b>				
Balance at the end of previous fiscal year	170,000	170,000	170,000	1,730
Changes during the current fiscal year:				
Total changes in current fiscal year	—	—	—	—
Balance at the end of current fiscal year	170,000	170,000	170,000	1,730
<b>Reserve for revaluation</b>				
Balance at the end of previous fiscal year	2	2	2	0
Changes during the current fiscal year:				
Total changes in current fiscal year	—	—	—	—
Balance at the end of current fiscal year	2	2	2	0
<b>Surplus</b>				
<b>Reserve for future losses</b>				
Balance at the end of previous fiscal year	3,404	3,204	3,004	34
Changes during the current fiscal year:				
Additions to reserve for future losses	200	200	200	2
Total changes in current fiscal year	200	200	200	2
Balance at the end of previous fiscal year	3,604	3,404	3,204	36
<b>Other surplus</b>				
<b>Reserve for fund redemption</b>				
Balance at the end of previous fiscal year	67,500	45,500	23,500	687
Changes during the current fiscal year:				
Additions to reserve for redemption of foundation funds	32,000	22,000	22,000	325
Total changes in current fiscal year	32,000	22,000	22,000	325
Balance at the end of current fiscal year	99,500	67,500	45,500	1,012
<b>Fund for price fluctuation allowance</b>				
Balance at the end of previous fiscal year	140,000	140,000	140,000	1,425
Changes during the current fiscal year:				
Total changes in current fiscal year	—	—	—	—
Balance at the end of current fiscal year	140,000	140,000	140,000	1,425
<b>Reserve for assisting social responsibility</b>				
Balance at the end of previous fiscal year	1,422	1,325	1,074	14
Changes during the current fiscal year:				
Additions to reserve for assisting social responsibility	700	700	700	7
Reversal of reserve for assisting social responsibility	(670)	(602)	(448)	(6)
Total changes in current fiscal year	29	97	251	0
Balance at the end of current fiscal year	1,452	1,422	1,325	14
<b>Other reserves</b>				
Balance at the end of previous fiscal year	223	223	223	2
Changes during the current fiscal year:				
Total changes in current fiscal year	—	—	—	—
Balance at the end of current fiscal year	¥ 223	¥ 223	¥ 223	\$ 2

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Unappropriated surplus</b>				
Balance at the end of previous fiscal year	¥ 89,066	¥ 77,175	¥ 67,028	\$ 906
Changes during the current fiscal year:				
Provision for policyholders' dividend reserves	(51,043)	(50,588)	(41,038)	(519)
Additions to reserve for future losses	(200)	(200)	(200)	(2)
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net surplus for the year	106,408	89,965	80,002	1,083
Additions to reserve for redemption of foundation funds	(32,000)	(22,000)	(22,000)	(325)
Additions to reserve for assisting social responsibility	(700)	(700)	(700)	(7)
Reversal of reserve for assisting social responsibility	670	602	448	6
Reversal of revaluation reserve for land	842	(1,501)	(3,275)	8
Total changes in current fiscal year	18,855	11,891	10,146	191
Balance at the end of current fiscal year	107,922	89,066	77,175	1,098
<b>Total surplus</b>				
Balance at the end of previous fiscal year	301,617	267,429	234,831	3,070
Changes during the current fiscal year:				
Provision for policyholders' dividend reserves	(51,043)	(50,588)	(41,038)	(519)
Additions to reserve for future losses	—	—	—	—
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net surplus for the year	106,408	89,965	80,002	1,083
Additions to reserve for redemption of foundation funds	—	—	—	—
Additions to reserve for social responsibility	—	—	—	—
Reversal of reserve for assisting social responsibility	—	—	—	—
Reversal of revaluation reserve for land	842	(1,501)	(3,275)	8
Total changes in current fiscal year	51,084	34,188	32,597	520
Balance at the end of current fiscal year	352,702	301,617	267,429	3,590
<b>Total funds, reserve and surplus</b>				
Balance at the end of previous fiscal year	670,620	586,431	553,834	6,827
Changes during the current fiscal year:				
Financing of additional foundation funds	—	50,000	—	—
Provision for policyholders' dividend reserves	(51,043)	(50,588)	(41,038)	(519)
Additions to reserve for future losses	—	—	—	—
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net surplus for the year	106,408	89,965	80,002	1,083
Additions to reserve for redemption of foundation funds	—	—	—	—
Additions to reserve for assisting social responsibility	—	—	—	—
Reversal of reserve for assisting social responsibility	—	—	—	—
Reversal of revaluation reserve for land	842	(1,501)	(3,275)	8
Total changes in current fiscal year	51,084	84,188	32,597	520
Balance at the end of current fiscal year	¥ 721,704	¥ 670,620	¥ 586,431	\$ 7,347

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
<b>Unrealized gains/losses, revaluation reserve and adjustments</b>				
Unrealized gains on available-for-sale securities, net of taxes				
Balance at the end of previous fiscal year	¥ 130,124	¥ 591,936	¥ 604,600	\$ 1,324
Changes during the current fiscal year:				
Other changes during the current fiscal year	(292,741)	(461,812)	(12,664)	(2,980)
Total changes in current fiscal year	(292,741)	(461,812)	(12,664)	(2,980)
Balance at the end of current fiscal year	(162,617)	130,124	591,936	(1,655)
Deferred unrealized gains (losses) on hedging instruments				
Balance at the end of previous fiscal year	23	(25)	—	0
Changes during the current fiscal year:				
Other changes during the current fiscal year	128	49	(25)	1
Total changes in current fiscal year	128	49	(25)	1
Balance at the end of current fiscal year	151	23	(25)	1
Revaluation reserve for land, net of taxes				
Balance at the end of previous fiscal year	(122,555)	(123,893)	(127,018)	(1,247)
Changes during the current fiscal year:				
Other changes during the current fiscal year	(842)	1,338	3,124	(8)
Total changes in current fiscal year	(842)	1,338	3,124	(8)
Balance at the end of current fiscal year	(123,398)	(122,555)	(123,893)	(1,256)
Total unrealized gains/losses, revaluation reserve and adjustments				
Balance at the end of previous fiscal year	7,592	468,017	477,582	77
Changes during the current fiscal year:				
Other changes during the current fiscal year	(293,456)	(460,424)	(9,565)	(2,987)
Total changes in current fiscal year	(293,456)	(460,424)	(9,565)	(2,987)
Balance at the end of current fiscal year	(285,864)	7,592	468,017	(2,910)
<b>Total net assets</b>				
Balance at the end of previous fiscal year	678,212	1,054,448	1,031,416	6,904
Changes during the current fiscal year:				
Financing of additional foundation funds	—	50,000	—	—
Provision for policyholders' dividend reserves	(51,043)	(50,588)	(41,038)	(519)
Additions to reserve for future losses	—	—	—	—
Payment of interest on foundation funds	(5,123)	(3,686)	(3,089)	(52)
Net surplus for the year	106,408	89,965	80,002	1,083
Additions to reserve for redemption of foundation funds	—	—	—	—
Additions to reserve for assisting social responsibility	—	—	—	—
Reversal of reserve for assisting social responsibility	—	—	—	—
Reversal of revaluation reserve for land	842	(1,501)	(3,275)	8
Other changes during the current fiscal year	(293,456)	(460,424)	(9,565)	(2,987)
Total changes in current fiscal year	(242,371)	(376,236)	23,032	(2,467)
Balance at the end of current fiscal year	¥ 435,840	¥ 678,212	¥ 1,054,448	\$ 4,436

## Non-Consolidated Statements of Surplus (Non Audited)

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Millions of U.S. dollars
	2009	2008	2007	2009
Unappropriated surplus	¥ 107,922	¥ 89,066	¥ 77,175	\$ 1,098
Appropriation of surplus				
Provision for policyholders' dividend reserves	44,758	51,043	50,588	455
Net surplus:				
Reserves for future losses	200	200	200	2
Interest on foundation funds	5,263	5,123	3,686	53
Voluntary surplus reserves:				
Reserve for fund redemption	32,000	32,000	22,000	325
Reserve for price fluctuation allowance	25,000	—	—	254
Reserve for assisting social responsibility	700	700	700	7
Total voluntary reserves	57,700	32,700	22,700	587
Total net surplus	63,163	38,023	26,586	643
Total appropriation of surplus	¥ 107,922	¥ 89,066	¥ 77,175	\$ 1,098

## Corporate Information

(As of July 2, 2009)

### Directory

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\* If you have any inquiries, please contact:

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Corporate Planning Department

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### Global Network

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#### New York Representative Office

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### Board of Directors, Corporate Auditors and Executive Officers

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#### Chairman and Representative Director

Shinichi Yokoyama

#### President and Representative Director,

Chief Executive Officer

Yoshio Sato

#### Senior Managing Directors and Representative Directors,

Senior Executive Officers

Fumio Tokubutsu

Ikunori Kato

#### Managing Directors and Managing Executive Officers

Norio Takamatsu

Haruo Urata

Michihisa Tanimoto

Masahiro Hashimoto

Yutaka Amino

Koichi Suzaki

Yukio Noro

Masaya Honjo

#### Directors

Yosaku Fuji

Hiroyuki Kamano

Tsuguoki Fujinuma

#### Senior Corporate Auditors

Koji Hanaoka

Mitsutoshi Mise

#### Corporate Auditors

Takemochi Ishii

Toru Motobayashi

Masami Ohinata

#### Managing Executive Officers

Tsutomu Yasukawa

Tatsuhiko Oda

Kazuhiko Tsutsumi

Hiroshi Yamaguchi

#### Executive Officers

Shinji Haruhara

Sachio Kondo

Hironobu Sakai

Hiroyuki Shimomura

Hidenori Shinohara

Hiroshi Fujii

Hisato Kogawa

Masato Inui

Toshimatsu Araki





## SUMITOMO LIFE INSURANCE COMPANY

### Head Office (Osaka)

1-4-35, Shiromi, Chuo-ku, Osaka 540-8512, Japan

### Tokyo Head Office

7-18-24, Tsukiji, Chuo-ku, Tokyo 104-8430, Japan



#### "Project to create an affluent future"

This phrase, written in Japanese in the photo, symbolizes Sumitomo Life's commitment to fulfilling its responsibilities as a social-conscious organization. Through various CSR activities, Sumitomo Life will work together with all stakeholders to achieve this commitment.