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# FY2017 Business Results

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**SUMITOMO LIFE**

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# Sumitomo Life at a Glance

## Company Overview

- Established: May 1907  
(111 years of history)

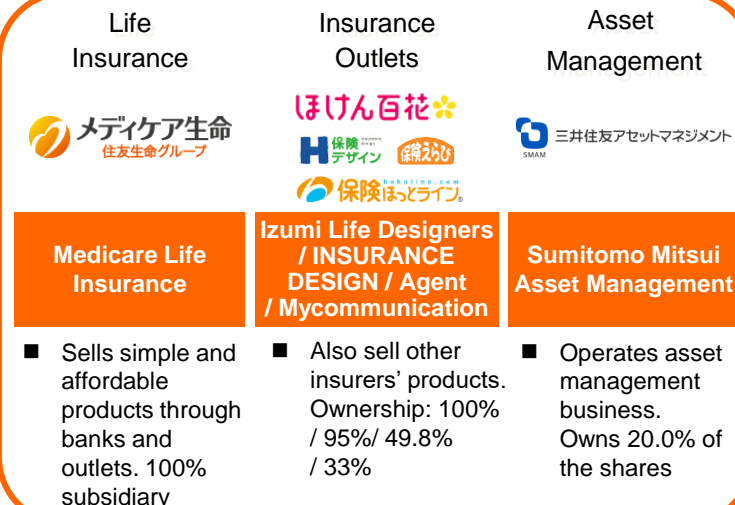
### Key Figures<sup>1</sup> – FY2017 (as of Mar. 2018)

- Premium income: JPY 2.68tn  
(JPY 3.45tn in FY2016)
- Core business profit<sup>2</sup>: JPY 361.7bn  
(JPY 331.2bn in FY2016)
- Total assets: JPY 36.3tn
- Annualized premiums from policies in force<sup>3</sup>: JPY 2.78tn
- Solvency margin ratio: 881.7%
- Embedded value<sup>4</sup> (EEV): JPY 3.77tn
- Number of sales representatives: 31,894
- Insurer financial strength rating<sup>5</sup>: A1 [Moody's], A [S&P],  
A [Fitch], A+ [R&I], A+ [JCR]



## Group Overview<sup>6</sup>

### Domestic



### Overseas



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Source: Company disclosure

<sup>1</sup> Consolidated figures

<sup>2</sup> Adjusted core business profit of the group (see page 6 for details)

<sup>3</sup> Figures for individual life and individual annuity for domestic business (see page 4 for details)

<sup>4</sup> Combined figures of Sumitomo Life's EEV, Medicare Life's EEV and Symetra's EEV (see page 7 for details)

<sup>5</sup> As of April 30, 2018. The rating from Fitch is based on public information

<sup>6</sup> As of March 31, 2018 on ownership

# Key Highlights

## ◇ FY2017 Results

- ✓ Annualized premiums from policies in force has increased steadily. . . . P.4  
Annualized premiums from new policies for the Third sector, our focused area, increased by expanding sales of protection type products
- ✓ Core business profit increased due to incremental interest income as a result of increased exposure to foreign bonds and incremental dividend income from domestic stocks . . . P.6
- ✓ EEV increased due to income from insurance businesses . . . P.7
- ✓ Capital base was further strengthened through the accumulation of internal reserves and surplus, as well as the issuance of subordinated bonds . . . P.13

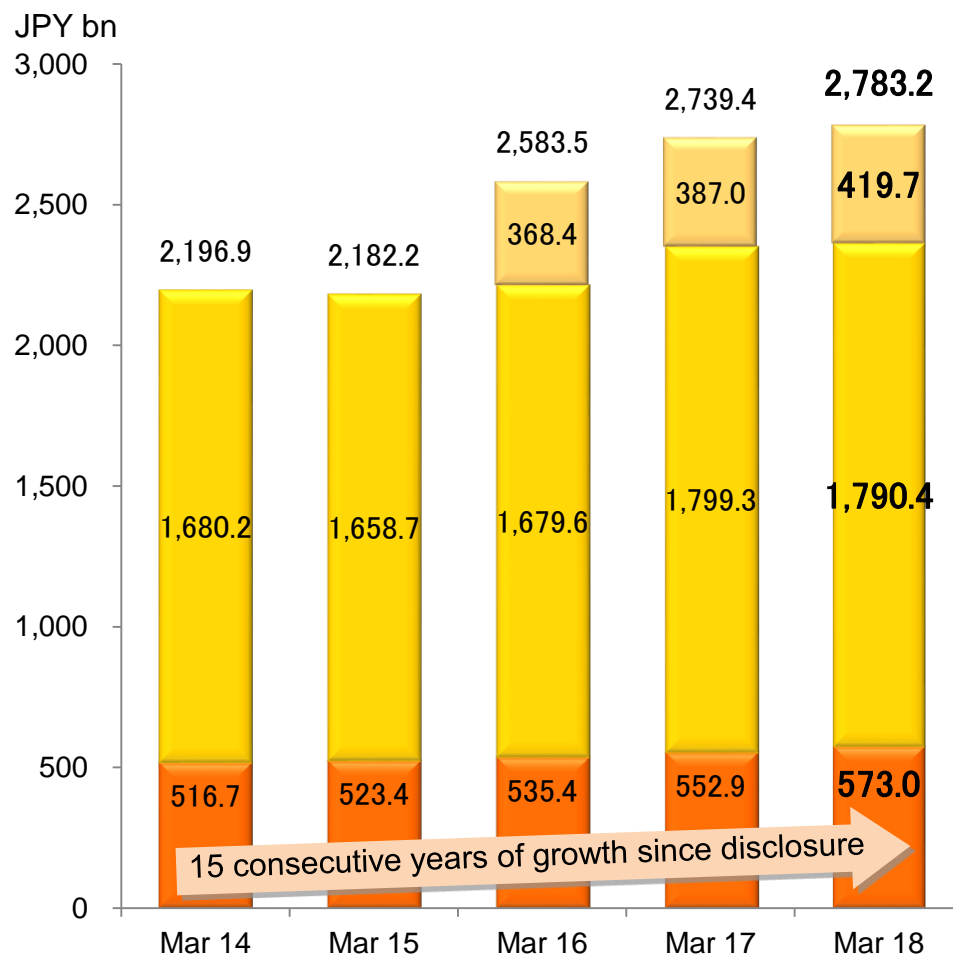


## **I . FY2017 Business Results**

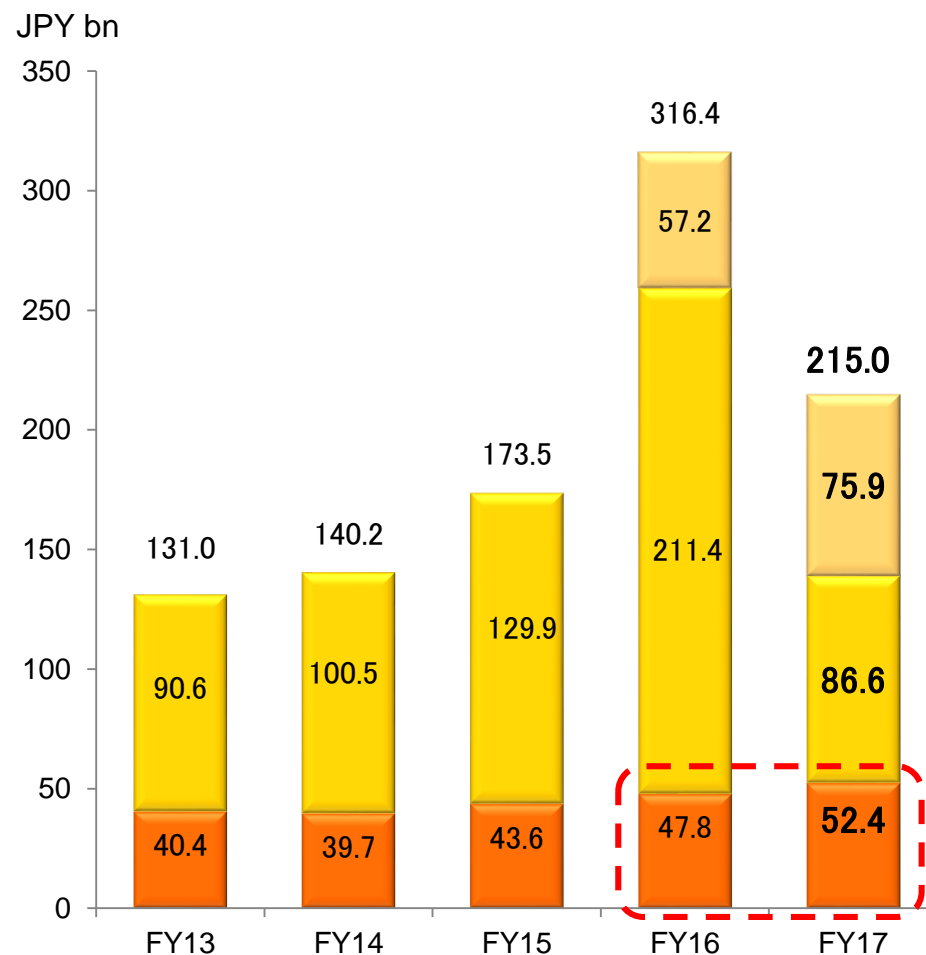
# Operating Performance ①

Annualized premiums (AP) from policies in force has increased steadily. AP from new policies decreased as we recorded high sales for saving type products last year, while the figures for the Third sector increased.

**Annualized Premiums from Policies in Force (Group)**



**Annualized Premiums from New Policies (Group)**



■ Third sector ■ Excl. third sector ■ Overseas (Symetra)

■ Third sector ■ Excl. third sector ■ Overseas (Symetra)

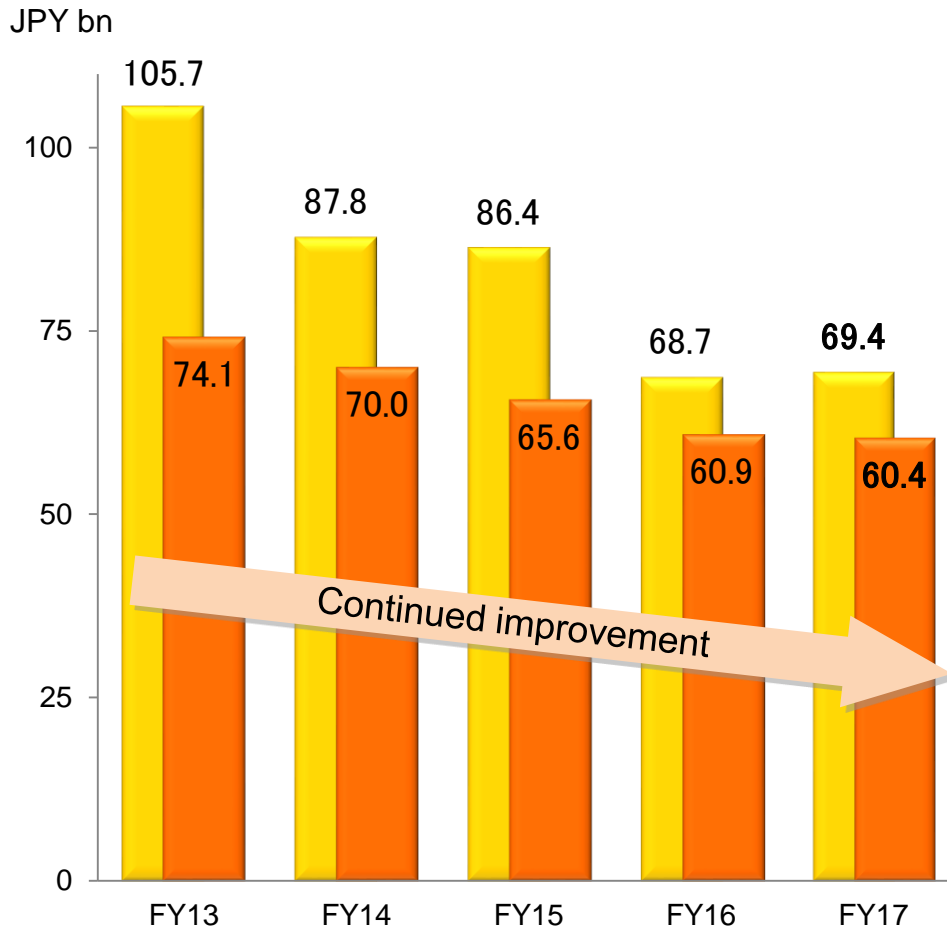
Note: Figures for domestic business (Third sector + Excl. third sector) are individual life and individual annuity  
Figures for Symetra is included since February 2016

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# Operating Performance ②

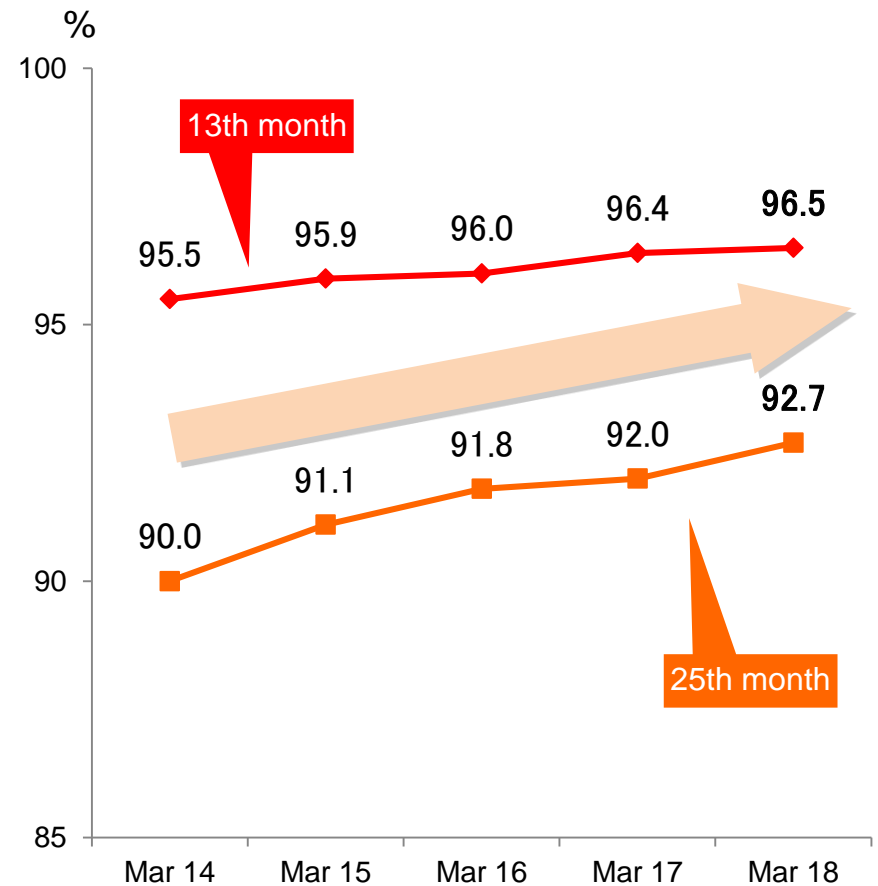
Surrender and Lapse trends for sales representative channel continued to improve.  
Persistency rate has also shown an upward trend.

## Surrendered / Lapsed AP (Non-consolidated)



- Surrendered / lapsed annualized premiums
- Of which, sales representative channel

## Persistency Rate (Non-consolidated)

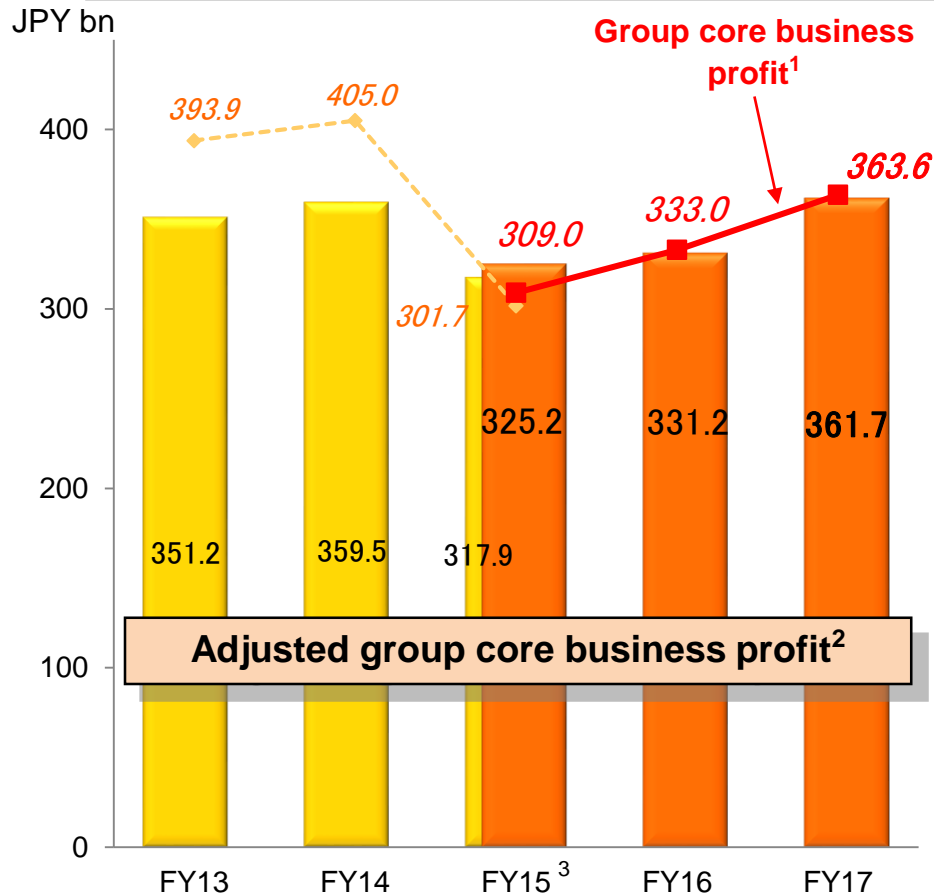


Note: Figures are based on annualized premiums for products sold by sales representatives

# Profit Trend

Core business profit increased due to incremental expense savings and interest gain.

## Core Business Profit (Group)



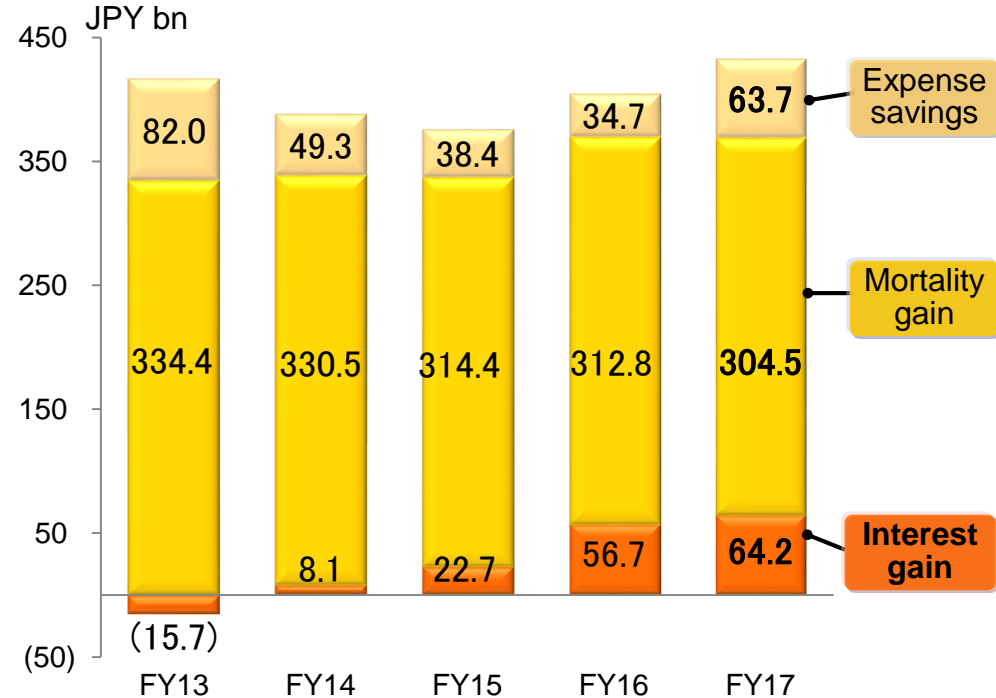
1 Group core business profit is calculated by combining core business profit of Sumitomo Life and Medicare Life, and profit before tax of Symetra, Baoviet Holdings, BNI Life, and PICC Life attributable to Sumitomo Life's equity stake in each company, with adjustments made to some internal transactions

2 Adjusted group core business profit indicates group core business profit excluding provision / reversal of standard policy reserve relating to variable annuities

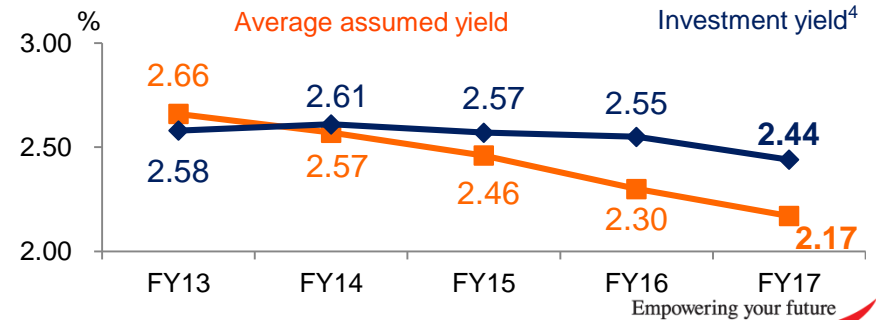
3 Yellow graph before FY15 indicates the simple aggregation of Sumitomo Life's and Medicare Life's core business profit

4 Related to core business profit

## Three Surplus Factors (Non-consolidated)



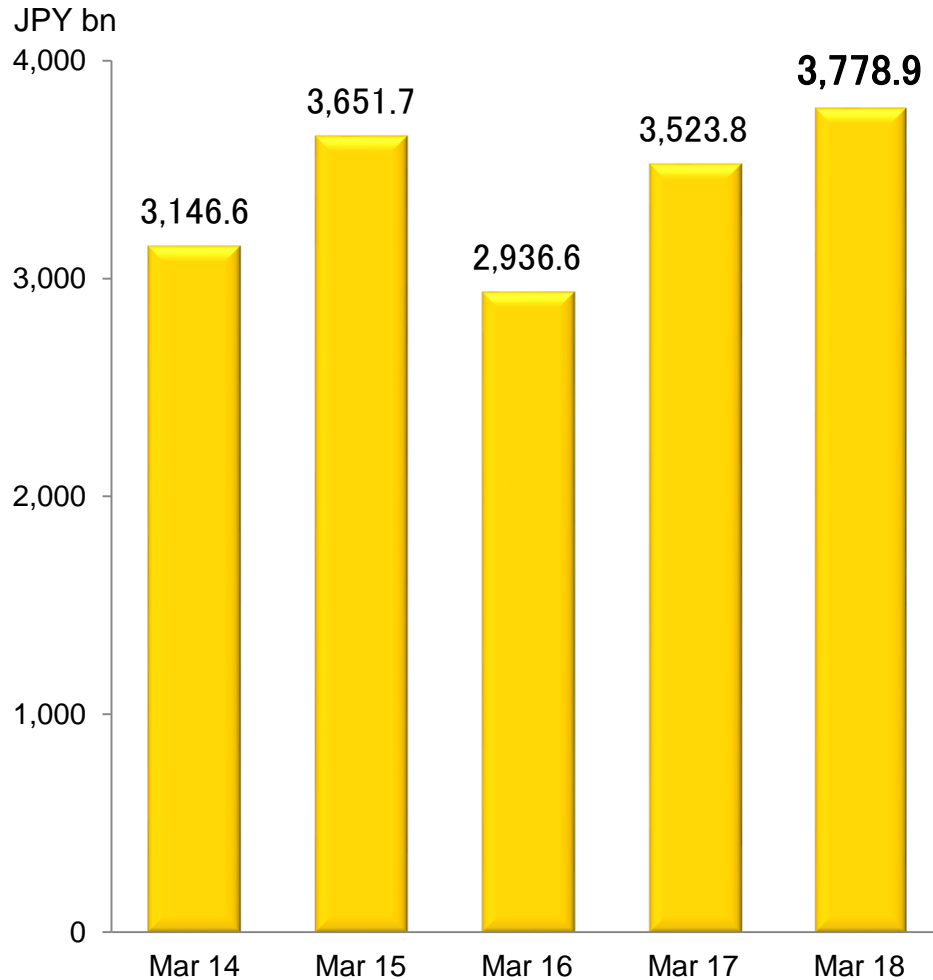
## <Average Assumed Yield and Investment Yield<sup>4</sup>> (Non-consolidated)



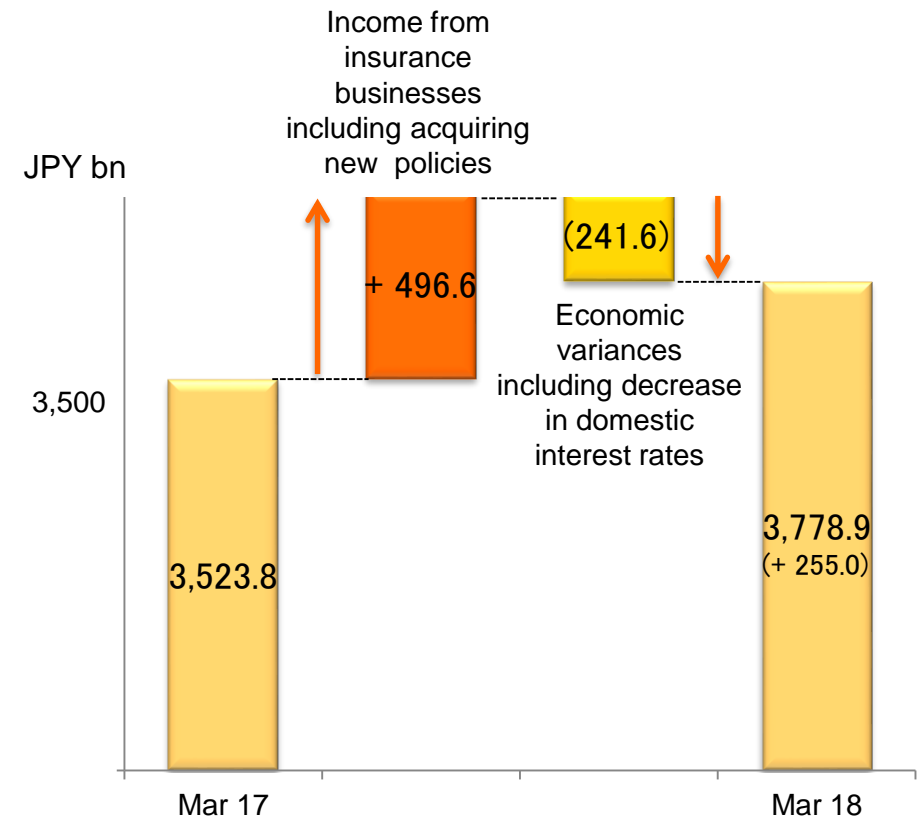
# EEV Trend

EEV increased due to income from insurance businesses, which effectively covered the adverse impact of decrease in domestic interest rates.

## EEV (Group)



## EEV Growth Factors



Note: The ultimate forward rate (UFR) has been applied for EEV since March 2016

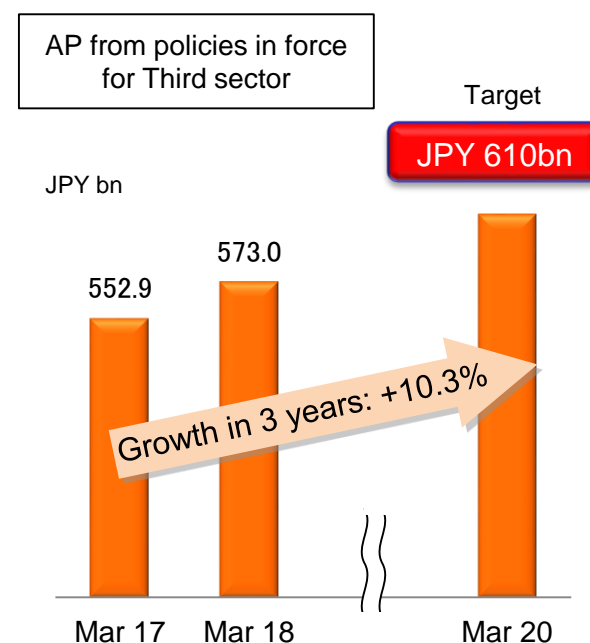
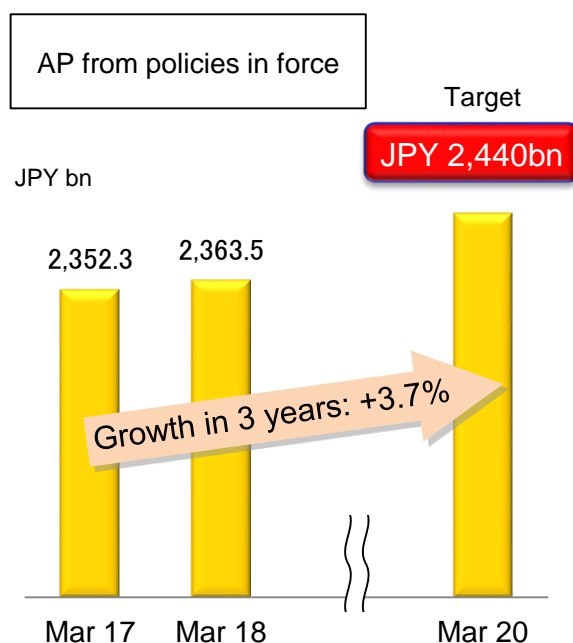
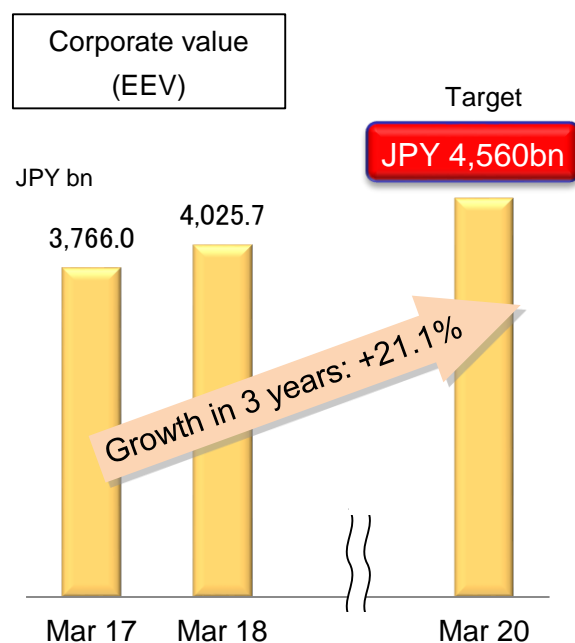
See "EEV (summary) as of Mar 31, 2018" on the website for details



# Progress of New Medium-Term Business Plan (2017-2019)

Items	Results as of March 2018	Targets for March 2020
Corporate value (EEV)	JPY 4,025.7bn	JPY 4,560.0bn
Annualized premiums from policies in force	JPY 2,363.5bn	JPY 2,440.0bn
Of which, third sector	JPY 573.0bn	JPY 610.0bn

Note: Total of Sumitomo Life and Medicare Life



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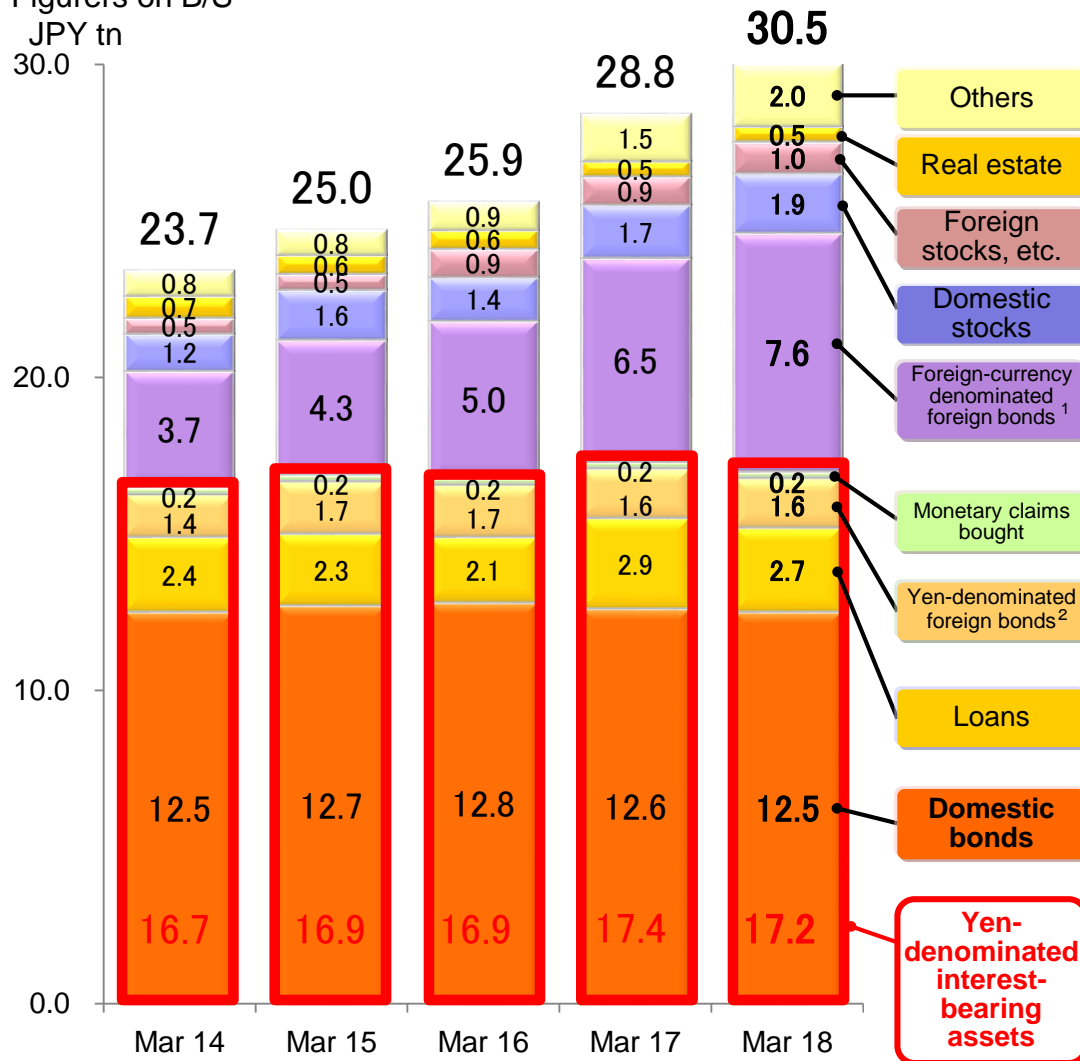
## II. Asset Management

# Asset Management ①

Prudent investment policy, focusing mainly on yen-denominated interest-bearing assets.

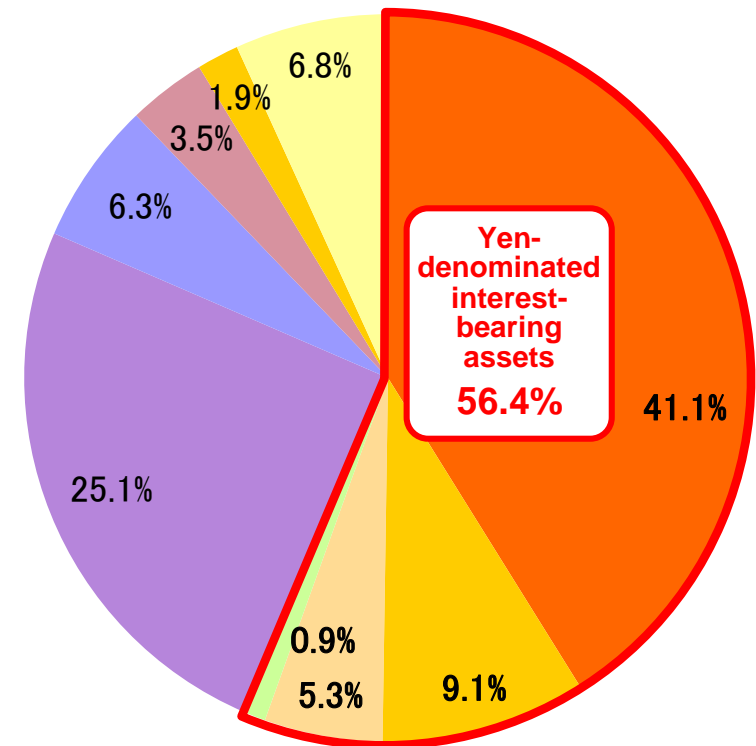
## Trend of General Account (GA) Assets (Non-consolidated)

Figures on B/S  
JPY tn



## Breakdown of GA Assets (Non-consolidated)

< As of March 2018 >



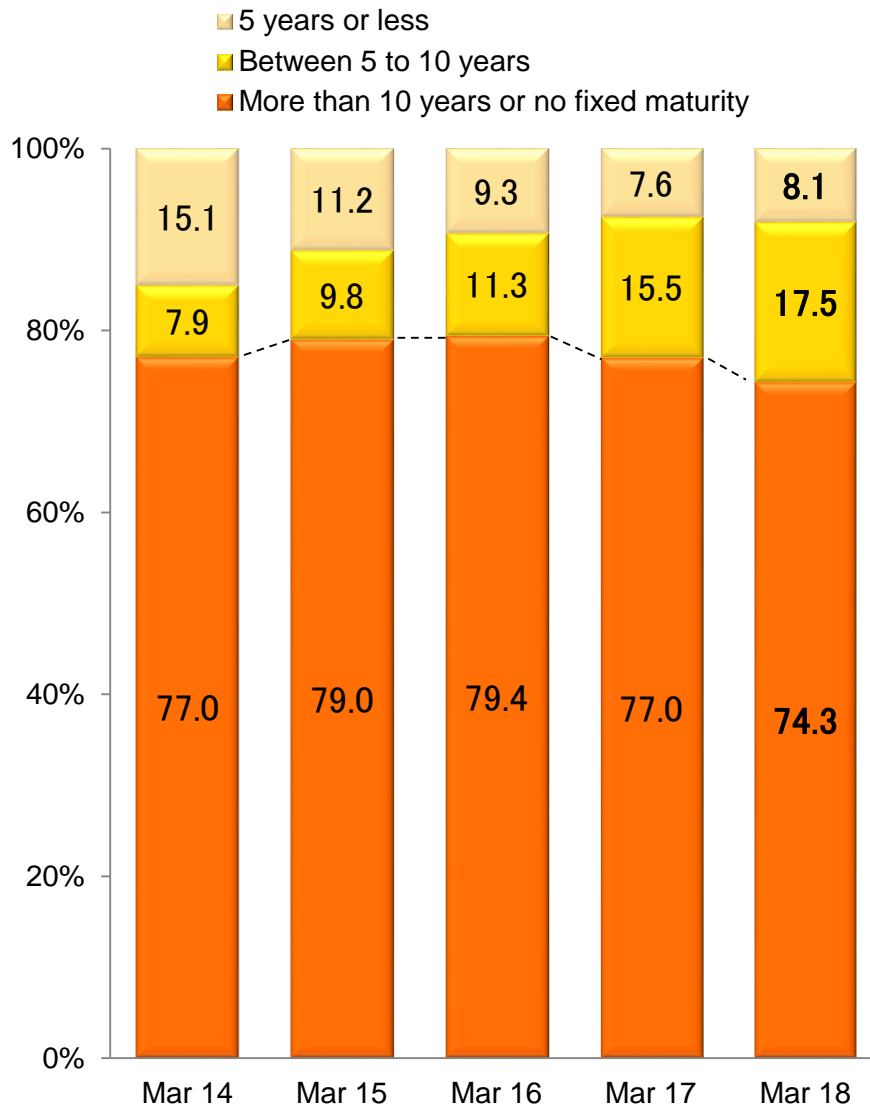
- Domestic bonds
- Loans
- Yen-denominated foreign bonds
- Monetary claims bought
- Foreign-currency denominated foreign bonds
- Domestic stocks
- Foreign stocks, etc.
- Real estate

<sup>1</sup> Foreign-currency denominated foreign bonds (including those issued by residents) include currency-hedged foreign bonds  
<sup>2</sup> Yen-denominated foreign bonds include foreign-currency denominated foreign bonds with a fixed amount in Japanese yen

# Asset Management ②

Disciplined interest rate risk management based on ALM strategy.

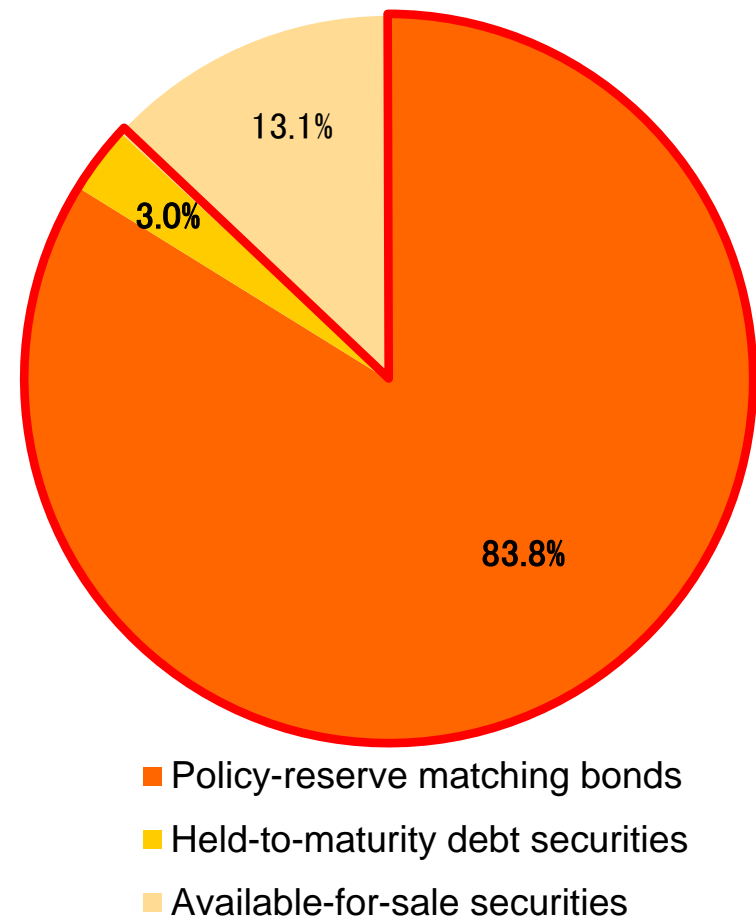
## Domestic Bonds by Maturity (GA・non-consolidated)



## Domestic Bonds by Category (GA・non-consolidated)

<As of March 2018>

**Domestic Bonds Outstanding Balance:**  
**JPY 13.04tn**



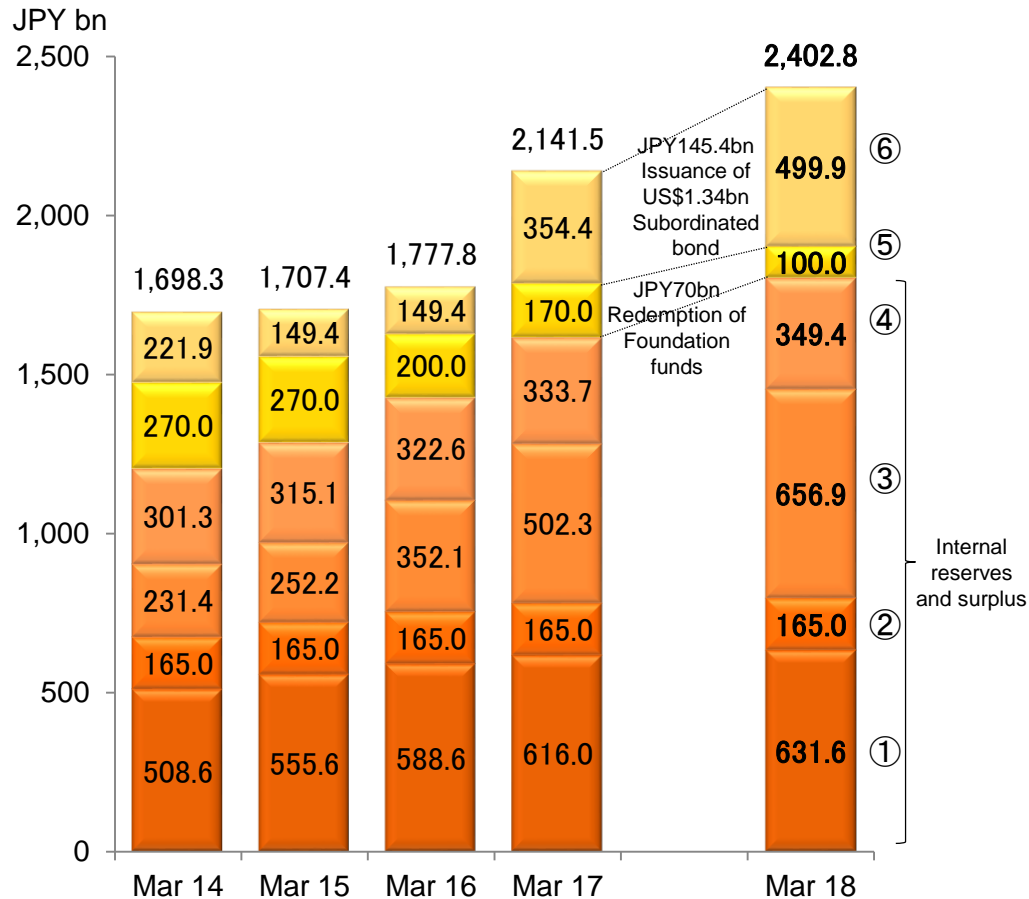


### III. Capital Base

# Capital Base

Capital base was further strengthened through the accumulation of internal reserves and surplus, and the issuance of capital securities. US\$ subordinated bond issued in 2017 achieved the lowest coupon of Japanese life insurers.

## Trend of Capital (Non-consolidated)



## US\$ Subordinated Bond issued in 2017

Type	US\$ subordinated notes due 2077 with interest deferral options
Principal amount	US\$1.34bn
Offer price	100% of the principal amount
Coupon	4.00% per annum before September 14, 2027 and a floating rate with step-up thereafter
Maturity	September 14, 2077 (callable on and after September 14, 2027)
Offering	Outside Japan, primarily in the US and Asia (144A/RegS format)
Rating	A3(Moody's) / A-(Fitch)

①Reserve for fund redemption + Reserve for redemption of foundation funds

②Fund for price fluctuation allowance

③Reserve for price fluctuation

④Contingency reserve

⑤Foundation funds

⑥Subordinated loan / bonds

Note: Figures are after Appropriation of Surplus



## IV. Financial Statements, etc.

# Key Performance Indicators

## Key Performance Indicators (Group)

(JPY bn)

	Group		Sumitomo Life		Medicare Life		Symetra	
	Mar 2018	Increase(decrease) as % of Mar 31, 2017	Mar 2018	Increase(decrease) as % of Mar 31, 2017	Mar 2018	Increase(decrease) as % of Mar 31, 2017	Dec 2017	Increase(decrease) as % of Dec 31, 2016
Annualized premiums from policies in force	2,783.2	1.6%	2,329.9	0.2%	33.5	24.0%	419.7	8.4%

	Group		Sumitomo Life		Medicare Life		Symetra	
	FY2017	Increase(decrease) as % of Mar 31, 2017	FY2017	Increase(decrease) as % of Mar 31, 2017	FY2017	Increase(decrease) as % of Mar 31, 2017	FY2017	Increase(decrease) as % of Dec 31, 2016
Annualized premiums from new policies	215.0	(32.0%)	131.3	(48.1%)	7.7	23.7%	75.9	32.8%

	Group		Sumitomo Life		Medicare Life		Symetra	
	Mar 2018	Increase(decrease) compared to Mar 31, 2017	Mar 2018	Increase(decrease) compared to Mar 31, 2017	Mar 2018	Increase(decrease) compared to Mar 31, 2017	Dec 2017	Increase(decrease) compared to Dec 31, 2016
Solvency margin ratio	881.7%	68.5pt	873.6%	46.7pt	3,191.1%	(796.6pt)	-	-

EEV	3,778.9	255.0	3,968.1	247.8	137.5	11.8	227.1	(17.3)
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	Group		Sumitomo Life		Medicare Life		Symetra	
	FY2017	Increase(decrease) compared to Mar 31, 2017	FY2017	Increase(decrease) compared to Mar 31, 2017	FY2017	Increase(decrease) compared to Mar 31, 2017	FY2017	Increase(decrease) compared to Dec 31, 2016
Value of new business	153.3	144.4	155.4	141.1	9.5	3.6	(11.6)	(0.3)

Note: Group EEV is calculated as Sumitomo Life's EEV + Medicare Life's EEV + Symetra's EEV - book value of Medicare Life's equity and Symetra's equity owned by Sumitomo Life  
Figures of Symetra is included since February 2016. The fiscal year-end of Symetra is December 31 (Exchange rate as of December 31, 2017 is JPY113.0 to US\$1.00)

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# Financial Statements (Key Items)

## Financial Statements (Consolidated)

### Consolidated Income Statement

	FY2017						FY2017	
	Consolidated (JPY bn)	Increase(decrease) as % of Mar 31, 2017	Sumitomo Life (JPY bn)	Increase(decrease) as % of Mar 31, 2017	Medicare Life (JPY bn)	Increase(decrease) as % of Mar 31, 2017	Symetra (USD mm)	Increase(decrease) as % of Dec 31, 2016
Ordinary income	3,747.1	(15.5%)	3,400.8	(18.1%)	31.3	21.0%	2,481	-
Ordinary expenses	3,529.2	(16.8%)	3,170.9	(19.2%)	43.1	23.6%	2,384	-
Ordinary profit	217.8	14.8%	229.9	0.5%	(11.8)	-	97	-
Net surplus	69.8	24.6%	65.4	(24.2%)	(9.6)	-	228	-

### Consolidated Balance Sheet

	Mar 2018						Dec 2017	
	Consolidated (JPY bn)	Increase(decrease) as % of Mar 31, 2017	Sumitomo Life (JPY bn)	Increase(decrease) as % of Mar 31, 2017	Medicare Life (JPY bn)	Increase(decrease) as % of Mar 31, 2017	Symetra (USD mm)	Increase(decrease) as % of Dec 31, 2016
Total assets	36,036.4	4.9%	31,536.9	5.0%	199.7	3.6%	42,865	6.3%
Total liabilities	34,379.6	5.0%	29,873.1	5.3%	160.3	11.2%	38,649	6.0%
Total net assets	1,656.8	2.7%	1,663.7	0.4%	39.3	(19.1%)	4,216	9.9%

Note: USGAAP for Symetra

Net surplus in consolidated is net surplus attributable to the parent company

Figures of Symetra is included since February 2016. The fiscal year-end of Symetra is December 31

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**For further information...**

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