
Financial Results for the Three Months Ended June 30, 2014

Sumitomo Life Insurance Company announces financial results for the three months ended June 30, 2014.

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[Note]

The Financial Results are summarized English translations of the original disclosure in Japanese.

1. Unaudited Consolidated Financial Statements

a. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31,2014	As of June 30,2014
ASSETS:		
Cash and deposits	119,211	87,899
Call loans	471,100	255,400
Monetary claims bought	289,088	250,963
Securities	22,120,098	22,452,130
Loans	2,465,539	2,441,473
Tangible fixed assets	711,065	704,766
Intangible fixed assets	24,122	24,288
Due from agents	3	1
Reinsurance receivables	255	221
Other assets	261,420	296,258
Net defined benefit assets	234	92
Deferred tax assets	130,644	101,560
Customers' liabilities under acceptances and guarantees	-	2,500
Allowance for possible loan losses	(2,189)	(1,879)
Total assets	26,590,594	26,615,677
LIABILITIES:		
Policy reserves and other reserves	23,704,788	23,767,945
Reserve for outstanding claims	108,068	113,825
Policy reserves	23,318,460	23,338,388
Policyholders' dividend reserves	278,259	315,731
Reinsurance payables	120	78
Corporate bonds	99,480	99,480
Other liabilities	1,149,679	1,055,397
Net defined benefit liabilities	36,090	54,800
Accrued retirement benefits for directors	13	7
Reserve for price fluctuation	231,492	233,610
Deferred tax liabilities	861	1,017
Deferred tax liabilities for land revaluation	22,164	22,091
Acceptances and guarantees	-	2,500
Total liabilities	25,244,690	25,236,927
NET ASSETS:		
Foundation funds	270,000	270,000
Reserve for redemption of foundation funds	369,000	369,000
Reserve for revaluation	2	2
Surplus	366,640	314,077
Total funds, reserve and surplus	1,005,643	953,080
Net unrealized gains on available-for-sale securities	422,951	509,886
Land revaluation differences	(74,963)	(75,107)
Foreign currency translation adjustments	2,497	1,793
Remeasurements of defined benefit plans	(14,042)	(10,960)
Total accumulated other comprehensive income	336,442	425,612
Minority interests	3,816	57
Total net assets	1,345,903	1,378,749
Total liabilities and net assets	26,590,594	26,615,677

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Ordinary income	854,026	819,731
Insurance premiums and other	593,603	619,640
Investment income	203,763	173,218
Interest, dividends and other income	130,145	124,119
Gains on trading securities	0	-
Gains on sales of securities	11,064	476
Investment gains on separate accounts	60,503	48,294
Other ordinary income	56,658	26,872
Ordinary expenses	813,030	787,156
Benefits and other payments	555,382	593,159
Claims paid	140,274	132,670
Annuity payments	103,395	194,970
Benefits payments	114,927	94,098
Surrender benefits	182,088	154,655
Provision for policy reserves and other reserves	68,865	25,788
Provision for reserve for outstanding claims	68,757	5,756
Provision for policy reserves	-	19,928
Provision for interest on policyholders' dividend reserves	107	104
Investment expenses	68,610	47,747
Interest expenses	2,209	1,872
Losses on sales of securities	538	70
Losses on valuation of securities	521	608
Operating expenses	84,967	82,016
Other ordinary expenses	35,205	38,443
Ordinary profit	40,996	32,574
Extraordinary gains	16	112
Gains on disposals of fixed assets	16	112
Extraordinary losses	9,127	3,596
Losses on disposals of fixed assets	170	372
Impairment losses	1,893	1,047
Provision for reserve for price fluctuation	7,018	2,117
Payments to social responsibility reserve	45	58
Surplus before income taxes and minority interests	31,884	29,090
Income taxes		
Current	13,120	9,963
Deferred	(5,792)	(4,844)
Total income taxes	7,328	5,119
Surplus before minority interests	24,556	23,971
Minority interests	(113)	(125)
Net surplus	24,669	24,097

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Surplus before minority interests	24,556	23,971
Other comprehensive income(loss)	(42,739)	89,344
Net unrealized gains(losses) on available-for-sale securities	(42,817)	86,865
Land revaluation differences	(3)	-
Foreign currency translation adjustments	71	(24)
Remeasurements of defined benefit plans	-	3,082
Share of other comprehensive income(loss) of associates accounted for under the equity method	10	(578)
Comprehensive income(loss)	(18,182)	113,316
Comprehensive income(loss) attributable to the Parent Company	(17,976)	113,411
Comprehensive income(loss) attributable to minority interests	(206)	(95)

Notes to the Unaudited Consolidated Financial Statements

Changes in Policies of Preparing the Unaudited Consolidated Financial Statements for the Three Months Ended June 30, 2014

1. Affiliates

The number of affiliates accounted for by the equity method was 10 as of June 30, 2014.

PT BNI Life Insurance has been included as an affiliate since the end of the period ended June 30, 2014, corresponding to acquiring its shares.

Notes to the Unaudited Consolidated Balance Sheet as of June 30, 2014

1. Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese Yen at the exchange rates prevailing on the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese Yen at the exchange rates on the dates of acquisition.
2. "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25) have been applied at the beginning of the period ended June 30, 2014. Accordingly, from the period ended June 30, 2014, SUMITOMO LIFE INSURANCE COMPANY ("the Company") has changed the periodic allocation method of estimated retirement benefits from the straight-line basis to the benefits formula basis.
With respect to the application of the revised accounting standards, in accordance with the transitional treatment set out in article 37 of the standard, the amount of the impact of changes to the method of calculation of retirement benefit obligations and service costs has been included in surplus as of the beginning of the period.
As a result, surplus at the beginning of the period decreased ¥13,213 million. In addition, ordinary profit and surplus before income taxes and minority interests decreased ¥493 million for the period ended June 30, 2014.
3. As the proposed appropriations of surplus of the Company for the fiscal year ended March 31, 2014 were approved at the annual meeting of the representatives of policyholders held on July 2, 2014, we have included such item as of June 30, 2014 in the table above.
4. Securities loaned under security lending agreements amounted to ¥1,160,959 million as of June 30, 2014.
5. Changes in policyholders' dividend reserves for the period ended June 30, 2014 were as follows:

	Millions of Yen
Balance at the beginning of the period	¥278,259
Transfer from surplus in the previous fiscal year	60,141
Dividend payments to policyholders during the period	(22,773)
Interest accrued during the period	104
Balance at the end of the period	¥315,731

Notes to the Unaudited Consolidated Statement of Income for the Three Months Ended June 30, 2014

1. The details of the impairment losses on fixed assets of the Company are as follows:

Accumulated impairment losses on fixed assets are directly deducted from the total asset amounts of their respective asset categories.

(1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the impairment test.

For real estate for investment and idle assets, each asset is treated as an independent unit for the impairment test.

(2) Description of impairment losses recognized

For the period ended June 30, 2014, 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 statement of income.

(3) Details of fixed assets causing impairment losses

Asset Group	Asset Categories	Millions of Yen
Real estate for investment	Land and buildings	¥ 904
Idle assets	Land and buildings	143
Total		¥ 1,047

(4) 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 selling value, appraisal value based on Real Estate Appraisal Standards, or publicly announced value. Value in use is determined as the estimated net future cash flows discounted at 5.0%.

2. The total amount of depreciation of tangible fixed assets for the period ended June 30, 2014 was ¥6,565 million. The total amount of depreciation of goodwill for the period ended June 30, 2014 was ¥1,336 million.

2. Solvency Margin Ratio on a Consolidated Basis

(millions of yen)

	As of March 31, 2014	As of June 30, 2014
Solvency margin gross amount (A)	2,772,886	2,843,459
Foundation funds and others	945,868	937,261
Reserve for price fluctuation	231,492	233,610
Contingency reserve	301,807	301,960
Unusual contingency reserve	-	-
General allowance for possible loan losses	1,609	1,233
Net unrealized gains on available-for-sale securities × 90% (Multiplied by 100% if losses)	549,947	662,809
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	(85,859)	(85,254)
Total amount of unrecognized actuarial losses and unrecognized past service costs	(20,264)	(15,815)
Excess of continued Zillmerized reserve	619,955	620,848
Qualifying subordinated debt	201,980	201,980
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(53,787)	(90,332)
Others	80,137	75,159
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	616,378	634,824
Insurance risk R_1	81,996	81,369
General insurance risk R_5	-	-
Large disaster risk R_6	-	-
Third-sector insurance risk R_8	50,018	50,271
Insurance risk of small-amount, short-term insurer R_9	-	-
Risk of assumed yield R_2	220,364	219,172
Minimum guarantee risk R_7^{**}	52,793	53,428
Investment risk R_3	314,179	333,337
Operational risk R_4	14,387	14,751
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	899.7%	895.8%

※ The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

Note: The amounts and figures in the table above are calculated based on Article 130 of the Insurance Business Act, Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and Financial Services Agency Public Notice No.23 of 2011.

3. Non-Consolidated Financial Information (General Account)

a. Overall Composition of Investments

(millions of yen, %)

	As of March 31, 2014		As of June 30, 2014	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	430,981	1.8	211,467	0.9
Monetary claims bought	289,088	1.2	250,963	1.0
Investments in securities	19,507,535	82.1	19,963,756	83.3
Domestic bonds	12,526,843	52.7	12,568,294	52.5
Domestic stocks	1,218,629	5.1	1,283,953	5.4
Foreign securities	5,729,106	24.1	6,076,697	25.4
Foreign bonds	5,191,255	21.8	5,501,966	23.0
Other foreign securities	537,850	2.3	574,730	2.4
Other securities	32,955	0.1	34,811	0.1
Loans	2,465,539	10.4	2,441,473	10.2
Policy loans	335,002	1.4	330,463	1.4
Industrial and consumer loans	2,130,536	9.0	2,111,009	8.8
Real estate	701,212	2.9	695,072	2.9
Investment property	497,088	2.1	492,345	2.1
Deferred tax assets	123,415	0.5	95,251	0.4
Other assets	255,612	1.1	301,791	1.3
Allowance for possible loan losses	(2,189)	(0.0)	(1,879)	(0.0)
Total	23,771,196	100.0	23,957,897	100.0
Foreign currency denominated assets	3,856,203	16.2	4,035,897	16.8

Note: Real estate is recorded as the sum total of land, buildings and construction in progress.

b. Fair Value Information of Securities (With Fair Value except for Trading Securities)

(millions of yen)

	As of March 31, 2014					As of June 30, 2014				
	Book value	Fair value	Net gains (losses)	Net gains (losses)		Book value	Fair value	Net gains (losses)	Net gains (losses)	
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	1,849,463	2,043,711	194,248	194,450	(202)	2,028,507	2,230,161	201,654	204,254	(2,600)
Policy-reserve-matching bonds	11,017,008	12,016,439	999,431	1,002,270	(2,839)	11,016,245	12,126,805	1,110,560	1,110,757	(196)
Investments in subsidiaries and affiliated companies	33,173	26,949	(6,224)	-	(6,224)	33,173	23,866	(9,307)	-	(9,307)
Available-for-sale securities	5,696,439	6,295,483	599,044	636,213	(37,169)	5,731,132	6,455,957	724,824	751,787	(26,962)
Domestic bonds	1,049,875	1,072,292	22,416	22,590	(173)	1,086,641	1,116,449	29,808	29,831	(23)
Domestic stocks	773,053	1,122,423	349,370	379,075	(29,705)	772,294	1,182,748	410,453	433,317	(22,864)
Foreign securities	3,576,239	3,784,083	207,844	214,507	(6,663)	3,650,811	3,913,225	262,413	266,113	(3,700)
Foreign bonds	3,570,313	3,779,335	209,022	214,432	(5,409)	3,645,498	3,909,058	263,560	266,058	(2,497)
Other foreign securities	5,926	4,747	(1,178)	75	(1,253)	5,313	4,166	(1,147)	55	(1,202)
Other securities	24,635	32,087	7,451	8,062	(610)	24,635	34,220	9,584	9,959	(374)
Monetary claims bought	234,635	246,599	11,963	11,978	(14)	196,749	209,314	12,564	12,564	(0)
Negotiable certificates of deposit	38,000	37,997	(2)	-	(2)	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total	18,596,085	20,382,584	1,786,499	1,832,935	(46,436)	18,809,059	20,836,790	2,027,731	2,066,798	(39,066)
Domestic bonds	12,504,427	13,542,685	1,038,257	1,041,418	(3,161)	12,538,485	13,697,332	1,158,846	1,159,124	(277)
Domestic stocks	773,053	1,122,423	349,370	379,075	(29,705)	772,294	1,182,748	410,453	433,317	(22,864)
Foreign securities	5,021,333	5,400,791	379,458	392,399	(12,941)	5,276,893	5,713,175	436,281	451,831	(15,550)
Foreign bonds	4,982,232	5,369,094	386,861	392,324	(5,463)	5,238,406	5,685,142	446,736	451,776	(5,039)
Other foreign securities	39,100	31,697	(7,402)	75	(7,477)	38,487	28,032	(10,454)	55	(10,510)
Other securities	24,635	32,087	7,451	8,062	(610)	24,635	34,220	9,584	9,959	(374)
Monetary claims bought	234,635	246,599	11,963	11,978	(14)	196,749	209,314	12,564	12,564	(0)
Negotiable certificates of deposit	38,000	37,997	(2)	-	(2)	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

Book values of securities whose fair value is not practically determinable are as follows:

(millions of yen)

	As of March 31, 2014	As of June 30, 2014
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	72,290	115,403
Available-for-sale securities	515,586	515,528
Unlisted domestic stocks (excluding over-the-counter stocks)	24,580	24,578
Unlisted foreign stocks (excluding over-the-counter stocks)	490,321	490,321
Unlisted foreign bonds	-	-
Others	685	628
Total	587,876	630,931