
Financial Results for the Nine Months Ended December 31, 2018

Sumitomo Life Insurance Company announces financial results for the nine months ended December 31, 2018.

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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, 2018	As of December 31, 2018
ASSETS:		
Cash and deposits	1,448,620	1,659,722
Call loans	187,361	151,550
Monetary claims bought	283,252	293,847
Securities	29,089,625	29,519,268
Loans	3,445,029	3,579,518
Tangible fixed assets	581,239	585,154
Intangible fixed assets	283,089	285,352
Due from agents	109	147
Reinsurance receivables	2,737	1,066
Other assets	543,952	1,230,838
Net defined benefit assets	31,742	34,610
Deferred tax assets	140,721	182,876
Allowance for possible loan losses	(1,038)	(1,027)
Total assets	36,036,443	37,522,925
LIABILITIES:		
Policy reserves and other reserves	30,457,728	30,957,711
Reserve for outstanding claims	135,006	138,200
Policy reserves	30,087,173	30,576,237
Policyholders' dividend reserves	235,548	243,273
Reinsurance payables	8,017	10,699
Corporate bonds	545,868	528,988
Other liabilities	2,661,062	3,809,053
Net defined benefit liabilities	11,356	14,150
Reserve for price fluctuation	657,060	724,277
Deferred tax liabilities	25,271	2,583
Deferred tax liabilities for land revaluation	13,257	13,113
Total liabilities	34,379,623	36,060,577
NET ASSETS:		
Foundation funds	100,000	50,000
Reserve for redemption of foundation funds	539,000	589,000
Reserve for revaluation	2	2
Surplus	248,102	206,558
Total funds, reserve and surplus	887,104	845,560
Net unrealized gains(losses) on available-for-sale securities	841,320	697,535
Deferred gains(losses) on derivatives under hedge accounting	(2,556)	(3,739)
Land revaluation differences	(63,710)	(64,080)
Foreign currency translation adjustments	(44,853)	(47,016)
Remeasurements of defined benefit plans	39,415	33,983
Total accumulated other comprehensive income	769,616	616,681
Non-controlling interests	99	106
Total net assets	1,656,820	1,462,348
Total liabilities and net assets	36,036,443	37,522,925

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Ordinary income	2,822,709	2,681,872
Insurance premiums and other	2,011,991	1,923,686
Investment income	703,015	667,320
Interest, dividends and other income	551,213	571,131
Gains on trading securities	349	3,636
Gains on sales of securities	61,945	83,211
Investment gains on separate accounts	81,472	-
Other ordinary income	107,703	90,864
Ordinary expenses	2,662,198	2,566,177
Benefits and other payments	1,555,184	1,526,042
Claims paid	450,264	482,613
Annuity payments	494,501	371,115
Benefits payments	249,524	272,890
Surrender benefits	318,276	351,960
Provision for policy reserves and other reserves	573,729	390,504
Provision for policy reserves	573,699	390,478
Provision for interest on policyholders' dividend reserves	30	26
Investment expenses	125,595	224,017
Interest expenses	15,508	22,187
Losses on sales of securities	21,840	84,725
Losses on valuation of securities	1,483	3,686
Investment losses on separate accounts	-	23,433
Operating expenses	296,909	302,887
Other ordinary expenses	110,779	122,724
Ordinary profit	160,511	115,695
Extraordinary gains	936	709
Gains on disposals of fixed assets	936	709
Extraordinary losses	107,733	69,186
Losses on disposals of fixed assets	1,611	1,099
Impairment losses	5,063	99
Provision for reserve for price fluctuation	100,415	67,216
Payments to social responsibility reserve	642	770
Surplus before income taxes	53,714	47,217
Income taxes		
Current	38,653	21,278
Deferred	(36,041)	(23,157)
Total income taxes	2,612	(1,878)
Net surplus	51,101	49,096
Net surplus attributable to non-controlling interests	6	7
Net surplus attributable to the Parent Company	51,095	49,088

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net surplus	51,101	49,096
Other comprehensive income(loss)	265,620	(139,646)
Net unrealized gains(losses) on available-for-sale securities	287,640	(128,803)
Deferred gains(losses) on derivatives under hedge accounting	(3,503)	(1,183)
Foreign currency translation adjustments	(13,997)	1,611
Remeasurements of defined benefit plans	(4,017)	(5,432)
Share of other comprehensive income(loss) of associates under the equity method	(502)	(5,838)
Comprehensive income(loss)	316,722	(90,549)
Comprehensive income(loss) attributable to the Parent Company	316,716	(90,557)
Comprehensive income(loss) attributable to non-controlling interests	6	7

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Nine Months Ended December 31, 2018

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 25 as of December 31, 2018.

Two subsidiaries of Symetra Financial Corporation were included in the scope of the consolidation as a result of newly establishment from the period ended June 30, 2018.

One subsidiary of Symetra Financial Corporation was included in the scope of the consolidation as a result of newly establishment from the period ended December 31, 2018.

2. Affiliates

The number of affiliates accounted for by the equity method was 8 as of December 31, 2018.

Two subsidiaries of Baoviet Holdings were excluded from affiliates accounted for by the equity method as those companies were excluded from affiliates from the period ended June 30, 2018.

Notes to the Unaudited Consolidated Balance Sheet as of December 31, 2018

1. SUMITOMO LIFE INSURANCE COMPANY ("the Company")'s assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rate 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. Securities loaned under security lending agreements amounted to ¥3,359,182 million as of December 31, 2018.

3. Changes in policyholders' dividend reserves for the period ended December 31, 2018 were as follows:

	Millions of Yen
At the beginning of the period	235,548
Transfer from surplus in the previous fiscal year	52,804
Dividend payments to policyholders during the period	(45,106)
Interest accrued during the period	26
At the end of the period	243,273

4. The Company redeemed ¥50,000 million of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.
5. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of 681,134 million and 641,182 million, respectively.

Notes to the Unaudited Consolidated Statement of Income for the Nine Months Ended December 31, 2018

1. The amount of depreciation of tangible fixed assets, including real estates for investments, was ¥30,369 million and the amount of amortization of goodwill was ¥2,744 million for the period ended December 31, 2018.

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
Solvency margin gross amount (A)	3,962,535	3,868,914
Foundation funds and others	591,238	562,950
Reserve for price fluctuation	657,060	724,277
Contingency reserve	351,157	361,586
Unusual contingency reserve	—	—
General allowance for possible loan losses	831	767
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred gains (losses) on derivatives under hedge accounting (before income tax effect adjustments)) × 90% (Multiplied by 100% if losses)	1,037,714	870,133
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	48,808	59,868
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	54,709	47,175
Excess of continued Zillmerized reserve	722,113	729,190
Qualifying subordinated debt	499,924	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—
Deduction clause	(70,399)	(55,715)
Others	69,376	68,756
Total amount of risk $\sqrt{(R_1^2 + R_5^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	898,743	895,857
Insurance risk R_1	96,858	92,650
General insurance risk R_5	—	—
Large disaster risk R_6	—	—
Third-sector insurance risk R_8	72,278	75,621
Insurance risk of small-amount, short-term insurer R_9	—	—
Risk of assumed yield R_2	200,497	198,205
Minimum guarantee risk R_7^{**}	4,941	5,866
Investment risk R_3	656,245	654,913
Operational risk R_4	20,616	20,545
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	881.7%	863.7%

※ 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, 2018		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	1,443,490	4.7	1,662,179	5.3
Monetary claims bought	283,252	0.9	293,847	0.9
Investments in securities	24,902,898	81.5	25,506,618	80.9
Domestic bonds	13,043,393	42.7	13,303,436	42.2
Domestic stocks	1,933,967	6.3	1,833,817	5.8
Foreign securities	9,864,763	32.3	10,311,560	32.7
Foreign bonds	8,800,982	28.8	9,159,817	29.1
Other foreign securities	1,063,780	3.5	1,151,743	3.7
Other securities	60,773	0.2	57,804	0.2
Loans	2,781,305	9.1	2,895,771	9.2
Policy loans	294,742	1.0	291,735	0.9
Industrial and consumer loans	2,486,563	8.1	2,604,035	8.3
Real estate	571,641	1.9	568,724	1.8
Investment property	388,745	1.3	384,800	1.2
Deferred tax assets	154,714	0.5	194,849	0.6
Other assets	425,958	1.4	402,405	1.3
Allowance for possible loan losses	(921)	(0.0)	(851)	(0.0)
Total	30,562,340	100.0	31,523,546	100.0
Foreign currency denominated assets	9,252,661	30.3	9,910,436	31.4

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 31,2018					As of December 31,2018				
	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	1,888,273	2,202,331	314,058	314,058	(0)	1,805,670	2,116,073	310,403	310,403	(0)
Policy-reserve-matching bonds	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)	11,590,432	13,458,036	1,867,603	1,917,099	(49,496)
Investments in subsidiaries and affiliated companies	33,173	53,967	20,793	20,793	-	33,173	52,092	18,918	18,918	-
Available-for-sale securities	10,436,630	11,493,745	1,057,115	1,228,009	(170,894)	10,829,581	11,830,144	1,000,562	1,151,528	(150,966)
Domestic bonds	1,649,259	1,714,504	65,245	82,711	(17,466)	1,746,382	1,812,609	66,227	80,074	(13,847)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	840,369	1,709,952	869,582	905,096	(35,513)
Foreign securities	7,260,364	7,257,270	(3,094)	137,507	(140,601)	7,600,511	7,648,762	48,251	148,585	(100,334)
Foreign bonds	7,039,984	7,034,408	(5,576)	134,670	(140,246)	7,206,324	7,254,540	48,216	144,574	(96,358)
Other foreign securities	220,380	222,862	2,482	2,837	(355)	394,186	394,221	35	4,011	(3,975)
Other securities	44,983	58,729	13,746	13,806	(60)	44,983	55,061	10,078	11,163	(1,085)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	163,935	170,375	6,439	6,608	(168)
Negotiable certificates of deposit	441,100	441,084	(15)	-	(15)	433,400	433,382	(17)	-	(17)
Others	-	-	-	-	-	-	-	-	-	-
Total	23,564,872	26,906,692	3,341,819	3,557,971	(216,152)	24,258,858	27,456,347	3,197,488	3,397,951	(200,462)
Domestic bonds	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)	13,237,208	15,210,163	1,972,954	2,020,249	(47,294)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	840,369	1,709,952	869,582	905,096	(35,513)
Foreign securities	9,059,717	9,360,895	301,178	446,843	(145,665)	9,538,961	9,877,411	338,450	454,833	(116,383)
Foreign bonds	8,806,163	9,084,066	277,902	423,212	(145,309)	9,111,601	9,431,097	319,495	431,903	(112,407)
Other foreign securities	253,554	276,829	23,275	23,631	(355)	427,360	446,314	18,954	22,929	(3,975)
Other securities	44,983	58,729	13,746	13,806	(60)	44,983	55,061	10,078	11,163	(1,085)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	163,935	170,375	6,439	6,608	(168)
Negotiable certificates of deposit	441,100	441,084	(15)	-	(15)	433,400	433,382	(17)	-	(17)
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 31,2018	As of December 31,2018
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	612,315	589,923
Available-for-sale securities	309,293	253,503
Unlisted domestic stocks (excluding over-the-counter stocks)	13,620	16,181
Unlisted foreign stocks (excluding over-the-counter stocks)	293,558	234,558
Unlisted foreign bonds	-	-
Others	2,114	2,762
Total	921,609	843,426