
Financial Results for the Nine Months Ended December 31, 2021

Sumitomo Life Insurance Company announces financial results for the nine months ended December 31, 2021.

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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, 2021	As of December 31, 2021
ASSETS:		
Cash and deposits	1,386,540	1,515,184
Call loans	192,142	283,004
Monetary claims bought	565,143	514,722
Money held in trust	-	2,311
Securities	34,343,796	35,686,910
Loans	2,645,407	2,965,859
Tangible fixed assets	570,045	566,544
Intangible fixed assets	193,877	198,117
Due from agents	145	103
Reinsurance receivables	1,241	1,498
Other assets	1,112,257	1,098,683
Net defined benefit assets	18,370	18,620
Deferred tax assets	69,056	107,420
Allowance for possible loan losses	(3,938)	(3,959)
Total assets	41,094,086	42,955,022
LIABILITIES:		
Policy reserves and other reserves	32,295,045	33,347,533
Reserve for outstanding claims	138,027	140,046
Policy reserves	31,938,861	32,978,039
Policyholders' dividend reserves	218,156	229,448
Reinsurance payables	12,837	16,462
Corporate bonds	474,969	507,530
Other liabilities	5,272,243	6,032,688
Net defined benefit liabilities	4,775	6,474
Reserve for price fluctuation	883,835	926,860
Deferred tax liabilities	33,615	19,440
Deferred tax liabilities for land revaluation	12,894	12,754
Total liabilities	38,990,217	40,869,743
NET ASSETS:		
Reserve for redemption of foundation funds	639,000	639,000
Reserve for revaluation	2	2
Surplus	81,850	57,880
Total funds, reserve and surplus	720,853	696,882
Net unrealized gains (losses) on available-for-sale securities	1,526,505	1,500,338
Deferred gains (losses) on derivatives under hedge accounting	104	794
Land revaluation differences	(59,397)	(59,141)
Foreign currency translation adjustments	(84,516)	(51,420)
Remeasurements of defined benefit plans	185	(2,314)
Total accumulated other comprehensive income	1,382,881	1,388,255
Non-controlling interests	133	139
Total net assets	2,103,868	2,085,278
Total liabilities and net assets	41,094,086	42,955,022

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Ordinary income	2,601,713	2,609,635
Insurance premiums and other	1,789,246	1,776,136
Investment income	717,985	756,748
Interest, dividends and other income	546,813	590,866
Gains on money held in trust	-	97
Gains on trading securities	653	3,889
Gains on sales of securities	67,882	46,717
Investment gains on separate accounts	80,820	39,424
Other ordinary income	94,481	76,750
Ordinary expenses	2,535,391	2,538,574
Benefits and other payments	1,389,916	1,402,867
Claims paid	451,547	421,080
Annuity payments	320,929	312,836
Benefits payments	275,968	282,459
Surrender benefits	302,182	342,269
Provision for policy reserves and other reserves	533,220	598,478
Provision for policy reserves	533,198	598,456
Provision for interest on policyholders' dividend reserves	22	22
Investment expenses	187,002	85,400
Interest expenses	11,399	10,495
Losses on sales of securities	6,923	10,622
Losses on valuation of securities	9,653	8,185
Operating expenses	309,556	332,577
Other ordinary expenses	115,695	119,250
Ordinary profit	66,321	71,060
Extraordinary gains	233	2,119
Gains on disposals of fixed assets	233	2,119
Extraordinary losses	58,090	46,333
Losses on disposals of fixed assets	387	2,333
Impairment losses	291	351
Provision for reserve for price fluctuation	56,820	43,024
Payments to social responsibility reserve	591	622
Surplus(loss) before income taxes	8,464	26,846
Income taxes		
Current	44,278	42,980
Deferred	(52,447)	(46,606)
Total income taxes	(8,168)	(3,626)
Net surplus(loss)	16,633	30,473
Net surplus attributable to non-controlling interests	9	7
Net surplus(loss) attributable to the Parent Company	16,623	30,465

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net surplus(loss)	16,633	30,473
Other comprehensive income(loss)	641,028	5,118
Net unrealized gains(losses) on available-for-sale securities	653,677	(27,169)
Deferred gains(losses) on derivatives under hedge accounting	6,723	690
Land revaluation differences	6	-
Foreign currency translation adjustments	(12,281)	26,528
Remeasurements of defined benefit plans	(4,742)	(2,500)
Share of other comprehensive income(loss) of associates under the equity method	(2,355)	7,570
Comprehensive income(loss)	657,661	35,592
Comprehensive income(loss) attributable to the Parent Company	657,652	35,584
Comprehensive income(loss) attributable to non-controlling interests	9	7

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Nine Months Ended December 31, 2021

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 27 as of December 31, 2021.

Two subsidiaries of Symetra Financial Corporation were included in the scope of the consolidation as a result of their establishment from the period ended December 31, 2021.

One subsidiary of Symetra Financial Corporation was excluded from the scope of the consolidation due to the dissolution from the period ended December 31, 2021.

Notes to the Unaudited Consolidated Balance Sheet as of December 31, 2021

1. SUMITOMO LIFE INSURANCE COMPANY ("the Company") classifies debt securities held in order to match their duration to the duration of the liabilities within the corresponding subsections - segregated by type of insurance and investment policy - as policy-reserve-matching bonds in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

The deferred hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain policy reserves of the previous subsection "Individual life insurance and individual annuity (certain types of insurance are excluded)" in order to appropriately control interest rate fluctuations, in accordance with Industry Audit Committee Practical Guideline No. 26, "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators", issued by the Japanese Institute of Certified Public Accountants from the period ended December 31, 2021.

As a result, the Company changed the subsection as follows and there has been no impact on profit and loss for the period ended December 31, 2021:

- The Company excludes a certain percentage of cash flows from the previous subsection "Individual life insurance and individual annuity (certain types of insurance are excluded)"

Current subsection: "Individual life insurance and individual annuity (certain types of insurance and a certain percentage of cash flows are excluded)"

2. 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.
3. The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. from the beginning of the period ended December 31, 2021. In accordance with transitional treatment stipulated in Item 19 of "Accounting Standard for Fair Value Measurement" and Item 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Company has applied new accounting policies prospectively since the beginning of the period ended December 31, 2021.
Due to this application, the measurement of the fair value of stocks with market price categorized as available-for-sale securities is changed from the fair value method based on the average market price during the last month of the period to the fair value method based on the market price on the balance sheet date.
4. Securities loaned under security lending agreements amounted to ¥4,566,048 million as of December 31, 2021.
5. The Company's total amounts deducted from the original acquisition cost of the qualified properties

were ¥2,826 million for the period ended December 31, 2021.

6. Changes in policyholders' dividend reserves for the period ended December 31, 2021 were as follows:

	Millions of Yen
At the beginning of the period	218,156
Transfer from surplus in the previous fiscal year	54,181
Dividend payments to policyholders during the period	42,912
Interest accrued during the period	<u>22</u>
At the end of the period	<u>229,448</u>

7. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥578,608 million and ¥634,046 million, respectively.
8. The consolidation tax filings were adopted from the fiscal year ended March 31, 2018. Following the enactment of "Act for Partial Revision of the Income Tax Act, etc." (Act No.8 of 2020), the transition from the consolidation tax filings to the group tax sharing system will be applied for the fiscal year beginning on April 1, 2022. With the adoption of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Practical Issues Task Force No.39, March 31, 2020), the Company and certain subsidiaries recognized deferred tax assets/liabilities as of December 31, 2021 based on the provisions of pre-amended Tax Act.

Notes to the Unaudited Consolidated Statement of Income for the Nine Months Ended December 31, 2021

1. The amount of depreciation of tangible fixed assets, including real estates for investments, was ¥32,562 million and the amount of amortization of goodwill was ¥4,725 million for the period ended December 31, 2021.

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2021	As of December 31, 2021
Solvency margin gross amount (A)	5,178,317	5,356,406
Foundation funds and others	516,421	500,919
Reserve for price fluctuation	883,835	926,860
Contingency reserve	510,966	656,072
Unusual contingency reserve	-	-
General allowance for possible loan losses	3,496	3,523
(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)	1,880,484	1,853,405
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	103,047	115,968
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	261	(3,208)
Excess of continued Zillmerized reserve	791,007	784,690
Qualifying subordinated debt	569,924	600,510
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(152,230)	(154,141)
Others	71,101	71,806
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)	1,200,721	1,201,237
Insurance risk R_1	90,606	93,270
General insurance risk R_5	-	-
Large disaster risk R_6	0	0
Third-sector insurance risk R_8	82,627	85,747
Insurance risk of small-amount, short-term insurer R_9	9	9
Risk of assumed yield R_2	181,527	176,804
Minimum guarantee risk R_7^{\ast}	4,896	5,371
Investment risk R_3	974,755	978,540
Operational risk R_4	26,688	26,794
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	862.5%	891.8%

※ 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, 2021		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	1,300,346	3.8	1,543,977	4.3
Monetary claims bought	565,143	1.6	514,722	1.4
Money held in trust	-	-	2,311	0.0
Investments in securities	29,756,172	86.0	30,588,087	85.4
Domestic bonds	14,431,149	41.7	14,594,116	40.7
Domestic stocks	2,480,707	7.2	2,473,633	6.9
Foreign securities	12,391,645	35.8	13,012,817	36.3
Foreign bonds	10,516,392	30.4	10,625,627	29.7
Other foreign securities	1,875,252	5.4	2,387,189	6.7
Other securities	452,669	1.3	507,519	1.4
Loans	1,945,518	5.6	2,180,039	6.1
Policy loans	258,549	0.7	246,428	0.7
Industrial and consumer loans	1,686,968	4.9	1,933,611	5.4
Real estate	557,409	1.6	555,633	1.6
Investment property	394,204	1.1	393,073	1.1
Deferred tax assets	68,356	0.2	105,876	0.3
Other assets	403,110	1.2	326,120	0.9
Allowance for possible loan losses	(890)	(0.0)	(921)	(0.0)
Total	34,595,165	100.0	35,815,848	100.0
Foreign currency denominated assets	11,799,295	34.1	12,415,894	34.7

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

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

(Millions of Yen)

	As of March 31, 2021					As of December 31, 2021				
	Book value	Fair value	Net gains (losses)	Gains		Book value	Fair value	Net gains (losses)	Gains	
					Losses					Losses
Held-to-maturity debt securities	1,590,707	1,852,103	261,395	261,404	(8)	1,574,870	1,825,603	250,733	250,739	(6)
Policy-reserve-matching bonds	12,470,906	14,068,089	1,597,183	1,654,525	(57,341)	12,497,115	14,030,142	1,533,026	1,585,971	(52,945)
Investments in subsidiaries and affiliated companies	52,238	46,861	(5,376)	-	(5,376)	52,238	46,263	(5,975)	-	(5,975)
Available-for-sale securities	13,963,576	15,804,479	1,840,903	1,986,544	(145,641)	14,803,314	16,668,378	1,865,063	1,988,950	(123,887)
Domestic bonds	2,477,237	2,529,740	52,503	86,818	(34,315)	2,685,965	2,735,143	49,177	82,871	(33,693)
Domestic stocks	1,115,669	2,338,264	1,222,594	1,252,591	(29,996)	1,138,531	2,331,554	1,193,023	1,234,188	(41,165)
Foreign securities	9,096,111	9,618,085	521,974	601,930	(79,956)	9,537,449	10,112,287	574,838	622,956	(48,117)
Foreign bonds	7,922,014	8,356,187	434,173	509,392	(75,219)	8,009,845	8,412,614	402,768	445,983	(43,214)
Other foreign securities	1,174,097	1,261,898	87,801	92,538	(4,737)	1,527,603	1,699,673	172,069	176,972	(4,902)
Other securities	349,067	387,108	38,040	38,775	(735)	400,707	441,266	40,558	41,340	(782)
Monetary claims bought	433,890	439,749	5,859	6,427	(567)	387,061	394,578	7,517	7,593	(76)
Negotiable certificates of deposit	491,600	491,530	(69)	-	(69)	653,600	653,547	(52)	-	(52)
Others	-	-	-	-	-	-	-	-	-	-
Total	28,077,428	31,771,534	3,694,106	3,902,473	(208,367)	28,927,539	32,570,387	3,642,848	3,825,661	(182,813)
Domestic bonds	14,378,646	16,015,275	1,636,628	1,710,830	(74,201)	14,544,938	16,092,932	1,547,993	1,625,474	(77,480)
Domestic stocks	1,115,669	2,338,264	1,222,594	1,252,591	(29,996)	1,138,531	2,331,554	1,193,023	1,234,188	(41,165)
Foreign securities	11,308,555	12,099,606	791,051	893,848	(102,797)	11,802,701	12,656,508	853,807	917,064	(63,257)
Foreign bonds	10,082,219	10,790,846	708,627	801,310	(92,683)	10,222,859	10,910,571	687,712	740,091	(52,379)
Other foreign securities	1,226,335	1,308,760	82,424	92,538	(10,113)	1,579,842	1,745,936	166,094	176,972	(10,878)
Other securities	349,067	387,108	38,040	38,775	(735)	400,707	441,266	40,558	41,340	(782)
Monetary claims bought	433,890	439,749	5,859	6,427	(567)	387,061	394,578	7,517	7,593	(76)
Negotiable certificates of deposit	491,600	491,530	(69)	-	(69)	653,600	653,547	(52)	-	(52)
Others	-	-	-	-	-	-	-	-	-	-

Note: 1. The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

2. Book values of stocks, etc. without quoted market price are excluded from the table above.

Book values of stocks, etc. without quoted market price are as follows:

(Millions of Yen)

	As of March 31, 2021	As of December 31, 2021
Investments in subsidiaries and affiliated companies	697,616	701,142
Available-for-sale securities	62,198	119,155
Domestic stocks	20,368	20,003
Foreign stocks	34,558	34,558
Others	7,271	64,592
Total	759,814	820,297

c. Fair Value Information of Money held in trust

(Millions of Yen)

	As of March 31, 2021					As of December 31, 2021				
	Balance sheet amount	Fair value	Net gains (losses)	Net gains (losses)		Balance sheet amount	Fair value	Net gains (losses)	Net gains (losses)	
				Gains	Losses				Gains	Losses
Money held in trust	-	-	-	-	-	2,311	2,311	-	-	-

Money held in trust for trading

(Millions of Yen)

	As of March 31, 2021		As of December 31, 2021	
	Balance sheet amount	Net Valuation gains (losses) included in statement of income	Balance sheet amount	Net Valuation gains (losses) included in statement of income
Money held in trust for trading	-	-	2,311	102

Money held in trust except for trading

No money held in trust except for trading as of March 31, 2021 and December 31, 2021.