



# NEWS RELEASE

Aug 26, 2020

## 【Assignment of a Rating (Preliminary)】

### Nissay 5th Subordinated Loan Securitization Co., Ltd.

Series 1 Subordinated Bonds: A+

Rating and Investment Information, Inc. (R&I) has announced the following preliminary rating.

It should be noted that the rating is a preliminary rating, and R&I will conduct a final review of various points, including the content of agreements entered into, and issue its formal rating.

#### 1. OUTLINE OF THE STRUCTURE

The rating is for the bonds to be issued by Nissay 5th Subordinated Loan Securitization Co., Ltd., which are backed by the subordinated loan borrowed by Nippon Life Insurance Company (Nissay; obligor).

#### 2. CREDIT RATING

INSTRUMENT NAME	Series 1 Subordinated Bonds
RATING ACTION	Assignment of a rating
R&I RATING(Prelim)	Long-term Issue Rating / A+
NOTE	The rating is an assessment of the probability that the principal of the bonds will be paid in full by the final redemption date and the interest will be paid timely.

#### 3. ABOUT INSTRUMENT

ISSUER	Nissay 5th Subordinated Loan Securitization Co., Ltd.	UNDERLYING ASSET	Subordinated Loan
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INSTRUMENT NAME	AMOUNT (CURRENCY)	Sub. Ratio (*1)	Date of Issue Sched. Maturity Legal Maturity	Redemption (*2)	Coupon Type/Rate
Series 1 Subordinated Bonds	Yen 50,000,000,000 (*3) (JPY)	—	Sep 23, 2020 Sep 23, 2050 Sep 23, 2050	HB	Variable (*4,5) TBD

(\*1) Sub. Ratio: Subordination Ratio

(\*2) Redemption Method: HB: Hard-Bullet (However, prepayment is possible every 5 years from the 10th year.)

(\*3) The above amount is the present estimate and is scheduled to be decided depending on demand.

(\*4) Until September 23, 2030, (i) 10-year JGB yield + additional rate (TBD) or (ii) single rate

(\*5) From September 24, 2030, the rate will change every five years to 5-year JGB yield + additional rate in (\*4) (i) + 1%, or to 5-year JGB yield + the rate in (\*4) (ii) - 10 year-JGB yield + 1%.

■Contact : Sales and Marketing Division, Customer Service Dept.  
■Media Contact : Corporate Planning Division (Public Relations)

TEL. +81-(0)3-6273-7471  
TEL. +81-(0)3-6273-7273

E-mail. [infodept@r-i.co.jp](mailto:infodept@r-i.co.jp)

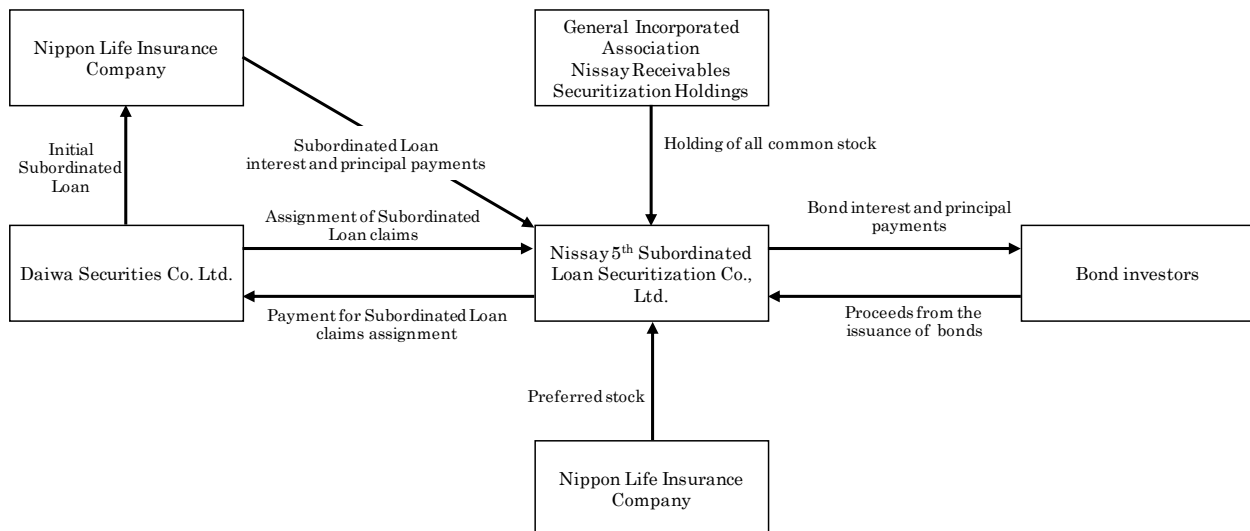
Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

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<Outline of the scheme>

- (1) Nissay 5th Subordinated Loan Securitization Co., Ltd. (Issuer) is a kabushiki kaisha established in Japan. Its common stock will be held by General Incorporated Association Nissay Receivables Securitization Holdings (Holding Corporation).
- (2) Daiwa Securities Co. Ltd. (hereinafter, the lender of the subordinated loan) will disburse a subordinated loan of 50.0 billion yen (estimate) to Nissay on September 23, 2020 in accordance with a subordinated loan agreement.
- (3) On the day of the disbursement, the lender of the subordinated loan will assign the claims on the aforementioned subordinated loan to Issuer in accordance with a subordinated loan claim assignment agreement. At that time, the assignment will be perfected as against the obligor and third party by obtaining written consent of Nissay, the obligor of the subordinated loan, with a certified date of the assignment.
- (4) Issuer will issue the Series 1 Subordinated Bonds (50.0 billion yen (estimate)) with the subordinated loan claims as underlying asset. The lender of the subordinated loan will receive the bond issuance proceeds as payment for the assignment of the subordinated loan claims.
- (5) Issuer will estimate the initial expenses and expenses during the term in advance and cover the expenses with the proceeds from the issuance of preferred stock to Nissay.
- (6) Nissay will pay interest on the subordinated loan twice each year in March and September, and the principal will be redeemed in lump-sum after 30 years. Nissay will make the principal and interest payments on the subordinated loan 3 bank business days prior to the bond principal and interest payment dates. Nissay's payment of the subordinated loan principal and interest will be made by direct remittance to a deposit account in the name of Issuer. Issuer will make the principal and interest payments on the bonds using the principal and interest payments received on the subordinated loan.
- (7) There is a possibility that the payment of the subordinated loan principal and interest will be deferred. If the payment of the subordinated loan principal and interest is deferred, the payment of the bond principal and interest will be deferred.
- (8) The subordinated loan may be early redeemed when certain events occur, such as Nissay's exercise of a call option, which will be available every 5 years from the 10th year. The bonds will be early redeemed in the event of early redemption of the subordinated loan.



■Contact : Sales and Marketing Division, Customer Service Dept.  
 ■Media Contact : Corporate Planning Division (Public Relations)

TEL. +81-(0)3-6273-7471  
 TEL. +81-(0)3-6273-7273

E-mail. [infodept@r-i.co.jp](mailto:infodept@r-i.co.jp)

**Rating and Investment Information, Inc.** TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

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## 4. RATIONALE

### 1. Risk factors

The major risks associated with this instrument are as follows:

<Risks associated with mechanism>

- i) Bankruptcy remoteness of SPV
- ii) Risk regarding bankruptcy of financial institution with which deposits are placed

<Risks associated with underlying assets>

- iii) Default or deferral risk of the subordinated loan

### 2. Analysis of risk factors

#### i) Bankruptcy remoteness of SPV

In consideration of the measures given below, R&I has deemed the bankruptcy remoteness of SPV to be high.

- a) Issuer is a kabushiki kaisha established in Japan, and its common stock is wholly owned by Holding Corporation. The operation of Holding Corporation is limited to the acquisition of interest in a kabushiki kaisha for the securitization of assets, etc., and Holding Corporation is subject to the following (b) and (c).
- b) Directors of Issuer are dispatched from Tokyo Kyodo Accounting Office.
- c) Parties to the scheme having a direct contractual relationship with Issuer have waived their right to compulsory execution against any of the assets of Issuer excluding nonexempt properties and pledged that they will not apply for bankruptcy against Issuer.
- d) The operation of Issuer is limited to those related to the issuance of the bonds.
- e) Issuer will not bear any debts other than those related to this scheme.

#### ii) Risk regarding bankruptcy of financial institution with which deposits are placed

Nissay will remit the subordinated loan principal and interest payments by direct transfer to a deposit account in the name of Issuer.

Issuer's deposit account will initially be opened at Mitsubishi UFJ Trust and Banking Corp. If R&I's Short-term Rating of the financial institution where Issuer has a deposit account slips below a-1, Issuer will transfer the account to a financial institution that has a Short-term Rating of a-1 or higher.

#### iii) Default or deferral risk of the subordinated loan

There is a possibility that a loss on the bonds will occur as a result of a shortfall of funds for the bond principal and interest payments when Nissay, the obligor of the subordinated loan (the underlying asset), defaults. In addition, when the payment of the subordinated loan principal and interest is deferred, the payment of the bond principal and interest will be deferred (occurrence of payment shortfall). R&I evaluates the creditworthiness of the bonds based on the creditworthiness of the subordinated loan.

R&I has assigned a preliminary rating of A+ to Nissay's subordinated loan. Please find the R&I News Release dated August 26, 2020 regarding the preliminary rating of Nissay's subordinated loan (the underlying asset).

### 3. Comprehensive evaluation

Following comprehensive evaluation of the given instrument, R&I has assigned the Long-term Issue Rating to the instrument.

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■Contact : Sales and Marketing Division, Customer Service Dept. TEL. +81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp  
■Media Contact : Corporate Planning Division (Public Relations) TEL. +81-(0)3-6273-7273

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## 5. DETAILS ON LOSSES, CASH FLOW AND SENSITIVITY ANALYSIS

CREDIT ENHANCEMENT	None
LIQUIDITY ENHANCEMENT	None

When the following rating methodologies are applied to the given instrument, the creditworthiness of the instrument at this time will be dependent on the Long-term Issue Rating of the subordinated loan (the underlying asset).

## 6. RATING METHODOLOGY

The primary rating methodologies applied to this rating are:

Announced in	TITLE
April 2020	Chapter 1: General
April 2020	Chapter 2: Particulars: Risks regarding structure
April 2020	Chapter 3: Particulars: Risks regarding underlying assets Subchapter 6: Corporate loan receivables
April 2020	Chapter 4: Particulars: Cash flow risk Subchapter 7: Analysis method based on credit ratings of underlying assets and parties involved in the structure

The above rating methodologies are available at R&I's website:

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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