

【Assignment of a Rating (Preliminary)】

Sumitomo Life 2nd 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 Sumitomo Life 2nd Subordinated Loan Securitization Co., Ltd. which are backed by the subordinated loan borrowed by Sumitomo Life Insurance Company (Sumisei; 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 | Sumitomo Life 2nd Subordinated Loan Securitization Co., Ltd. | UNDERLYING ASSET | Subordinated Loan claims |
|--------|--|------------------|--------------------------|

| 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 (JPY) | — | Oct 20, 2020 Oct 20, 2080 Oct 20, 2080 | HB | Variable — |

(*1) Sub. Ratio: Subordination Ratio

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

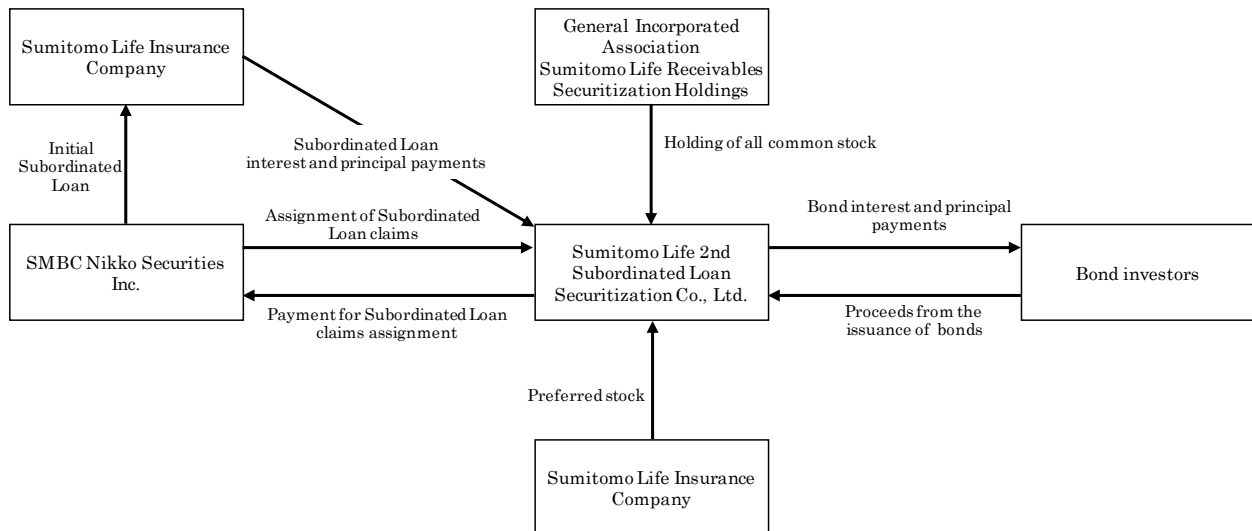
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<Outline of the scheme>

- (1) Sumitomo Life 2nd Subordinated Loan Securitization Co., Ltd. (Issuer) is a kabushiki kaisha established in Japan. Its common stock will be held by General Incorporated Association Sumitomo Life Receivables Securitization Holdings (Holding Corporation).
- (2) SMBC Nikko Securities Inc. (hereinafter, the lender of the subordinated loan) will disburse a subordinated loan of 50.0 billion yen (estimate) to Sumisei on October 20, 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 Sumisei, 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 Sumisei.
- (6) Sumisei will pay interest on the subordinated loan twice each year in April and October, and the principal will be repaid in lump-sum after 60 years. Sumisei will make the principal and interest payments on the subordinated loan 3 bank business days prior to the bond principal and interest payment dates. Sumisei'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 prepaid when certain events occur, such as Sumisei'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 prepayment of the subordinated loan.



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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

Sumisei 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 Sumitomo Mitsui Trust Bank, Ltd. If R&I's Short-term Rating of the financial institution where Issuer has a deposit account slips below a certain level, Issuer will transfer the account to a financial institution that has the said level of Short-term Rating 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 Sumisei, 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 Sumisei's subordinated loan. Please find the R&I News Release dated September 25, 2020 regarding the preliminary rating of Sumisei'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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NEWS RELEASE

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

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