



NEWS RELEASE

Jul 09, 2021

【Assignment of a Rating (Preliminary)】

Nissay 2021 Fund Securitization Co., Ltd.

Series 1 Unsecured Bonds: AA-

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 2021 Fund Securitization Co., Ltd., which are backed by the kikin to be raised by Nippon Life Insurance Company (Nissay; obligor).

2. CREDIT RATING

INSTRUMENT NAME	Series 1 Unsecured Bonds
RATING ACTION	Assignment of a rating
R&I RATING(Prelim)	Long-term Issue Rating / AA-
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 2021 Fund Securitization Co., Ltd.	UNDERLYING ASSET	Kikin claims
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INSTRUMENT NAME	AMOUNT (CURRENCY)	Sub. Ratio (*1)	Date of Issue Sched. Maturity Legal Maturity	Redemp- tion (*2)	Coupon Type/Rate
Series 1 Unsecured Bonds	Yen 50,000,000,000 (JPY)	—	Aug 03, 2021 Aug 03, 2026 Aug 03, 2026	HB	Fixed TBD

(*1) Sub. Ratio: Subordination Ratio

(*2) Redemption Method: HB: Hard-Bullet

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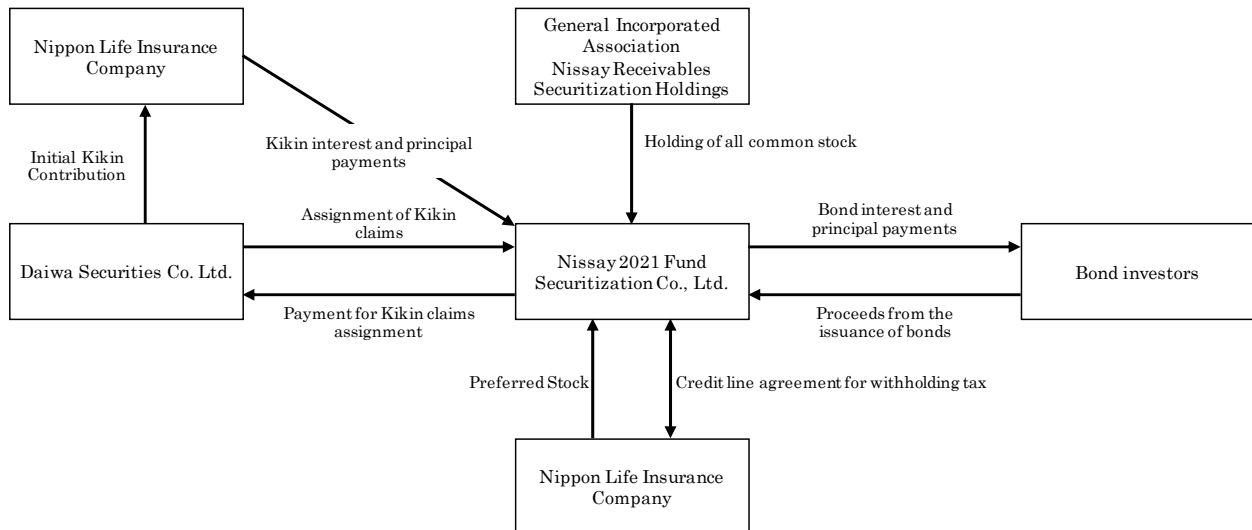
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<Outline of the scheme>

- (1) Nissay 2021 Fund Securitization Co., Ltd. (Nissay Fund; 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 contributor of the kikin) will contribute kikin of 50.0 billion yen to Nissay on August 3, 2021 in accordance with kikin contribution agreements.
- (3) On the day of the contribution, the contributor of the kikin will assign the claims on the aforementioned kikin to Nissay Fund. At that time, the assignment will be perfected as against the obligor and third party by obtaining written consent of Nissay with a certified date which will be the obligor with respect to the kikin claims.
- (4) Nissay Fund will issue the Series 1 Unsecured Bonds (50.0 billion yen) with the kikin claims as underlying asset. The contributor of the kikin will receive the bond issuance proceeds as payment for assignment of the kikin claims.
- (5) Nissay Fund estimates 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 kikin once each year, and the principal will be redeemed in lump-sum after 5 years. Nissay will make the principal and interest payments on the kikin claims 3 bank business days prior to the bond principal and interest payment dates. Nissay's payment of the kikin principal and interest will be made by direct remittance to a deposit account in the name of Nissay Fund.
- (7) In accordance with the provisions of Article 55 of Japan's Insurance Business Law, there is a possibility that the payment of the kikin principal and interest will be deferred. If the payment of the kikin principal and interest is deferred, the payment of the bond principal and interest will be deferred.
- (8) The kikin interest earned by Nissay Fund will be subject to the applicable withholding tax. Consequently, even in an instance when the payment of kikin interest has not been deferred, there could potentially be a shortfall in resources for timely payment of the bond interest on each interest payment date. To cover the shortfall of the bond interest associated with this withholding tax, Nissay Fund will enter into credit line agreement with Nissay.
- (9) The kikin may be early redeemed when certain events occur, such as Nissay's demutualization. The bonds will be early redeemed in the event of early redemption of the kikin.

SCHEME DIAGRAM:



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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
- iii) Risk associated with withholding tax levied on kikin interest

<Risks associated with underlying assets>

- iv) Default or deferral risk of the kikin

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) Nissay Fund 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 Nissay Fund are dispatched from Tokyo Kyodo Accounting Office.
- c) Parties to the scheme having a direct contractual relationship with Nissay Fund have waived their right to compulsory execution against any of the assets of Nissay Fund excluding nonexempt properties and pledged that they will not apply for bankruptcy against Nissay Fund.
- d) The operation of Nissay Fund is limited to those related to the issuance of the rated bonds.
- e) Nissay Fund 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 kikin principal and interest payments by direct transfer to a deposit account in the name of Nissay Fund.

Nissay Fund'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 Nissay Fund has a deposit account slips below a certain level, Nissay Fund will transfer the account to other financial institution that has the said level of Short-term Rating or higher.

iii) Risk associated with withholding tax levied on kikin interest

The kikin interest earned by Nissay Fund will be subject to withholding tax (withholding of income tax and special reconstruction income tax). Consequently, even in an instance when the payment of kikin interest has not been deferred, there potentially could be a shortfall in resources for a timely bond interest payment on each interest payment date, thereby preventing the timely bond interest payment.

To counter the shortfall associated with this withholding tax, Nissay Fund will enter into credit line agreement with Nissay. In preparation for each interest payment date, Nissay Fund will cover the shortage of funds for the payment of bond interest by borrowing the amount of the shortfall from Nissay in advance.

Under the credit line agreement, the amount of funds to be borrowed will be fixed by calculating in advance the amount of the shortfall based on the withholding tax rate. The agreement will allow for the possibility of adjusting the amount to be borrowed, however, in the event of a change in the tax system, such as an increase in the rate of withholding tax prior to the redemption of this issue. Usage of the funds covered by this agreement will be limited to two applications: covering a shortfall in resources to pay bond interest because of the aforementioned withholding tax, and refinancing within this credit line agreement. Repayment of funds borrowed on the basis of this agreement will be subordinate to the bond principal and interest.

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iv) Default or deferral risk of the kikin

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 kikin (the underlying asset), defaults. In addition, when in accordance with the provisions of Article 55 of Japan's Insurance Business Law the payment of the kikin 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 kikin.

R&I has assigned a preliminary rating of AA- to Nissay's kikin. Please find the R&I News Release dated July 9, 2021 regarding the preliminary rating of Nissay's kikin (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.

5. DETAILS ON LOSSES, CASH FLOW AND SENSITIVITY ANALYSIS

CREDIT ENHANCEMENT	None
LIQUIDITY ENHANCEMENT	Credit line agreement with Nippon Life Insurance Company

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 kikin (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 11: Other monetary receivables (including trust beneficial interest)
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/rating/about/rating_method.html