

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

## **Nippon Life Insurance Company (security code: -)**

<Assignment>

Subordinated Loan: AA-

### *Rationale*

<Issuer's Profile>

Nippon Life Insurance Company ("Nippon Life") is the core company of the Nippon Life Group (the "Group"), Japan's largest life insurance group. Having Taiju Life Insurance Company Limited, Nippon Wealth Life Insurance Company Limited, HANASAKU LIFE INSURANCE Co., Ltd., MLC Limited in Australia and other subsidiaries, it operates the domestic insurance business as well as other businesses including overseas insurance and asset management. In order to respond to diverse needs of customers in the domestic market, it has been developing and specializing multiple sales channels centering on approximately 50,000 sales representatives and has built a framework of five domestic companies, including Nissay Plus SSI (small-amount, short-term insurance). Furthermore, the Group is working to diversify businesses including insurance peripheral businesses by setting up new businesses and engaging in M&As. Overseas, it intends to expand business, as part of which it announced in May 2024 investment in Corebridge Financial Inc. operating the life insurance business in the U.S.

JCR deems Nippon Life's issuer rating to be commensurate with the Group's creditworthiness, which reflects the strong operating base in Japan, stable earnings capacity on the back of a large amount of policies in force, high capital adequacy against risks, etc. The Group's policy performance has been steady, and the value of new policies has also been steadily accumulating. With sufficient equity capital, Nippon Life has a high ability to absorb various risks.

<Rationale for Rating on Loans>

JCR rated the Subordinated Loan at a level two notches below the long-term issuer rating for Nippon Life.

In rating hybrid securities including subordinated loans, JCR looks at the following points: (i) the probability of deferral of interest or dividend payments in accordance with the deferral clause is usually higher than the probability of Nippon Life's falling into default (probability of deferral); and (ii) the ranking of claims at the time of bankruptcy is subordinated to the ranking of claims to ordinary debts, and as a result, the probability of recovery is low (subordination property).

Ranking of claims to the Subordinated Loan at the time of Nippon Life's bankruptcy is subordinated to all debts (excluding the Subordinated Loan and the subordinated debts, etc. ranking pari passu with the Subordinated Loan). Furthermore, mandatory interest suspension and optional interest suspension clauses are stipulated for the interest payments, and it is also provided that the principal repayment will be deferred if and when certain requirements are not satisfied (repayment requirements). JCR views that the probability of the actual suspension of the interest payments and that of the deferral of principal repayment are low at the moment, taking into account, among others, Nippon Life's financial conditions. JCR decided the notching from the long-term issuer rating in light of such subordination property and deferral clause for the principal and interest payments.

<Assessment of Equity Content of Loans and Rationale>

JCR determined the equity content of the Subordinated Loan to be at "low" or "25" (against 100 of a stock).

JCR takes into account that "there is no obligation to redeem principal or no maturity," "there is no obligation to pay dividends" and "ranking of claims at the time of bankruptcy is subordinated" when assessing the equity content of hybrid securities.

While the period to maturity is as long as 30 years for the Subordinated Loan, it is still significantly short as compared with ultra-long-term products JCR evaluates as such. Early repayment becomes possible after a lapse of 5 years from the loan execution. In addition, early repayment, etc. as a result of the occurrence of Regulation Events, Tax Events related to Nippon Life and the issuer of the corporate bonds (the "Bonds") to be issued to back up the Subordinated Loan (Nissay 9th Subordinated Loan

Securitization Company Limited) and Rating Events owing to changes in the assessment of equity content by a credit rating agency or other events are also possible. As the interest rate will be 5-year JGB interest rate + a certain spread including 1% interest step-up after a lapse of 10 years from the loan execution, the incentives for early repayment are high. As conditions for early repayment, however, Nippon Life is required to maintain a satisfactory regulatory capital ratio or raise capital, etc. in the amount exceeding the repayment amount and to obtain prior approval from the Commissioner of the Financial Services Agency (limited to cases where such approval is required). Moreover, it has strong incentives to maintain and strengthen the capital base for the Group because of its own business characteristics and from the viewpoint of remaining competitive. JCR thus considers it extremely unlikely that Nippon Life will make early repayment that will impair the financial bases of the Group and itself and factored this view in the assessment of the effective repayment obligation and maturity. This judgment reflects, along with other factors, that: (i) JCR, based on an interview with Nippon Life, was able to ascertain Nippon Life's future financial management policy including the position of the Subordinated Loan; and (ii) Nippon Life has long been winning confidence of investors and creditors by maintaining good relations with them in the financial market.

As for the interest, despite the provision of the mandatory interest suspension clause, conditions for the activation of this clause are hardly likely to surely stop the interest payments prior to bankruptcy. However, the optional interest suspension clause provides a mechanism whereby the interest payments can be suspended entirely in a stressful situation. For the assessment of equity content, JCR took into consideration the mechanisms for maturity and interest suspension discussed above, as well as other factors including the ranking of claims to the Subordinated Loan at the time of bankruptcy being subordinated to Nippon Life's senior obligations.

JCR will consider lowering the assessment of equity content to a debt level after a lapse of 10 years from the loan execution as the remaining period will become less than 20 years.

Tomohiro Miyao, Kota Matsuzawa for Issuer  
Kiichi Sugiura, Seito Achiha for Hybrid Securities

## Rating

Issuer: Nippon Life Insurance Company

### <Assignment>

Issue	Amount (bn)	Execution Date	Repayment Date	Interest Rate	Rating
Subordinated Loan	JPY 75	July 29, 2024	(Note 1)	(Note 2)	AA-

#### Notes:

1. Third banking day prior to August 2, 2054.
2. Fixed interest rate until and including August 2, 2029. 5-year JGB interest rate + a certain spread from August 3, 2029 to and including August 2, 2034. 5-year JGB + a certain spread +1.00% every 5 years after that date.

Early Repayment:	Repayment after a lapse of 5 years from the loan execution Repayment upon occurrence of Regulation Events, Rating Events, Tax Events or Gross-up Events
Replacement:	Repayment in relation to purchase and extinguishment of the Bonds No replacement language in the contract, etc., but repayment requirements, including maintenance of solvency margin ratio, must be satisfied for repayment.
Optional Interest Suspension:	Nippon Life may suspend interest payment at its discretion.
Mandatory Interest Suspension:	In cases where there is shortage of regulatory capital or prompt corrective action by authority
Accumulation/Non-Accumulation:	Accumulation
Ranking of Claims:	The Subordinated Loan is subordinated to all debts (excluding the Subordinated Loan and the subordinated debts, etc. ranking pari passu with the Subordinated Loan).

### <Reference>

Long-term Issuer Rating: AA+      Outlook: Stable

Rating Assignment Date: July 29, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (February 1, 2024), "Life Insurance" (February 8, 2024), "Ratings of Hybrid Securities" (September 10, 2012), "Rating Methodology for Assessment of Hybrid Securities' Equity Content" (December 1, 2022) and "Rating Methodology for Financial Institutions' Capital and TLAC Instruments" (April 27, 2017) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.



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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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# Information Disclosure Form

Japan Credit Rating Agency, Ltd.

## Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Nippon Life Insurance Company
Rating Publication Date:	July 29, 2024

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).











