

CMBI Credit Commentary

Japan Lifers: Yield pick-up plays over peers

Initiate buy on RESLIF 6.875 Perp and SUMILF 5.875 Perp

At the time of writing, JP lifers have outstanding USD papers totaled USD27.5bn, representing 45% of the total outstanding USD papers issued by Asian lifers. We view JP lifers USD hybrids as high-quality diversification plays in view of these lifers' solid capitalization and resulting refinancing capacity.

The structure of subordinated capital papers of JP lifers (except RESLIF 6.875 Perp) are more investor-friendly compared to those issued by Australia, mainland China and Singapore, in view of the absence of principal write-down or equity conversion features, while the distribution is cumulative in case of deferral

We initiate buy on **RESLIF 6.875 Perp** (first call in May'32) for attractive risk-adjusted return profile. At 101.3, RESLIF 6.875 Perp is trading at YTC of 6.6%. It is the highest-yielding issue in JP lifer universe, reflects its lower credit rating, junior subordinated ranking in capital structure, as well as loss absorption features that to be written down if eligible capital as determined by regulator falls below 100% of the ECR.

Moreover, we initiate buy on **SUMILF 5.875 Perp** (first call in Jan'34) for better risk-adjusted return profile. At 102.2, SUMILF 5.875 Perp is trading at YTC of 5.5%, offers 27bps pickup over NIPLIF 5.95 04/16/54 (first call in Apr'34) with earlier first call date at same issue rating. SUMILF 5.875 Perp also trading 6bps over DAIL 6.2 Perp (first call in Jan'35) while 1 year shorter to first call.

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Table 1: Selected JP lifer bonds

Security name	ISIN	Amt o/s (USD mn)	Ask px	Z-spread (bps)	YTC	Mod dur	First call date	Payment rank	Issue rating (M/S/F)
RESLIF 6.875 Perp	XS3219360081	750	101.3	309	6.6%	5.1	5/19/2032	Jr Sub	Baa3/-/BBB
RESLIF 6 ¾ 07/02/35	XS3096112688	750	106.5	213	5.8%	6.6	1/2/2035	Sub	Baa2/-/BBB
SUMILF 5.875 09/10/55	USJ77549AQ69	1,200	101.5	194	5.7%	7.2	9/10/2035	Sub	A3/-/A-
SUMILF 5.875 Perp	USJ77549AP86	1,040	102.2	189	5.5%	6.2	1/18/2034	Sub	A3/-/A-
MYLIFE 6.1 06/11/55	USJ41838AQ65	2,100	103.9	185	5.5%	7.2	6/11/2035	Sub	A3/A/-
FUKOKU 6.8 Perp	XS2673651217	500	108.5	184	5.5%	6.1	11/14/2033	Sub	-/A-/A-
DAIL 6.2 Perp	USJ1121LAA38	2,000	104.8	182	5.5%	6.8	1/16/2035	Sub	-/A-/A
FUKOKU 5 ¾ 09/02/55	XS3152021245	700	101.5	181	5.6%	7.3	9/2/2035	Sub	-/A-/A-
MYLIFE 5.8 09/11/54	USJ41838AP82	1,750	102.1	181	5.5%	6.7	9/11/2034	Sub	A3/A/-
NIPLIF 6 ½ 04/30/55	USJ54675BE26	1,500	107.6	174	5.5%	7.0	4/30/2035	Sub	A3/A/-

Source: Bloomberg.

RESLIF

We initiate buy on **RESLIF 6.875 Perp** (first call in May'32) for attractive risk-adjusted return profile. At 101.3, RESLIF 6.875 Perp is trading at YTC of 6.6%. It is the highest-yielding bond in JP lifer universe. We view that the current valuation reflects its lower credit rating, deep subordination, and loss absorption features.

On RV basis, RESLIF 6.875 Perp offers yield-pick up of 96bps over RESLIF 6 ¾ 07/02/35 (first call in Feb'35), as well as 148bps over its parent NIPLIF 6.25 09/13/53 (first call in Sep'33) and first callable c1 year earlier. We view the spread differential compensates for RESLIF 6.875 Perp's subordination relative to the dated subordinated structures.

RESLIF 6.875 Perp is the only instrument contains loss absorption features in JP lifer universe, and qualifies as Tier 1 Capital of Resolution Life. The distribution of RESLIF 6.875 Perp is non-cumulative, subject to optional cancellation at issuer's discretion and mandatory cancellation if Resolution Life fails to meet any enhanced capital requirements (ECR). The perp also carries dividend stopper clauses. Moreover, the principal is subject to written down if eligible capital as determined by regulator falls below 100% of the ECR. The issuer retains full discretion to reinstate written-down principal (up to the original amount) provided it has not been previously written up.

Resolution Life is a global life insurance group designated as an Internationally Active Insurance Group (IAIG) and regulated by the Bermuda Monetary Authority (BMA). It focuses on reinsurance and the acquisition and management of portfolios of life insurance policies, with operations in Bermuda, Singapore, the UK and the US.

As of Jun'25, Resolution Life's AUM grew to USD94.1bn from USD84.5bn as of Dec'24 driven by onboarding of new transactions. In 1H25, it reported revenue of USD5.9bn and incurred net loss of USD106mn. Despite the net loss, its Bermuda Solvency and Capital Requirement (BSCR) ratio remained robust at 212% as of Jun'25, broadly stable from the level as of Dec'24 at 215%, and well above the BMA's ECR of 120%. Moreover, after the issuance of the USD750mn RESLIF 6 ¾ 07/02/35 (T2) in Jul'25, Resolution Life's leverage ratio increased to 29% from 25% as of Dec'24, which was still within in its target range of 25-30%. Resolution Life expects the leverage ratio to trend lower following the Nippon Life integration.

In Oct'25, Nippon Life (Japan's largest life insurer by revenue and Resolution Life's largest investor since 2019) completed its 100% acquisition of Resolution Life for USD10.6bn. This transaction is credit positive, anchoring Resolution Life to Nippon Life's strong balance sheet and generating group-wide synergies. After the completion,

Fitch upgraded Resolution Life's rating by two notches to A- from BBB; while Moody's upgraded RLGH Finance Bermuda's rating, an intermediate holding and debt issuing entity of Resolution Life, by one notch to Baa2 from Baa1.

SUMILF

Moreover, we initiate buy on **SUMILF 5.875 Perp** (first call in Jan'34) for better risk-adjusted return profile. At 102.2, SUMILF 5.875 Perp is trading at YTC of 5.5%, offers 27bps pickup over NIPLIF 5.95 04/16/54 (first call in Apr'34) with earlier first call date at same issue rating. SUMILF 5.875 Perp also trading 6bps over DAIL 6.2 Perp (first call in Jan'35) while 1 year shorter to first call.

We view the yield pickup of SUMILF 5.875 Perp over A-rated hybrid NIPLIFs more than compensates for Sumitomo Life's comparatively lower solvency ratios and profitability metrics. In Sep'25, Sumitomo Life's solvency ratio at 669% was well above the 200% regulatory minimum. See Table 2.

Sumitomo Life is one of the largest life insurance companies in Japan by today assets as of Sep'25, with business in life insurance and annuities, property and casualty, as well as asset management and investment. The profitability metrics of Sumitomo Life is weaker than its peers. This was partly due to its higher exposure to foreign bonds, accounted for c25% of total investment portfolio, compared to its peers at 9-14% of total investment portfolio and related higher currency hedging cost.

That said, we view Sumitomo Life's FX risk is manageable, with 30% of its assets denominated in foreign currency in Sep'25. JP lifers typically hold higher local-currency assets than other regions, earnings and capital are less volatile to FX swings than its regional peers as a result. Moreover, higher domestic yields also support investment income, helping stabilize profitability and internal capital generation in 2026.

J-ICS becomes effective for the fiscal year ending Mar'26

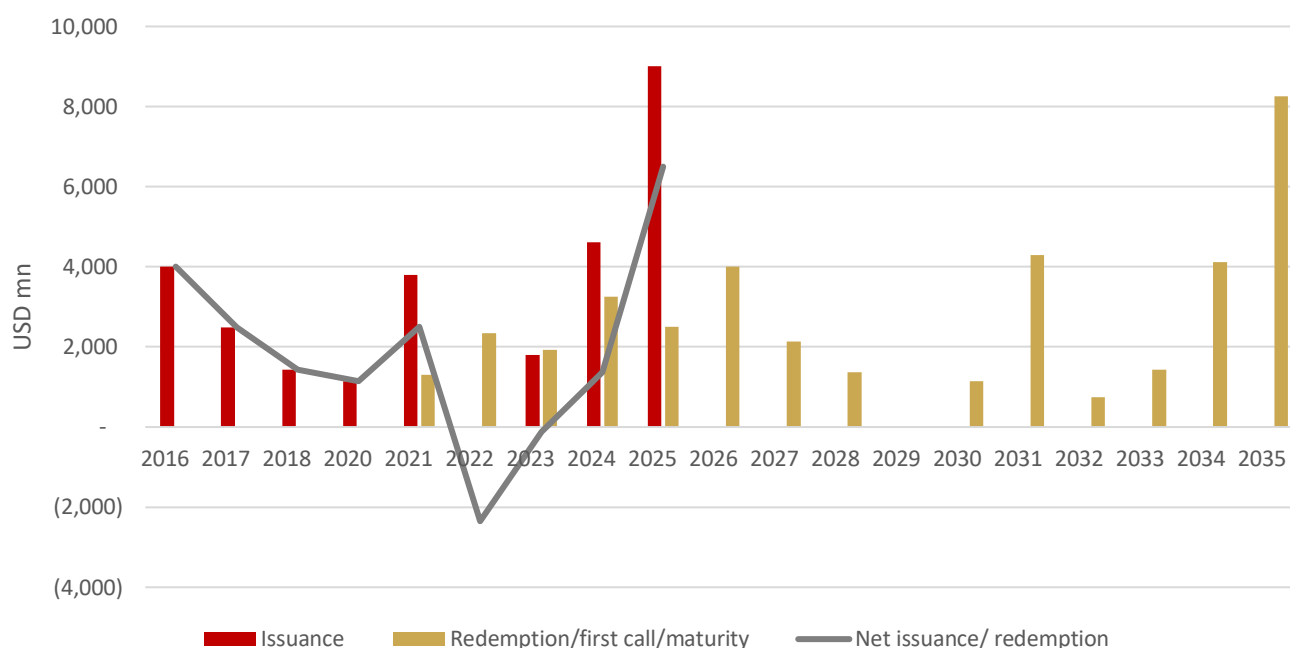
Under the new J-ICS, JP lifers are required to comply with the Economic Value-Based Solvency Ratio (ESR), and the structure for eligible capital has been changed. Eligible capital is categorized into Tier 1 Unlimited capital, Tier 1 Limited capital, and Tier 2 Paid-Up capital. Hybrid securities, including perps and dated subordinated bonds, are both classified as Tier 2 capital. The use of perps provides issuers financial flexibility under the new J-ICS, in view of 100% recognition as Tier 2 capital indefinitely. This is in contrast to the dated subordinated Tier 2 bonds that will subject to amortization on a straight-line basis during final five years before maturity in capital adequacy calculation, similar to the Basel III's requirement on banks.

Despite perps offer higher flexibility than dated subordinated bonds under the new J-ICS, we envisage JP lifers continue to issue both dated subordinated bonds and perps to replenish its capital. Dated subordinated bonds should remain to dominate, in view of the lower funding cost compared to that of perps.

Refinancing over capital replenishment in 2026

We expect that 2026 issues by JP lifers are more for refinancing than for capital building as JP lifers have pre-positioned through reinsurance, asset-mix rotation, and ALM optimizations, lifting economic solvency ratio and tempering FX sensitivity. With solvency ratios well above the regulatory floor, the incentive and ability of JP lifers to refinance their subordinated bonds on the first call dates remain strong. The two candidates to tap the USD market in 2026 are Nippon Life lifers with NIPLIF 4.7 01/20/46 (o/s USD1.5bn) first callable in Jan'26 and Dai-ichi Life with DAIL 4 Perp (o/s USD2.5bn) first callable in Jul'26.

Chart 1: JP lifers' net issuance since 2023



Source: Bloomberg.

Table 2: JP lifers' financial highlights

	Asahi Mutual Life	Dai-ichi Life	Fukoku Mutual Life	Meiji Yasuda Life	Nippon Life	Resolution Life	Sumitomo Life
As of	Sep'25	Sep'25	Jun'25	Sep'25	Sep'25	Sep'25	Sep'25
Solvency ratio	990%	831%	1145%	1057%	865%	212%	669%
ROA	0.9%	0.9%	1.5%	0.2%	0.5%	-0.2%	0.1%
ROE	8.4%	12.6%	16.8%	2.3%	4.6%	-2.6%	1.9%
Investment portfolio							
Cash, deposits, call loans	1.6%	2.3%	4.7%	-	1.2%	-	4.4%
Monetary claims bought	0.2%	0.5%	0.3%	-	0.1%	-	1.9%
Domestic bonds	49.7%	53.4%	42.9%	-	36.7%	-	39.0%
Domestic stocks	13.1%	10.5%	14.4%	-	17.5%	-	9.5%
Foreign bonds	11.5%	9.1%	13.2%	-	14.1%	-	24.7%
Foreign stocks and others	8.2%	4.9%	9.8%	-	13.7%	-	9.3%
Other securities	1.8%	4.3%	3.5%	-	3.2%	-	1.4%
Loans	5.5%	9.8%	6.5%	-	9.3%	-	5.5%
Real estate	5.9%	3.5%	3.6%	-	2.1%	-	1.7%
Others	2.5%	1.7%	1.1%	-	2.1%	-	2.6%
Total assets	100.0%	100.0%	100.0%	-	100.0%	-	100.0%
Foreign currency denominated assets	18.9%	12.7%	22.7%	-	27.5%	-	29.6%

Source: Company filling, CMBI FICC Research.

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