

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

JAPAN POST INSURANCE Co., Ltd. (security code: 7181)

<Assignment>

Bonds (Dated subordinated bonds): Preliminary A+

Rationale

<Issuer's Profile>

JAPAN POST INSURANCE Co., Ltd. (the "Company") is a core insurance company of JAPAN POST Group. JAPAN POST HOLDINGS Co., Ltd. ("JAPAN POST HOLDINGS") owns approximately 64.5% of the Company's voting rights. The Company's entire shares held by JAPAN POST HOLDINGS are to be disposed of as early as possible in consideration of its business conditions as well as possible impact on JAPAN POST HOLDINGS and JAPAN POST Co., Ltd. with respect to fulfillment of their obligations to offer universal services. The Company's ratings reflect its solid business foundation supported by the post office network, stable earning power, thick capital as against risks, etc. In light of facts such as the fact that there are no legal mechanisms for financial support for the Company by the government, JCR has been seeing that a possibility of special government support to the Company which is different from the case of private companies in the same industry is low.

JCR places Negative outlook on the Company's rating based on facts including the fact that it is hard to get a view of recovery in business performance of policies because of significant delay of restart of insurance sales due to the series of inappropriate solicitation problems. JCR will confirm several factors including (i) recovery degree of and prospects for business performance of policies, (ii) appropriateness of direction and plan for figures of the medium-term management plan starting in the fiscal year ending March 2022, and (iii) economic value-based capital adequacy conditions based on these actual results and prospects.

<Rationale for Rating on Securities>

JCR preliminarily rated the Subordinated Bonds at a level 2 notches below the long-term issuer rating on the Company.

In rating hybrid securities including subordinated bonds, 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 the Company's falling into default (probability of deferral); and (ii) ranking of claims at the time of bankruptcy is subordinated to the ranking of claims to the ordinary debts, and as a result, probability of recovery is low (subordination property).

Ranking of the claims to the Subordinated Bonds at the time of the Company's bankruptcy ranks *pari passu* with the first preferred stock and is subordinated to all debts (excluding the Subordinated Bonds and the subordinated debts substantively ranking *pari passu* with the Subordinated Bonds). Furthermore, mandatory interest suspension and optional interest suspension clauses are stipulated for the interest payments, and also it is defined that the principal repayment would be deferred, if certain requirements cannot be met. JCR views that the probability of the actual suspension of the interest payments and that of deferral of the principal repayment are low at the moment, taking into account, among others, the financial conditions of the Company. JCR decided the notching from the long-term issuer rating, taking into account such subordination property and the deferral clause.

<Assessment on Equity Content of Securities and Rationale>

JCR determined the equity content of the Subordinated Bonds at "low or 25%."

In assessing the equity content of hybrid securities, JCR takes into account the facts 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."

Although the period from the bond issuance to maturity is as long as 30 years, it is still significantly short as compared with ultralong-term products JCR evaluates as such, which is reflected in the equity content assessment.

Early redemption is possible after a lapse of 10 years from the bond issuance. Early redemption or Purchase as a result of occurrence of Regulation Events, Tax Events or Rating Events owing to changes in the assessment of the equity content by a credit rating agency is also possible. As the interest rates are set to step up by 100 bps after a lapse of 10 years from the bond issuance, the incentives for early redemption are high. As conditions for early redemption, however, the Company is required to maintain a satisfactory regulatory capital ratio or raise capital in the amount exceeding the redemption amount and to obtain prior approval from the competent authority (limited to cases where this approval is required). Moreover, the Company has strong incentives to maintain and strengthen the capital base from the viewpoints of business characteristics and remaining competitive. JCR thus considers it is very unlikely that the Company will make an early redemption or a purchase that will impair the Company's capital base and factored this view in the assessment of the effective redemption obligation and maturity. This judgment reflects, along with other factors, that JCR, based on hearing from the Company, was able to ascertain (i) its future financial management policy including position of the Subordinated Bonds and (ii) its policy to place emphasis on good relations with investors and creditors in the financial market to keep confidence of many policyholders and its brand power on the strength of its history of 100 years for postal life insurance.

As for the interest, despite the provision of a mandatory interest suspension clause, conditions for activation of this clause are far from the ones that can surely stop the interest payments prior to failure. However, JCR also took into consideration in its assessment of the equity content those factors such that the interest payments can be suspended in a stressful situation on its optional interest suspension clause and that the claims to the Subordinated Bonds at the time of bankruptcy are subordinated to the claims to the senior obligations of the Company.

JCR will consider lowering the assessment of the equity content to the debt level when the remaining period of the Subordinated Bonds becomes less than 20 years after the lapse of 10 years from the bond issuance.

Tomohiro Miyao, Tomohiko Iwasaki for Issuer
Kiichi Sugiura, Akira Minamisawa for Hybrid Securities

Rating

Issuer: JAPAN POST INSURANCE Co., Ltd.

<Assignment>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Preliminary Rating
2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds					
	TBD	(Note 1)	(Note 1)	(Note 2)	A+

(Note 1): This series of bonds is issued in 2021 and redeemed in 2051. The details are to be determined on a day when the coupon rate is determined.

(Note 2): 100 bp step-up is scheduled 10 years later after the issue date.

Early Redemption/Purchase:	Early redemption after a lapse of 10 years from the bond issuance Redemption upon occurrence of Regulation Events, Tax Events or Rating Events Purchase
Replacement:	No replacement language in offering circular for bonds, etc.; however, the Issuer needs to meet certain requirements for redemption/purchase such as maintenance of solvency margin ratio
Optional Interest Suspension:	The Issuer 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 Bonds are subordinated to all debts (excluding the Subordinated Bonds and the subordinated debts ranking pari passu with the Subordinated Bonds) and rank pari passu with the first preferred stock.

<Reference>

Long-term Issuer Rating: AA Outlook: Negative

Rating Assignment Date: January 6, 2021

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" (November 7, 2014), "Life Insurance" (July 1, 2013), "Rating Methodology for Financial Groups' Holding Companies and Group Companies" (March 29, 2019), "Rating Methodology for Assessment of Hybrid Securities' Equity Content" (July 27, 2017), "Ratings of Hybrid Securities" (September

10, 2012) 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/>).

Glossary:

A preliminary rating is a credit rating assigned as a preliminary evaluation while material terms for issue to be rated are not yet finalized. When the issuing terms are finalized, JCR will confirm them and will assign a credit rating anew. The rating level of the final rating may be different from that of the preliminary rating, depending on the final content of the terms, etc.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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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:	JAPAN POST INSURANCE Co., Ltd.
Rating Publication Date:	January 6, 2021

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 ratings 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 ratings 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).

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders
- C) Documentation of the rated financial product presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the warranty made by the issuer, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit ratings is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR received in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity

positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's parent company or subsidiaries, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Shozo Matsumura, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

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Shozo Matsumura

General Manager of Financial Institution Rating Department

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026