21-D-0150
May 14, 2021

JAPAN POST INSURANCE's Share Buyback Will Reduce JAPAN POST HOLDINGS' Equity Interest —No Immediate Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on JAPAN POST INSURANCE Co., Ltd. (security code: 7181)'s resolution to buy back its shares held by JAPAN POST HOLDINGS Co., Ltd. (security code: 6178).

(1) JAPAN POST INSURANCE Co., Ltd. (the "Company") announced today that it would acquire its own shares held by JAPAN POST HOLDINGS Co., Ltd. ("JAPAN POST HOLDINGS"). The acquisition price is capped at approximately 358.9 billion yen in total, and the ratio of voting rights is expected to drop from the current level of approximately 64.5% to below 50%. JCR has determined that this share buyback would not immediately affect the Company's rating, taking into consideration both the negative impact on its capital level and the positive impact expected from the increased management flexibility. With respect to the impacts of the share buyback on the Company's capital level, those on the solvency margin ratio under the current regulations and the ESR, which indicates the soundness on an economic value basis, are not so large. On the other hand, the fall of the voting rights held by JAPAN POST HOLDINGS to below 50% means that it will lead to relaxation of additional regulations for new business based on the Postal Service Privatization Act. In other words, it means that there will be more freedom in new business and product development (change from a system of approval by the competent minister to a system of prior notification), and JCR believes that this will have a positive effect on the calculation of ESR which varies widely depending on a variety of assumptions, including business performance of policies and expense ratio.

(2) The Company's ratings reflect its solid business foundation supported by the post office network, its own stable earning power, large equity capital as against risks, and so forth. Under the Postal Service Privatization Act, JAPAN POST HOLDINGS shall dispose of the Company's entire shares as early as possible. The weakening of the relationship with JAPAN POST HOLDINGS in terms of capital was factored into the Company's rating, and JCR has been seeing the possibility of special government support to the Company different from that to peers in the private sector as low. By entering into an agreement of counter insurance services with JAPAN POST Co., Ltd. ("JAPAN POST") that cannot be easily cancelled, on the other hand, the Company is contractually obligated to maintain its position as an insurance company for JAPAN POST's universal services. JCR has been thinking from the beginning that even if the share disposal proceeds, the Company and JAPAN POST will remain very strongly united in terms of operations.

(3) 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 as a result of the prolonged period of self-restraint or suspension 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 FY2021, and (iii) economic value-based capital adequacy conditions based on these actual results and prospects. While it is unknown that how much quantitative positive effects on the business performance of policies can be brought from the qualitative factor of the increased management freedom, JCR sees that it could be a positive factor in the assumed scenario.

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<Reference>
Issuer: JAPAN POST INSURANCE Co., Ltd.
Long-term Issuer Rating: AA   Outlook: Negative

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