

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

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

<Outlook Change>

Long-term Issuer Rating:	AA
Outlook:	from Negative to Stable
Ability to Pay Insurance Claims:	AA
Outlook:	from Negative to Stable

<Affirmation>

Bonds (Dated subordinated bonds):	A+
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Rationale

- (1) JAPAN POST INSURANCE Co., Ltd. (the "Company") is the core life insurance company of the JAPAN POST Group (the "Group"). JAPAN POST HOLDINGS Co., Ltd. ("JAPAN POST HOLDINGS") has 49.9% voting rights in the Company. The Company's entire shares 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. ("JAPAN POST") with respect to the fulfillment of their obligations to offer universal services. Having announced in June 2019 that there were insurance policies that caused disadvantages to the customers due to rewriting, etc., the Company has since then suspended and refrained from conducting proactive sales activities while striving to clarify the whole picture of a series of improper solicitation actions. It resumed the sales of insurance products in October 2020 with priority placed on business operations to regain trust and intends to fully restart in April 2022 by shifting a new sales system.
- (2) JCR, while affirming the issuer rating on the Company, changed the outlook from Negative to Stable, on the grounds, among others, that: i) while a series of improper solicitation actions, including the rewriting of insurance policies, have had major impacts on the society and presumably lowered the Company's reputation, no such impacts as a sudden increase in surrenders and a rise in surrender have been observed; ii) the size of controversial contracts was marginal relative to huge policies in force; iii) the ratings are underpinned by the assessment of stock-based factors such as financial soundness and the volume of policies in force, and financial soundness under the current regulations remain largely unchanged; iv) capital adequacy based on the economic value, which declined significantly as of March 31, 2020, has improved in line with JCR's assumptions; and v) even though the Company has not disclosed actual results in relation to recovery in annualized premiums after the resumption of sales activities, it is building a platform aimed at improving its performance, including ensuring flexibility in new operations such as product development and preparing for the launch of a new sales system. That said, as regards the Company's annualized premiums, JCR predicts that their recovery will be slow because the Company will inevitably have to continue careful business operations and the impacts of a decline in brand power cannot be ignored and that it will be extremely difficult to bring annualized premiums from new policies back to the level prior to the announcement of improper solicitation. Moreover, it is unknown how much quantitative positive impacts an increase in management flexibility as a qualitative factor will have on annualized premiums. On a separate note, the Company is revising the Group's governance system by reshuffling the management, implementing the business improvement plan, etc. Yet, JCR views that evaluating the outcomes of these efforts will require a reasonable amount of time, so there still is time to closely watch whether an effective system will be established to prevent the recurrence of similar problems.
- (3) The Company's business relations with JAPAN POST HOLDINGS and JAPAN POST remain extremely strong. The Postal Service Privatization Act (the "Act") stipulates that JAPAN POST HOLDINGS shall dispose of its entire shareholdings in the Company as early as possible, and JCR already incorporates into the rating that the Company's capital relationships with JAPAN POST HOLDINGS will weaken as a result. Meanwhile, by entering into an agreement of counter insurance services with JAPAN POST that cannot be easily cancelled, the Company is contractually obligated to maintain its position as an insurance company relevant to the provision of JAPAN POST's universal services. Therefore, JCR has assumed from the beginning that, even when the required share disposal proceeds, the Company and JAPAN POST will remain very strongly united in terms of

operations. A fall in voting rights held by JAPAN POST HOLDINGS to below 50% means that additional regulations for new businesses under the Act will be relaxed, providing more flexibility in new businesses and product development as the system of approval by specified ministers will be switched to a prior notification system.

- (4) The Company has a large customer base with the number of policies in force and customers reaching approximately 25 million and 23 million, respectively, by offering simple and small-amount products mainly to women and middle-aged and older people through more than 20,000 post offices nationwide. While the sales of insurance products was resumed in full scale much behind the initial schedule, the Company is accepting consultants from JAPAN POST who will specialize in the insurance business, consolidating operating locations, etc. and intends to shift to a new Japan Post Insurance sales system in April 2020 to directly manage these consultants and restart sales efforts in full scale by setting sales targets. JCR will therefore closely watch how far the Company can recover annualized premiums by reviewing its systems for sales and internal control while working to regain customers' trust.
- (5) Earnings capacity has been stable, though slightly low relative to the business size. Profits remained at certain levels even in the fiscal year ended March 2020 (FY2019) and FY2020 when annualized premiums from new policies hardly increased. That said, in terms of life insurance accounting, a fall in annualized premiums has little impact on the profit level in the short run because it helps reduce expenses but will have negative impacts in the medium and long run. Therefore, JCR considers that profits ensured for the short term on a financial accounting basis does not necessarily support the ratings. On the other hand, EEV, an indicator of economic value-based corporate value, was 4.0 trillion yen as of March 31, 2021, returning to the level as at the end of FY2018; however, actual results are far different from economic preconditions, and "an increase in EEV with achievements of sales activities" such as the value of new business, which JCR views as a key factor, is not accumulating. JCR is watching changes in the value of new business, etc. along with recovery in annualized premiums and revision of the product mix in the future.
- (6) Investment securities are accounted for approximately 90% by public and corporate bonds and are thus highly creditworthy and liquid. At a time when the low-interest rate environment continues, the Company is working to diversify asset management by investing in "return-seeking assets" such as foreign bonds and stocks to improve investment income, but income growth is slow. While having a certain interest rate risk, the Company has expressed its intension to keep reducing the amount of interest rate risk in anticipation of the introduction of an economic value-based solvency regulation.
- (7) Core capital has been on the increase partly because of the accumulation of retained earnings including various kinds of reserves, and capital is adequate against risks. Share acquisition in May has had not much impact on the capital level. As regards solvency margin ratio under the current regulation, it stays high, standing at 1,090% as of September 30, 2021. On the other hand, ESR, an indicator of economic-value based soundness, stood at 195% as of the same date, changing drastically over the last two years. It is intrinsically highly volatile, but a sharp fall at the end of March 2020 is largely attributable to changes in non-economic preconditions due to confusion in financial markets, as well as to voluntary restraint and suspension of sales. JCR has assumed that ESR may recover to the previous level in a relatively short period of time based on the assumed scenario, and this indicator is actually improving almost in line with such assumption.

Tomohiro Miyao, Kota Matsuzawa

Rating

Issuer: JAPAN POST INSURANCE Co., Ltd.

<Outlook Change>

Long-term Issuer Rating: AA Outlook: Stable
 Ability to Pay Insurance Claims: AA Outlook: Stable

<Affirmation>

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
1st Series Deferrable Interest and Callable Unsecured Subordinated Bonds					
	JPY 100	Jan. 29, 2019	Jan. 29, 2049	(Note 1)	A+
2nd Series Deferrable Interest and Callable Unsecured Subordinated Bonds					
	JPY 200	Jan. 28, 2021	Jan. 28, 2051	(Note 2)	A+

Notes:

1. 1.00% until and including January 29, 2029. 6M Euroyen LIBOR + 1.78% after that date.
2. 1.050% until and including January 28, 2031. 5-year JGB interest rate + 2.010% after that date.

Rating Assignment Date: December 13, 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), "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/>).

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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.)



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:	December 16, 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 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).

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

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 rating 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.

12

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

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- 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/>

13

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.

14 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.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
JAPAN POST INSURANCE Co.,	Issuer(Long-term)	September 23, 2016	AA	Stable
JAPAN POST INSURANCE Co.,	Issuer(Long-term)	September 22, 2017	AA	Stable
JAPAN POST INSURANCE Co.,	Issuer(Long-term)	October 12, 2018	AA	Stable
JAPAN POST INSURANCE Co.,	Issuer(Long-term)	October 17, 2019	AA	Negative
JAPAN POST INSURANCE Co.,	Issuer(Long-term)	October 23, 2020	AA	Negative
JAPAN POST INSURANCE Co.,	Ability to Pay Insurance Claims	September 23, 2016	AA	Stable
JAPAN POST INSURANCE Co.,	Ability to Pay Insurance Claims	September 22, 2017	AA	Stable
JAPAN POST INSURANCE Co.,	Ability to Pay Insurance Claims	October 12, 2018	AA	Stable
JAPAN POST INSURANCE Co.,	Ability to Pay Insurance Claims	October 17, 2019	AA	Negative
JAPAN POST INSURANCE Co.,	Ability to Pay Insurance Claims	October 23, 2020	AA	Negative
JAPAN POST INSURANCE Co.,	Bonds no.1(subordinated)	January 23, 2019	A+	
JAPAN POST INSURANCE Co.,	Bonds no.1(subordinated)	October 17, 2019	A+	
JAPAN POST INSURANCE Co.,	Bonds no.1(subordinated)	October 23, 2020	A+	
JAPAN POST INSURANCE Co.,	Bonds no.2(subordinated)	January 22, 2021	A+	

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

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