

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

## **JAPAN POST HOLDINGS Co., Ltd. (security code: 6178)**

### <Affirmation>

Long-term Issuer Rating: AA+  
Outlook: Stable

### *Rationale*

- (1) JAPAN POST HOLDINGS Co., Ltd. (the “Company”) is a special company established under the Act on Japan Post Holdings Co., Ltd. As the holding company of the JAPAN POST Group (the “Group”), it has JAPAN POST Co., Ltd. (“JAPAN POST”), JAPAN POST BANK Co., Ltd. (“JAPAN POST BANK”) and JAPAN POST INSURANCE Co., Ltd. (“JAPAN POST INSURANCE”) under its umbrella. The Company and JAPAN POST are required by laws and ordinances to offer universal services to enable customers to receive postal, savings and insurance services consistently, universally and fairly at post offices throughout the country. Backed by the huge network of post offices, the Group has a customer base that is far broader than that of its private-sector peers not only for the postal business but also for the banking and insurance sectors. As it is subject to the process of privatization of postal services, which were once directly operated by the Japanese government, the government’s shares in the Company and also the Company’s shares in JAPAN POST BANK and JAPAN POST INSURANCE are supposed to be disposed of in that process.
- (2) The rating on the Company reflects JCR’s views that, given the Group’s function as a key social infrastructure, obligations to offer universal services, etc., it is highly likely that the Company will receive additional support from the Japanese government in stressful situations. For JAPAN POST INSURANCE, JCR has been closely watching the impacts of a decline in public trust triggered by the inappropriate solicitation of insurance products, but no impacts to the extent of drastically weakening the business base, including a surge in the cancellation of insurance policies, have been observed. Also, JCR views that the Company’s relations with the government have been affected only limitedly for now.
- (3) As the government disposed of its shareholdings in the Company in October 2021, its investment ratio dropped to the lower limit of “more than one-third of all shares” as stipulated by laws and ordinances, but the political significance of the Company’s operations remain unchanged. Meanwhile, the Company is required to dispose of its entire shareholdings in JAPAN POST BANK and JAPAN POST INSURANCE (the “two financial companies”) as early as possible. Accordingly, it has gradually sold JAPAN POST INSURANCE shares, bringing the investment ratio to below 50%, while planning to lower the ratio of its investment in JAPAN POST BANK also to below 50% during the period covered by the medium-term management plan of the fiscal year ending March 2022 (FY2021) through FY2025. Even though capital relationships between the Company and the two financial companies will likely weaken going forward, JCR assumes that unity between the two financial companies and JAPAN POST in daily operations will remain extremely strong.
- (4) The Postal Service Privatization Act stipulates that the government shall take necessary measures to ensure the fulfillment of the obligation to offer universal services, and JCR considers that “necessary measures” include financial support, on the grounds, among others, that: (i) the political significance of the Group’s operations is extremely high; and (ii) in some privatization cases in Europe, post office operators receive subsidies and/or are exempt from the value-added tax on universal postal services. As the volume of postal matters handled keep decreasing, the government has been continuously deliberating policies and cost sharing to ensure universal services and taking measures accordingly. In October 2021, the frequency of postal delivery and the number of delivery days were revised for the purposes of improving the profitability of the postal services, securing manpower to respond to an increase in parcels and so forth.
- (5) Even when tough business conditions continue, including the low interest rate environment and the COVID crisis, the Group’s net ordinary income has been growing steadily on the whole. While the two financial companies generate solid profits to support the entire Group, JAPAN POST, too, secures a certain income level thanks to growth in demand for Yu-Pack and other parcels. That said, the two financial companies’ profits are expected to decline with progress in share disposal, and thus

strengthening the earnings based centering on JAPAN POST has become a key challenge. JAPAN POST has over the past year formed a business alliance with Rakuten Group, Inc. and reached a basic agreement on collaboration with Sagawa Express Co., Ltd., while disposing of an unprofitable division of Toll Holdings Limited with an eye to improve earnings for the global logistics business. Looking ahead, the Company will work on drastic cost cuts by enhancing the operational efficiency of post offices through the promotion of digital transformation as per the medium-term management plan. It also intends to press ahead with the expansion of the real estate business and growth investments such as M&As and capital alliances so as to transform the business portfolio. Given these profitability improvement factors, JCR considers it unlikely that the Group's earnings will drop sharply from the current level in the near future.

- (6) JCR finds no major concerns about financial soundness. As the Group's interest-bearing debt excluding that of the two financial companies is small, JCR assumes that the relatively favorable financial structure can be maintained even if the debt grows to a certain extent due to M&As, etc. in the future. For FY2020, the Company recorded an impairment loss of 2 trillion yen because of a drop in the market value of JAPAN POST BANK shares, which however does not affect the consolidated financial results. As regards its subsidiaries, JAPAN POST's burden of interest-bearing debt repayment is not so large despite the low equity ratio. JAPAN POST BANK is increasing high-risk investments and loans such as fund investments, but, as it intends to retain a certain capital adequacy ratio, JCR assumes that risks will be managed appropriately against capital. JAPAN POST INSURANCE also has a good capital base against risks.

Kenji Sumitani, Akira Minamisawa

### Rating

Issuer: JAPAN POST HOLDINGS Co., Ltd.

#### <Affirmation>

Long-term Issuer Rating: AA+      Outlook: Stable

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 "FILP Agencies, etc." (May 29, 2020), "JCR's Rating Methodology" (November 7, 2014), "Land Transportation" (May 29, 2020), "Rating Methodology for a Holding Company" (January 26, 2015) and "Rating Methodology for Financial Groups' Holding Companies and Group Companies" (March 29, 2019) 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 HOLDINGS 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) Legal Protection and Support Provided by the Government

The likelihood of a given debt payment is highly conditional to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement, and other forms of the government's supporting policy, framework and the strength thereof.

#### B) 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.

C) 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.

D) 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).

## 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 publication by the issuer or 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 did not receive 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) Legal Protection and Support Provided by the Government

The credit rating is subject to alteration if there is a change in the issuer's legal support by the government, personnel or capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. 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.

### B) 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.

### C) 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.

### D) 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.

- E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement  
The credit rating is subject to alteration if there is a change in the creditworthiness of the government, etc. that constitute the framework of credit enhancement. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change on such framework is exceptionally large.

F) 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) Legal Protection and Government Support

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 legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant change of the credit rating is most likely by one notch, as JCR stipulates, but possibly as much as a few notches if the change in the government's supporting policy is significant.

B) 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.

C) 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.

D) 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.

E) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

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 creditworthiness of the government, etc. that constitute the framework of credit enhancement. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches should the creditworthiness of said government, etc. 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.

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## The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
JAPAN POST HOLDINGS Co.,	Issuer(Long-term)	September 23, 2016	AA+	Negative
JAPAN POST HOLDINGS Co.,	Issuer(Long-term)	September 22, 2017	AA+	Negative
JAPAN POST HOLDINGS Co.,	Issuer(Long-term)	August 10, 2018	AA+	Stable
JAPAN POST HOLDINGS Co.,	Issuer(Long-term)	October 12, 2018	AA+	Stable
JAPAN POST HOLDINGS Co.,	Issuer(Long-term)	October 17, 2019	AA+	Stable
JAPAN POST HOLDINGS Co.,	Issuer(Long-term)	October 23, 2020	AA+	Stable



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

I, Mikiya Kubota, 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.

窪田 幹也

Mikiya Kubota

General Manager of Public Sector Rating Department

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