

Proposed Legal Amendments on Financial Measures, etc. for JAPAN POST HOLDINGS—Will Reexamine the Nature of the Government’s Involvement

The following is Japan Credit Rating Agency, Ltd. (JCR)’s opinion on the impact of proposed amendments to the Postal Service Privatization Act, etc. on the rating for JAPAN POST HOLDINGS Co., Ltd. (security code: 6178) and JAPAN POST INSURANCE Co., Ltd. (security code: 7181).

- (1) On June 17, a bill to amend the Postal Privatization Act, etc. (the “Bill”), which includes support measures to help maintain the post office network, was submitted to the Diet by the Liberal Democratic Party and other lawmakers. The proposed amendments include the following provisions: i) in order to maintain the post office network, financial support shall be extended to JAPAN POST Co., Ltd. (“JAPAN POST”) using dividends from the shares of JAPAN POST HOLDINGS Co., Ltd. (“JAPAN POST HD”) held by the national government and other financial sources; ii) JAPAN POST HD shall be obliged to hold, for the time being, more than one-third of the total with respect to the shares of JAPAN POST BANK Co., Ltd. and JAPAN POST INSURANCE Co., Ltd. (“JAPAN POST INSURANCE”) it holds; and iii) the government shall proactively consider a merger between JAPAN POST HD and JAPAN POST within two years of the enforcement of the amended act.
- (2) The Postal Service Privatization Act stipulates that the government shall “take necessary measures” to ensure the fulfillment of the obligations to offer universal services. Given factors like the critical function of the JAPAN POST Group (the “Group”) as a social infrastructure and obligations to offer universal services, JCR considers that the “necessary measures” in stressful situations include financial support from the government. JCR has to date strongly reflected its view on such government’s support in the issuer rating for JAPAN POST HD, and financial support to be extended to JAPAN POST HD itself does not affect rating decisions. Yet, JCR concludes that the continuation of financial support to normal business operations could amount to a reason for reflecting the government’s involvement in JAPAN POST HD stronger than before. If the Bill is passed, JCR will reexamine the nature of the government’s involvement, as well as the level of support.
- (3) The issuer rating on JAPAN POST INSURANCE is currently determined based on stand-alone creditworthiness. Assuming that, while JAPAN POST INSURANCE’s relations with JAPAN POST HD will weaken in terms of capital as JAPAN POST HD disposes of its shareholdings, business unity with JAPAN POST HD and JAPAN POST will remain strong, JCR reflects in the rating the evaluation of such business base and also the assessment of stock-based factors such as the volume of policies in force and financial soundness. In addition to JAPAN POST HD’s obligation to hold JAPAN POST INSURANCE shares, the Bill also provides, among others, that JAPAN POST HD may request JAPAN POST INSURANCE for necessary consultations so as to ensure the fulfillment of its universal service obligations. If the Bill is passed, JCR will, in light of these issues, review the position of JAPAN POST INSURANCE in the Group, along with other factors.

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<Reference>

Issuer: JAPAN POST HOLDINGS Co., Ltd.

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: JAPAN POST INSURANCE Co., Ltd.

Long-term Issuer Rating: AA Outlook: Stable



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