

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

The Shikoku Bank, Ltd. (security code: 8387)

<Affirmation>

Long-term Issuer Rating: A
Outlook: Stable

Rationale

- (1) The Shikoku Bank, Ltd. (the “Bank”) is a regional bank headquartered in Kochi City, Kochi Prefecture with a fund volume of 3 trillion yen. Having large shares of 40% for both deposits and loans in the prefecture, the Bank boasts a strong local presence. The rating reflects the solid business base, relatively good earning capacity and loan asset quality. On the other hand, there is large room for improvement in the substantive capital level against the rating, and JCR will keep an eye on the trend.
- (2) Earning capacity is relatively good. Core net business income (excluding gains/losses on cancellation of investment trusts / the same applies hereinafter) for the fiscal year ended March 2025 (FY2024) rose a little more than 20% from the previous year, and ROA and RORA were around 0.4% and 0.8% respectively, exceeding the average of regional financial institutions in JCR's A rating categories. The Bank offset an increase in fundraising cost caused by interest rate hikes on deposits and increased expenses centered on personnel expense by increasing the balance of loans and securities, and an increase in interest income through improving yields. Furthermore, fees and commissions also increased underpinned by collaboration with Daiwa Securities Co. Ltd. Looking ahead, expenses are expected to increase in association with rebuilding of the headquarters building and others, but JCR views core net business income will continue to be steady due to an increase in interest income on the backdrop of improved spreads.
- (3) Loan asset quality is relatively good. Non-performing loans ratio under the Financial Reconstruction Act is standing at around 2.5%, which does not give a rise of concern, and the ratio of loans categorized with collection risk has also been held down. With regards to doubtful loans with a large outstanding balance, the Bank has recorded reserves in a conservative manner and they are well-secured. It is putting efforts in forming structured finance centering on LBO loans; however, it is being controlled so that the amount will not become large under a certain amount of ceiling. Moreover, the borrowers are mostly normal borrowers. Credit cost has been low and JCR views that the amount will remain in the range that can be comfortably absorbed by core net business income for the time being given also that there are only a few other debtors requiring caution with large amount of unsecured credits.
- (4) The market division has not been engaging in excessive risk-taking activities. Securities-to-deposit ratio is high at just over 30%, but public bonds, such as government bonds and local government bonds, account for a little less than 60% of the total. The Bank's exposure to interest rate risk is increasing due to additional investments in yen-denominated bonds, but is not so large against the capital. The balance of investment trusts is large relative to the capital, but the investment targets are well-diversified, such as domestic and foreign stocks, real estate and bonds. It is unlikely that the market division's risk will expand since the Bank intends control the balance of securities within a range that is considered to be flat without planning substantial change in the instruments in the portfolio and also prolongation of durations, in JCR's view.
- (5) Capital adequacy is low relative to the rating. Adjusted consolidated core capital ratio deducting valuation loss on available-for-sale and others as at the end of FY2024 was around 8%. Ship finance and LBO loans, which drive an increase in loans, are pushing up the risk-weighted assets, and thereby, adjusted core capital ratio has not been improving. In the situation where risk-weighted assets are continuing to increase, JCR will pay attention to whether the Bank can raise the substantive capital level accelerating a pace of accumulation of retained earnings through strengthening the earning capacity.

Akira Minamisawa, Kei Aoki

Rating

Issuer: The Shikoku Bank, Ltd.

<Affirmation>

Long-term Issuer Rating: A Outlook: Stable

Rating Assignment Date: July 29, 2025

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" (October 1, 2024) and "Banks" (October 1, 2021)" in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

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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:	The Shikoku Bank, Ltd.
Rating Publication Date:	August 1, 2025

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

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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.

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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.

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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) 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.

E) 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.

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.

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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

- 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/>

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

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 order of seniority in repayment of interests and principal. 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 if the issuer's financial structure differs so much and thereby the balance between debts shifted so greatly. Rating change is also possible in case of the financial products for which non-payment of interest/ principal is contractually permissible, if and when the assumptions made at the time of its determination turns out to be inaccurate. The change of the credit rating is assumed to be by a notch but often as much as a few notches.

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.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
The Shikoku Bank, Ltd.	Issuer(Long-term)	February 22, 2005	A	
The Shikoku Bank, Ltd.	Issuer(Long-term)	March 24, 2006	A	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	February 22, 2007	A	Negative
The Shikoku Bank, Ltd.	Issuer(Long-term)	March 3, 2008	A	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	March 27, 2009	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	April 13, 2010	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	April 25, 2011	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	April 12, 2012	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	April 8, 2013	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	June 19, 2014	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	June 1, 2015	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	May 6, 2016	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	April 7, 2017	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	April 23, 2018	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	May 23, 2019	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	July 3, 2020	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	June 9, 2021	A-	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	June 9, 2022	A-	Positive
The Shikoku Bank, Ltd.	Issuer(Long-term)	August 9, 2023	A	Stable
The Shikoku Bank, Ltd.	Issuer(Long-term)	August 2, 2024	A	Stable

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

I, Tomohiro Miyao, 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.

宮尾 知浩

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