

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

The Hiroshimashi Credit Cooperative (security code: -)

<Affirmation>

Long-term Issuer Rating: A+
Outlook: Stable

Rationale

- (1) The Hiroshimashi Credit Cooperative (the "Credit Co-op") is a regional credit cooperative headquartered in Hiroshima City with a fund volume of 880 billion yen. Its strength lies in the ability to make a quick decision of approval/disapproval on loan applications through concentrating the management resources to the deposit and lending businesses under the strong leadership of its top management. The long-term issuer rating reflects favorable evaluation on the Credit Co-op's business model, as well as other factors including high earning capacity and decent capital adequacy. JCR views that the capital level will continue to rise for the foreseeable future through accumulating the retained earnings underpinned by solid performance, and other factors.
- (2) Fundamental earning capacity is high. ROA based on core net business income has exceeded 1% and still stays at a high level even after deducting credit costs. For the first half of the fiscal year ended March 2026, core net business income slightly decreased from a year before due to a decrease in the spreads between lending and deposit, and an increase in expenses. The composition ratio of fixed-interest loan is somewhat high for the Credit Co-op, but it has been striving for increasing floating-interest loan recently, and the composition ratio is consistently rising. Although expenses are expected to increase into the future associated with improving the employee benefits and branch relocations, JCR believes core net business income will remain steady through improving the spreads between lending and deposit over the medium-term.
- (3) Risks associated with the loan assets have been appropriately controlled by and large. As the Credit Co-op has been actively making off-balance sheet treatments for non-performing loans through bulk sales, non-performing loan ratio under the Financial Reconstruction Act is held down, in the lower 2% range (no partial direct write-offs implemented). Even though a certain amount of credit cost will be incurred every term because the Credit Co-op's primary borrowers are medium-risk customers, JCR assumes the amount will remain within the range that can be comfortably absorbed by core net business income considering the thorough diversification of loans into small amounts and conservative provisions. The Credit Co-op's risk exposure related to securities investment is small. Securities-to-deposit ratio is low, in the 6% range, mainly investing in government bonds and high-rated corporate bonds.
- (4) Capital adequacy is at a reasonable level against the rating. Core capital ratio adjusted for allowance for credit losses, etc. was in the middle of 11% range as at the end of September 2025. While expansion of the risk-weighted assets are curbed, retained earnings are being accumulated constantly on the back of the high earning capacity, and the capital level has been improving at a fast pace from the lower 9% range as at the end of March 2022. Going forward, risk-weighted asset may expand in response to an increase in the balance of loans, but JCR views that the capital level will continue to rise for the time being because earning capacity will also rise in that case.

Tsuyoshi Ohishi, Shuntaro Takasawa

Rating

Issuer: The Hiroshimashi Credit Cooperative

<Affirmation>

Long-term Issuer Rating: A+ Outlook: Stable

Rating Assignment Date: May 15, 2026

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.



Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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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.)
