News Release

Japan Credit Rating Agency, Ltd.

25-D-1678
March 5, 2026

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

The Hyakujushi Bank, Ltd. (security code: 8386)

<Affirmation>
Long-term Issuer Rating: A
Outlook: Stable

Rationale

(1) The Hyakujushi Bank, Ltd. (the "Bank") is a regional bank headquartered in Takamatsu City, Kagawa Prefecture with a fund volume of 4.8 trillion yen. It has a share of the mid-30% range in both deposits and loans in Kagawa Prefecture, and has established an extensive branch network spanning 11 prefectures. The long-term issuer rating reflects the Bank's strong business foundation and relatively good asset quality, among others. Core net business income is increasing due mainly to rising interest rate for lending. Whether the Bank can continue to improve the earning capacity while further improving the capital adequacy is the key point for the rating decision.

(2) The Bank's earning capacity is consistent with the A rating categories. ROA based on core net business income (excluding gains/losses on cancellation of investment trusts) is at a medium level among regional banks in the A rating categories. For the third quarter of the fiscal year ending March 2026 (FY2025) (cumulative), funding costs increased due to rising domestic interest rates, but growth in interest on loans outpaced them, and core net business income grew by just over 20% from a year before. Although an increase in personnel expenses, and DX investments are expected, JCR sees that core net business income will remain steady because the balance of loans is continuously increasing as well as yields on loans and securities are expected to improve on the back of rising market interest rates.

(3) The quality of loan assets is maintained. The non-performing loans ratio disclosed under the Financial Reconstruction Act is favorable in the lower 1% range. Loans to other borrowers requiring caution have also been constrained, and the ratio of categorized loans to the total credits is at an acceptable level. Loans to the ocean shipping industry, which accounts for just over 10% of the loan portfolio, mostly the borrowers that have ample cash reserves and are resilient to market changes. Therefore, almost the entire amount of the loans has been extended to normal borrowers. Credit costs have been kept at a low level, with the credit cost ratio remaining at around 10 basis points. The number of other borrowers requiring caution with a large amount of unsecured credits is decreasing, and JCR sees that there is little concern that credit costs will significantly increase.

(4) The market division's risk exposure is not at an excessive level. In response to rising domestic interest rates, the Bank is restoring the balance of government bonds, but interest rate risk associated with yen has been kept at an acceptable relative to capital because durations have been shortened. Interest rate risk amount associated with foreign currencies is limited. Valuation gains on available-for-sale securities are relatively large. Since the Bank does not plan significant changes in the balance of securities and the portfolio for the foreseeable future, the market division's risk exposure will remain at around current level, in JCR's view.

(5) Capital adequacy is somewhat low for the regional banks in the A rating categories. The adjusted consolidated core capital ratio after deducting accumulated other comprehensive income, etc. was in the mid-8% range as at the end of the first half of FY2025. Going forward, risk-weighted assets are expected to increase due to the impacts arising from full implementation of the Basel III finalization in addition to strengthening lending primarily to SMEs and ocean shipping industry. On the other hand, due to a rise in the profit level, accumulation of retained earnings has become more foreseeable. JCR will pay close attention to whether the Bank will be able to raise the capital adequacy.

Hidekazu Sakai, Kei Aoki

Rating

Issuer: The Hyakujushi Bank, Ltd.

<Affirmation>
Long-term Issuer Rating: A Outlook: Stable

Rating Assignment Date: March 2, 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.

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	The Hyakujushi Bank, Ltd.
Rating Publication Date:	March 5, 2026

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) 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 Rule17g-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 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) 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.

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) 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.

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
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	September 28, 2001	A+	
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	February 17, 2003	A	
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	March 24, 2004	A	
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	September 8, 2005	A	
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	August 14, 2006	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	October 11, 2007	A	Positive
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	October 10, 2008	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	September 25, 2009	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	September 16, 2010	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	September 8, 2011	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	October 9, 2012	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	September 11, 2013	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	September 10, 2014	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	October 15, 2015	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	November 4, 2016	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	November 13, 2017	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	November 12, 2018	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	November 22, 2019	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	November 27, 2020	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	October 29, 2021	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	February 21, 2023	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	February 9, 2024	A	Stable
The Hyakujushi Bank, Ltd.	Issuer(Long-term)	February 21, 2025	A	Stable

Attachment

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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