

Tokyo Kiraboshi Financial Group to Convert into Common Stock and Redeem on Preferred Shares—Limited Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the conversion and cancellation of Class I preferred shares into common stock and the acquisition and cancellation of Class II preferred shares by Tokyo Kiraboshi Financial Group, Inc. (security code: 7173).

- (1) Tokyo Kiraboshi Financial Group, Inc. ("TKFG") resolved at its board of directors meeting held today to convert and cancel First Series Class I preferred shares (15 billion yen) into common stock and to acquire and cancel Class II preferred shares (40 billion yen). The conversion, etc. of Class I preferred shares will be carried out based on a redemption request from Sumitomo Mitsui Trust Bank, Limited, which holds the shares. The acquisition, etc. of Class II preferred shares will be carried out ahead of the initial plan as capital adequacy ratio is expected to exceed the level TKFG considers to be "stable." Both transactions are scheduled to take place in May 2026.
- (2) JCR has evaluated the equity content of the aforementioned preferred shares by applying a certain discount factor in light of such factors as the policy of phased redemption; adjusted core capital ratio on a consolidated group basis as of the end of the first half of the fiscal year ended March 2026 stood at around 8%. For Class II preferred shares, because the repayment schedule will be accelerated, the anticipated assessment of their equity content will also be brought forward, which will work to lower the capital level. For Class I preferred shares, on the other hand, the change in TKFG's policy from redemption to conversion into common stock will help raise the capital level. While adjusted core capital level will decline by 0.6 percentage points or so because of these measures, TKFG intends to continue building up retained earnings, controlling risk assets and so forth. Hence, it will likely maintain a certain capital level, and JCR assumes that the rating will be affected only limitedly.

Atsushi Kato, Michiya Kidani

<Reference>

Issuer: Tokyo Kiraboshi Financial Group, Inc.

Long-term Issuer Rating: A- Outlook: Stable

Issuer: Kiraboshi Bank, Ltd.

Long-term Issuer Rating: A- Outlook: Stable

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