

Kirayaka Bank Injects Public Funds through Parent Company—Focus on Whether This will Lead to Improved Performance and Other Benefits in the Future

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the fact that Kirayaka Bank, Ltd. (security code: -) and its parent company Jimoto Holdings, Inc. (security code: 7161) have started to consider applying for capital participation by the government.

- (1) Kirayaka Bank, Ltd. (the "Bank") today decided together with Jimoto Holdings, Inc. ("Jimoto HD") that they would commence consideration of an application for capital participation by the Japanese government based on the special treatment for financial institutions that were affected by the COVID-19 under the Act on Strengthening Financial Functions at their meetings of the Board of Directors. The government's capital participation will be made to JIMOTO HD, and at the same time, they are considering that JIMOTO HD will make a capital injection to the Bank. The amount of the application and the timing of the payment of funds have not yet been determined.
- (2) The Bank's rating reflects the creditworthiness of the Group as a whole, including THE SENDAI BANK LTD., a core subsidiary under Jimoto HD, and the Bank's stand-alone creditworthiness based on an evaluation of the Bank's profit/loss and financial position. The Bank set forth a policy of repaying a portion of the public funds already injected through Jimoto HD in September 2024, and JCR has been paying close attention to the Bank's new financing and other developments. The injection of new public funds will strengthen the Bank's financial base and may also increase the Bank's risk-taking capacity, which may enable the Bank to improve its profit/loss by strengthening its investments in and loans to local SMEs. On the other hand, the Bank faces significant risks in its lending and market segments. The prolonged COVID-19 crisis, soaring prices, rising US interest rates, and the sharp depreciation of the yen continue creating an external environment that could be stressful to the Bank's performance. Therefore, JCR will incorporate the public fund injection into rating after assessing not only the possibility of the injection and the nature of the product, but also the Bank's assets quality and future profit/loss trends.

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<Reference>

Issuer: Jimoto Holdings, Inc.

Long-term Issuer Rating: BBB Outlook: Stable

Issuer: Kirayaka Bank, Ltd.

Long-term Issuer Rating: BBB- Outlook: Stable

Issuer: THE SENDAI BANK LTD.

Long-term Issuer Rating: BBB Outlook: Stable

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