



Independent auditor's report

To the Board of Directors of The Kiyo Bank, Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Kiyo Bank, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2026 and 2025, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026 and 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements in Japan (including those that are relevant to our audit of the consolidated financial statements of public interest entities), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of loans and bills discounted to small and medium-sized enterprises (SMEs)

The key audit matter	How the matter was addressed in our audit
The Kiyo Bank, Ltd. (the Bank) and its consolidated subsidiaries reported loans and bills discounted of ¥4,344.6 billion, accounting for 71% of total assets and a related reserve for possible loan losses of ¥19.4	The primary procedures we performed to assess whether the Bank's assessment of loans and bills discounted to SMEs was reasonable included the following:

billion in the consolidated balance sheet as of March 31, 2026. Of the amount of loans and bills discounted, the balance of loans and bills discounted to SMEs amounting to ¥3,318.5 billion (76% of the total balance of loans and bills discounted) accounted for a significant portion of the balance of loans and bills discounted. Loans and bills discounted to SMEs are loans extended to companies with share capital of ¥300 million or less (¥100 million or less for wholesalers; ¥50 million or less for retailers, restaurants, and goods rental and leasing services) or companies or individuals with the number of regular employees of 300 or less (100 or less for wholesalers and goods rental and leasing services; 50 or less for retailers and restaurants).

As described in Note 2. “Significant accounting policies” under (f) Reserve for possible loan losses, and (p) Significant accounting estimates to the Consolidated Financial Statements, the Bank conducts asset assessment based on its internal self-assessment criteria for all loans including loans and bills discounted, in order to classify borrowers into the borrower categories according to their assigned credit risk rating.

When determining the borrower category, the Bank assesses the borrowers’ ability to repay based mainly on their substantive financial condition, financing, and profitability. The Bank also gives comprehensive consideration, in light of industry and other business characteristics, to their projected business continuity and profitability, ability to repay obligations based on their annual debt repayment capacity, and the appropriateness of their business improvement plans, after confirming the terms and conditions of the loans and their delinquency status.

For each category of borrowers, the Bank recognizes a reserve for possible loan losses or makes direct write-offs for expected credit losses based on the historical experience of loan losses or probability of default, in accordance with the methods specified in its policy for write-offs and provisions.

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Bank’s internal controls relevant to the assessment of loan quality. In this assessment, we tested the following controls:

- controls to validate whether the internal self-assessment criteria, and the policy for write-offs and provisions complied with the accounting standards;
- controls to ensure the reliability of the borrowers’ financial information entered into the financing support system;
- IT application controls over the quantitative determination of credit rating; and
- controls to ensure the appropriateness of the monitoring of borrowers including the qualitative assessment.

(2) Assessment of the determination of the borrower category

We assessed the appropriateness of the determination of the borrower category by performing the following procedures for a selection of SME borrowers, who were deemed to have a higher risk of improper classification:

- assessed the appropriateness of the results of the determination of the borrower category by inspecting relevant documents, comparing selected information used for the determination with available external information as necessary, and inquiring of personnel in the Credit Review Department;
- assessed the appropriateness of the determination of the borrower category by evaluating financial and other information of the borrowers and, for the borrowers requiring a business improvement plan, by analyzing the feasibility of the business improvement plan and assessing their cash flows, among others;
- assessed the appropriateness of the determination of the borrower category based on our understanding of their recent business condition and our analysis of their cash flows, including requests for modification of the terms of loans; and
- assessed whether there was any management bias in determining the borrower category in the prior year by evaluating the appropriateness of historical changes in the borrower category.

The Bank has set its core principle of "co-creating value with local communities by fulfilling its role as a leading regional financial group," and is transforming its business model into one that starts from transactions with SMEs.

Since the business foundation of SMEs is generally more vulnerable than that of large enterprises, the Bank determines the category of SME borrowers based not only on their financial condition but also comprehensive assessment of various factors including their technical capabilities, sales capacity and growth potential, their representatives' income status, asset quality, and guarantee status and capacity, in light of the substance of their business.

Accordingly, the determination of the borrower category for loans and bills discounted to SMEs is highly dependent upon management's judgment, which has a significant effect on the recognized amount of reserve for possible loan losses.

We, therefore, determined that our assessment of the appropriateness of the Bank's assessment of loans and bills discounted to SMEs, especially management's determination of the borrower category, was the most significant matter in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are

free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 82 million yen and 1 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yukihisa Tatsumi

Designated Engagement Partner

Certified Public Accountant

Hiroki Uchida

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

September 25, 2026

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.