# Independent auditor's report

**To the Board of Directors of The Nanto Bank, Ltd.:**

## Opinion

We have audited the accompanying consolidated financial statements of The Nanto 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 that are relevant to our audit of the consolidated financial statements in Japan, 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.

| Appropriateness of the estimates of the reserve for possible loan losses for loans and bills discounted to small and medium-sized enterprises (SMEs) | |
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| **The key audit matter** | **How the matter was addressed in our audit** |
| The Nanto Bank, Ltd. ("the Company") and its consolidated subsidiaries reported loans and bills discounted of ¥4,601,265 million, accounting for 68.9% of total assets, and a reserve for possible loan losses related to such loans and bills discounted of ¥21,565 million in the consolidated balance sheet. Reserve for possible loan losses reported in the balance sheet of the Company accounted for a significant portion in the consolidated balance sheet.<br><br>As described in the Notes to Consolidated Financial Statements, 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES i. Reserve for possible loan losses and 3. SIGNIFICANT ACCOUNTING ESTIMATES, the Company classifies borrowers based on their credit risk rating in accordance with the predetermined standards for write-offs and reserves and reports the reserve for possible loan losses by calculating the loan loss ratio based on the category of borrowers by region.<br><br>The category of borrowers is determined based on the credit rating determined by the rating model and the borrowers' repayment ability based on their substantial financial positions, financing capacities, and profitability, etc., and the terms and conditions of the loans and payment status of the borrowers. Also, the Company gives comprehensive consideration to the borrowers' sustainability, projected profitability, and ability to pay | The primary procedures we performed to assess whether the Company's estimates of the reserve for possible loan losses for loans and bills discounted to SMEs were appropriate included the following:<br><br>**(1) Internal control testing**<br>In order to test the design and operating effectiveness of certain internal controls of the Company that are relevant to the determination of the category of borrowers, we:<br>● tested the effectiveness of internal controls related to various regulations for the internal self-assessment criteria, and the policy for write-offs and reserves;<br>● tested the effectiveness of internal controls to ensure the reliability of borrowers' financial information entered into the financial reporting system;<br>● tested IT application controls over the quantitative determination of the category of borrowers; and<br>● tested the effectiveness of internal controls of the Credit Analysis Division related to the determination of the category of borrowers in consideration of qualitative factors.<br>**(2) Assessment of determination of the** |

obligations based on their annual repayable amounts, appropriateness of their business improvement plans, and other factors in light of the borrowers' industry characteristics.
The Company aims to increase Nara prefecture's real gross domestic product by 10%, as compared with 2016, in its management plan, "Nanto Mission and Objectives for the Next 10 Years," which is targeted to be achieved by 2029. The Company also strives to contribute to the development of the region by taking the initiative in resolving regional issues, with the aim of "Development of human capital who think and act on their own and solve local problems" and "Achieving sound management providing ongoing support for the community."

The Company operates mainly in Nara prefecture, neighboring prefectures, and Tokyo, but its business coverage area is limited. The main borrowers are SMEs, and the Company's balance sheet reported loans and bills discounted to SMEs of ¥1,640,653 million.

Since the business fundamentals of SMEs tend to be weaker than medium to large-sized enterprises, the Company determines the category of SME borrowers by comprehensively considering not only their financial conditions but their technical capabilities, sales capacity and growth potential, their managements' income status, asset quality, and guarantee status and capacity, in light of their business conditions.
As a result, management judgment is required over the qualitative factors including the reasonableness and feasibility of the business improvement plan which is important for borrowers categorized as "need-attention borrowers (excluding claims corresponding to restructured loans)" based mainly on the premise that reasonable and

**category of borrowers**

In order to assess the appropriateness of the determination of the category of borrowers, we selected borrowers to be tested individually by considering quantitative factors such as credit limits and qualitative factors such as the progress of the borrower's business improvement plans and the impact of rising prices, and performed the following procedures:

- compared the quantitative information of borrowers, including financial ratios, to the supporting materials, in order to verify that the information is based on accurate and the latest information;
- inspected related documents and inquired of personnel in the relevant divisions, such as the Credit Analysis Division, to assess whether judgments based on qualitative factors were made in a timely and appropriate manner, and assessed the appropriateness of the determination of the categories of borrowers based on qualitative factors for borrowers of which the categories have a relatively high degree of dependency on management judgment, particularly those categorized as need-attention borrowers (excluding claims corresponding to restructured loans) based mainly on the grounds that a reasonable and highly feasible business improvement plan exists; and
- assessed whether the determined categories of borrowers were appropriate, focusing on the

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| highly feasible business improvement plans exist.<br>In addition, SMEs may be significantly impacted by rising prices and geopolitical risk abroad. Accordingly, management judgment on the determination of the category of borrowers may have a significant impact on the reported amount of the reserve for possible loan losses.<br><br>We, therefore, determined that our assessment of the appropriateness of the estimates of the reserve for possible loan losses for loans and bills discounted to SMEs, especially the appropriateness of the management judgment on the category of borrowers, was of the most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | recoverability from the current business performance and financial conditions. To conduct this assessment, we understood the latest business conditions of borrowers and considered their industry characteristics through the inspection of related documents and the inquiries of personnel in the relevant divisions, such as the Credit Analysis Division, while considering the impact of rising prices and geopolitical risk abroad on borrowers' operating results. |

## Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 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 105 million yen and 21 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.

Yoshiyuki Sumihiro
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Osaka Office, Japan
October 27, 2026