Information Meeting
The First Half Ended September 2016

THE NANTO BANK, LTD.
Table of Contents

I. About the Nanto Bank, Ltd.
   1. Profile of the Nanto Bank .............................................. 2
   2. Operating Areas of the Bank ............................................ 3
   3. Characteristics of Nara Prefecture .................................. 4
   4. Market Characteristics .................................................. 5

II. Financial Results for the First Half of FY2016
   1. Summary of Profit and Loss ............................................ 7
   2. Summary of Deposits and Loans ....................................... 8
   3. Summary of Non-Performing Loans ................................... 9
   4. Business Forecast for FY2016 ......................................... 10
   5. Capital Adequacy Ratio and Shareholder Returns .................. 11

III. Management Strategy
   1. Outline of the Next Management Plan
      (1) Progress of the Current Medium-Term Management
          Plan and Forecast Results ........................................... 13
      (2) Challenges for Our Existing Business Model ..................... 14
      (3) Management Environment and Challenges ......................... 15
      (4) Business Model Reform ............................................. 16
      (5) Our Management Vision and Significance of the
          Next Management Plan .............................................. 17
      (6) Basic Philosophy ..................................................... 18
      (7) Priority Strategies ................................................... 19
      (8) Transforming Our Earnings Structure
          and Loans Portfolio .................................................. 20
      (9) Target Metrics ....................................................... 21
      (10) Profit and Loss Plan ............................................... 22
      (11) Staffing Plan ....................................................... 23

   2. Priority Strategies
      (1) Regional Revitalization
         (i) Creation of Regional Vitality .................................... 24
         (ii) Aid Projects for Tourism Promotion
              and Local Industry ............................................. 25
      (2) Pursuit of the Four Reforms
         (i) Awareness Reform (a) Human Resource and
              Organizational Strategy ....................................... 26
         (ii) Sales Reform
              (a) Platform and Market Strategy ................................ 27
              (b) Retail Business Strategy
                  Personal Solutions Business .................................. 28
                  Asset Investment Services .................................... 29
                  Personal Loans ................................................ 30
              (c) Corporate Business Strategy
                  Corporate Solutions Business ................................ 31
                  Numerical Targets ............................................ 32
              (d) Osaka Strategy
                  Branch Deployment and Staffing Plan ......................... 33
                  Numerical Targets ............................................ 34
              (e) Market Investment Strategy ................................ 35
              (f) Group Strategy ................................................ 36
         (iii) Clerical Operations Reform (a) Clerical Operations
              Strategy
                  Rebuilding of Our Clerical Operations Structure ............ 37
                  New Branch Structure .......................................... 38
         (iv) Expenses Reform (a) Expenses Strategy ....................... 39
      (3) Upgrading of Management and Controls ......................... 40

<Appendix> ................................................................. Appendix 1–8
I. About the Nanto Bank, Ltd.
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Founded</td>
<td>June 1, 1934</td>
<td></td>
</tr>
<tr>
<td>2. Location of head office</td>
<td>16 Hashimoto-cho, Nara City</td>
<td></td>
</tr>
<tr>
<td>3. Capital</td>
<td>¥29,249 million</td>
<td></td>
</tr>
<tr>
<td>4. Number of employees</td>
<td>2,719</td>
<td></td>
</tr>
<tr>
<td>5. Number of offices</td>
<td>138 (Japan), 2 (representative offices in Hong Kong and Shanghai)</td>
<td></td>
</tr>
<tr>
<td>6. Total assets</td>
<td>¥5,826.5 billion</td>
<td></td>
</tr>
<tr>
<td>7. Deposits outstanding</td>
<td>¥4,762.3 billion</td>
<td></td>
</tr>
<tr>
<td>8. Outstanding loans</td>
<td>¥3,240.9 billion</td>
<td></td>
</tr>
<tr>
<td>9. Capital adequacy ratio</td>
<td>Non-consolidated: 9.12%</td>
<td>Consolidated: 9.35%</td>
</tr>
<tr>
<td>10. Market share in Nara Prefecture</td>
<td>Loans 49.0%</td>
<td>Deposits: 49.0%</td>
</tr>
<tr>
<td>11. External credit rating</td>
<td>&quot;A&quot; (Stable) from JCR</td>
<td>&quot;A-&quot; (Stable) from R&amp;I</td>
</tr>
</tbody>
</table>

Corporate Philosophy:
(i) Pursue sound and efficient management  
(ii) Provide superior comprehensive financial services  
(iii) Contribute to regional prosperity  
(iv) Strive to become a highly reliable, friendly and attractive bank
2. Operating Areas of the Bank

Our network of branches

<table>
<thead>
<tr>
<th>Prefecture</th>
<th>Headquarters and branches</th>
<th>Sub-branches</th>
<th>Agencies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nara Pref.</td>
<td>71</td>
<td>19</td>
<td>3</td>
<td>93</td>
</tr>
<tr>
<td>Wakayama Pref.</td>
<td>6</td>
<td>2</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Kyoto Pref.</td>
<td>12</td>
<td>3</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Mie Pref.</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Osaka Pref.</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>Hyogo Pref.</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Tokyo</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110</strong></td>
<td><strong>26</strong></td>
<td><strong>3</strong></td>
<td><strong>139</strong></td>
</tr>
</tbody>
</table>
3. Characteristics of Nara Prefecture

Characteristics of Nara Prefecture

★ History

- Nara Prefecture was home to the nation's capital for most of the Asuka Period (from 592 to 710) and the Nara Period (from 710 to 794), during which time a significant number of important present-day cultural heritages, such as Buddhist buildings, were created.
  - During one part of the Nara Period (from 784 to 794), Japan's capital was located in the southwest area of Kyoto Prefecture.

★ Abundant tourism resources

- Three World Heritage sites → Ranked top in Japan for the number of such sites
  - Buddhist Monuments in the Horyu-ji Area, Historic Monuments of Ancient Nara and Sacred Sites and Pilgrimage Routes in the Kii Mountain Range
- A total of 1,320 National Treasure and Important Cultural Property certifications (as of January 1, 2016)
  - Nara Prefecture, accounting for 10.1% of the nation's total, is ranked 3rd in Japan, trailing only Tokyo and Kyoto Prefecture in this respect.
  - In 2015, the annual number of foreign tourists visiting Nara Prefecture exceeded the 1 million mark.

★ Neighbors Osaka Prefecture

- Nara Prefecture has excellent traffic access to the neighboring Osaka Prefecture, the second biggest economy among the nation's prefectures.
  - The distance between Nara Prefecture and Osaka Prefecture is about 30 km → 30 to 40 minutes via expressway or rail.
  - These two prefectures are quite close to each other in terms of human and local connections.
    - It is common for Nara residents to work in Osaka Prefecture.
    - Nara Prefecture is ranked top among the nation's prefectures for the ratio of local residents being employed outside the prefecture.
4. Market Characteristics

★ Nara Prefecture: A substantial retail business market

★ Osaka Prefecture: Second largest economy among all the country's prefectures, substantial retail and corporate business markets

<Key indicators>

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Nara Pref.</th>
<th>Rank</th>
<th>Osaka Pref.</th>
<th>Rank</th>
<th>Source</th>
<th>Survey period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>(Thousand of people)</td>
<td>1,365</td>
<td>30th</td>
<td>8,838</td>
<td>3rd</td>
<td>Ministry of Internal Affairs and Communications, <em>Preliminary Counts of Population Census of Japan</em></td>
<td>October 2015</td>
</tr>
<tr>
<td>Number of private enterprises (offices)</td>
<td>(Thousand of entities)</td>
<td>49</td>
<td>38th</td>
<td>440</td>
<td>2nd</td>
<td>Ministry of Internal Affairs and Communications, <em>2014 Economic Census for Business Frame</em></td>
<td>July 2014</td>
</tr>
<tr>
<td>Housing starts</td>
<td>(Thousand of units)</td>
<td>6</td>
<td>36th</td>
<td>69</td>
<td>3rd</td>
<td>Ministry of Land, Infrastructure, Transport and Tourism</td>
<td>2016</td>
</tr>
<tr>
<td>Personal savings (per household)</td>
<td>(¥ thousand)</td>
<td>17,816</td>
<td>1st</td>
<td>14,801</td>
<td>18th</td>
<td>Ministry of Internal Affairs and Communications, <em>National Survey of Family Income and Expenditure</em></td>
<td>November 2014</td>
</tr>
<tr>
<td>Personal deposits balance (per capita)</td>
<td>(¥ thousand)</td>
<td>3,836</td>
<td>4th</td>
<td>4,258</td>
<td>2nd</td>
<td>Bank of Japan</td>
<td>March 2015</td>
</tr>
</tbody>
</table>

* Ranking is among the 47 prefectures of Japan
II. Financial Results for the First Half of FY2016
## 1. Summary of Profit and Loss

<table>
<thead>
<tr>
<th>(¥ billion)</th>
<th>1H FY2015</th>
<th>1H FY2016</th>
<th>Y/Y change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Core gross business profit</td>
<td>28.1</td>
<td>27.3</td>
<td>-0.8</td>
</tr>
<tr>
<td>2. Interest income</td>
<td>25.4</td>
<td>25.0</td>
<td>-0.4</td>
</tr>
<tr>
<td>3. Fees and commissions</td>
<td>3.2</td>
<td>2.8</td>
<td>-0.3</td>
</tr>
<tr>
<td>4. Other operating income (*1)</td>
<td>(0.5)</td>
<td>(0.5)</td>
<td>-0.0</td>
</tr>
<tr>
<td>5. Cost of derivative financial products</td>
<td>0.6</td>
<td>0.6</td>
<td>+0.0</td>
</tr>
<tr>
<td>6. Expenses</td>
<td>21.7</td>
<td>19.6</td>
<td>-2.1</td>
</tr>
<tr>
<td>7. Personnel expenses</td>
<td>12.9</td>
<td>10.9</td>
<td>-1.9</td>
</tr>
<tr>
<td>8. Non-personnel expenses</td>
<td>7.8</td>
<td>7.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>9. Core net business profit</td>
<td>6.3</td>
<td>7.6</td>
<td>+1.2</td>
</tr>
<tr>
<td>10. Gains/Losses on bonds (JGBs, etc.)</td>
<td>0.1</td>
<td>3.4</td>
<td>+3.2</td>
</tr>
<tr>
<td>11. Net transfer to general provision for possible loan losses</td>
<td>(0.9)</td>
<td>2.1</td>
<td>+3.1</td>
</tr>
<tr>
<td>12. Net business profit</td>
<td>7.5</td>
<td>8.9</td>
<td>+1.4</td>
</tr>
<tr>
<td>13. Non-recurrent gains/losses</td>
<td>0.1</td>
<td>(0.1)</td>
<td>-0.3</td>
</tr>
<tr>
<td>14. Gains/Losses on stocks</td>
<td>0.7</td>
<td>0.0</td>
<td>-0.7</td>
</tr>
<tr>
<td>15. Disposal of non-performing loans</td>
<td>1.4</td>
<td>0.1</td>
<td>-1.3</td>
</tr>
<tr>
<td>16. Retirement benefit expenses</td>
<td>0.3</td>
<td>1.0</td>
<td>+0.7</td>
</tr>
<tr>
<td>17. Ordinary income</td>
<td>7.6</td>
<td>8.7</td>
<td>+1.1</td>
</tr>
<tr>
<td>18. Extraordinary gains/losses</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>-0.0</td>
</tr>
<tr>
<td>19. Income before taxes</td>
<td>7.6</td>
<td>8.6</td>
<td>+1.0</td>
</tr>
<tr>
<td>20. Income taxes</td>
<td>2.3</td>
<td>1.7</td>
<td>-0.5</td>
</tr>
<tr>
<td>21. Net income</td>
<td>5.2</td>
<td>6.9</td>
<td>+1.6</td>
</tr>
<tr>
<td>22. Credit cost (*2)</td>
<td>0.2</td>
<td>1.9</td>
<td>+1.6</td>
</tr>
</tbody>
</table>

### Analysis of Change Factors in Core Net Business Profit

<table>
<thead>
<tr>
<th>(¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Average balance of loans (Y/Y change +¥147.5 billion)</td>
</tr>
<tr>
<td>2. Interest rate on loans (1.01%, Y/Y change -0.12pp)</td>
</tr>
<tr>
<td>3. Average balance of deposits (Y/Y change -¥58.5 billion)</td>
</tr>
<tr>
<td>4. Interest rate on deposits (0.02%, Y/Y change -0.02pp)</td>
</tr>
<tr>
<td>5. Average balance of securities (Y/Y change +¥101.0 billion)</td>
</tr>
<tr>
<td>6. Yield on securities (1.15%, Y/Y change +0.01pp)</td>
</tr>
<tr>
<td>7. Interest on fund management</td>
</tr>
<tr>
<td>8. Interest on fund procurement (including cost of derivative financial products)</td>
</tr>
<tr>
<td>9. Fees and commissions (investment trust revenues: Y/Y change -¥0.31 billion life insurance revenues: Y/Y change -¥0.12 billion)</td>
</tr>
<tr>
<td>10. Others</td>
</tr>
<tr>
<td>11. Expenses</td>
</tr>
</tbody>
</table>

### Core net business profit for 1H FY2015

- **Y/Y change**: +6.35

- **Lending/deposit sector total**: -0.62

- **Market sector total**: +0.14

### Core net business profit for 1H FY2016

- **Y/Y change**: +7.64
2. Summary of Deposits and Loans

**Balance of deposits**

*By sector*

<table>
<thead>
<tr>
<th>Period</th>
<th>Balance of deposits (¥ billion)</th>
<th>Change from March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>4,770.2</td>
<td>-19.3</td>
</tr>
<tr>
<td>September 30, 2015</td>
<td>4,815.2</td>
<td></td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>4,781.7</td>
<td></td>
</tr>
<tr>
<td>September 30, 2016</td>
<td>4,762.3</td>
<td></td>
</tr>
</tbody>
</table>

*By prefecture*

<table>
<thead>
<tr>
<th>Period</th>
<th>Balance of deposits (¥ billion)</th>
<th>Change from March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>275.6</td>
<td></td>
</tr>
<tr>
<td>September 30, 2015</td>
<td>343.4</td>
<td>+25.4</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>289.0</td>
<td>-18.0</td>
</tr>
<tr>
<td>September 30, 2016</td>
<td>314.5</td>
<td>+19.7</td>
</tr>
</tbody>
</table>

**Balance of loans**

*By sector*

<table>
<thead>
<tr>
<th>Period</th>
<th>Balance of loans (¥ billion)</th>
<th>Change from March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>3,088.7</td>
<td></td>
</tr>
<tr>
<td>September 30, 2015</td>
<td>3,120.5</td>
<td></td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>3,198.1</td>
<td></td>
</tr>
<tr>
<td>September 30, 2016</td>
<td>3,240.9</td>
<td>+42.7</td>
</tr>
</tbody>
</table>

*By prefecture*

<table>
<thead>
<tr>
<th>Period</th>
<th>Balance of loans (¥ billion)</th>
<th>Change from March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2015</td>
<td>825.4</td>
<td></td>
</tr>
<tr>
<td>September 30, 2015</td>
<td>843.1</td>
<td>+11.6</td>
</tr>
<tr>
<td>March 31, 2016</td>
<td>855.2</td>
<td></td>
</tr>
<tr>
<td>September 30, 2016</td>
<td>837.9</td>
<td>-17.2</td>
</tr>
</tbody>
</table>
3. Summary of Non-Performing Loans

Credit Cost

- 5.8 (FY2013)
- 5.1 (FY2014)
- 5.8 (FY2015)
- 7.4 (1H FY2016)
- 63.0 (March 31, 2014)
- 59.3 (March 31, 2015)
- 58.0 (March 31, 2016)
- 50.9 (September 30, 2016)

Breakdown of Credit Cost

- 0.3 (FY2013)
- 1.4 (FY2014)
- 1.0 (FY2015)
- 1.9 (1H FY2016)

Disposal of Non-Performing Loans by Region

- Nara Pref.: 2.08 (FY2013)
- Osaka Pref., etc.: 2.30 (FY2014)
- Others: 2.57 (FY2015)
- 2.57 (1H FY2016)

Loans Based on the Financial Reconstruction Law / Non-Performing Loans Ratio

- 0.0 (March 31, 2014)
- 0.0 (March 31, 2015)
- 0.0 (March 31, 2016)
- 0.0 (September 30, 2016)

* Credit cost ratio = Credit cost / Average balance of loans

* Special attention

* Doubtful

* Bankrupt or de facto bankrupt

**Business Forecasts for FY2016**

<table>
<thead>
<tr>
<th>(¥ billion)</th>
<th>FY2015</th>
<th>FY2016 forecast</th>
<th>Y/Y change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Core net business profit</td>
<td>11.2</td>
<td>13.5</td>
<td>+2.2</td>
</tr>
<tr>
<td>2 Interest income</td>
<td>49.6</td>
<td>49.2</td>
<td>-0.3</td>
</tr>
<tr>
<td>3 Interest on loans</td>
<td>34.7</td>
<td>32.1</td>
<td>-2.6</td>
</tr>
<tr>
<td>4 Interest on securities</td>
<td>17.9</td>
<td>19.8</td>
<td>+1.9</td>
</tr>
<tr>
<td>5 Fees and commissions</td>
<td>6.1</td>
<td>5.9</td>
<td>-0.1</td>
</tr>
<tr>
<td>6 Expenses</td>
<td>43.2</td>
<td>40.4</td>
<td>-2.8</td>
</tr>
<tr>
<td>7 Personnel expenses</td>
<td>25.5</td>
<td>22.3</td>
<td>-3.1</td>
</tr>
<tr>
<td>8 Net business profit</td>
<td>15.8</td>
<td>15.1</td>
<td>-0.6</td>
</tr>
<tr>
<td>9 Ordinary income</td>
<td>13.1</td>
<td>15.3</td>
<td>+2.2</td>
</tr>
<tr>
<td>10 Net income</td>
<td>11.7</td>
<td>11.5</td>
<td>-0.1</td>
</tr>
<tr>
<td>11 Credit cost (*)</td>
<td>1.0</td>
<td>3.0</td>
<td>+1.9</td>
</tr>
</tbody>
</table>

* (Net transfer to general provision for possible loan losses + Disposal of non-performing loans)  
  – (Bad debt recovered)
5. Capital Adequacy Ratio and Shareholder Returns

### Capital Adequacy Ratio

- **Approx. 9% as of March 31, 2017**

  - **Consolidated**
    - March 31, 2015: 9.72%
    - September 30, 2015: 9.75%
    - March 31, 2016: 9.36%
    - September 30, 2016: 9.35%

  - **Non-consolidated**
    - March 31, 2015: 9.29%
    - September 30, 2015: 9.32%
    - March 31, 2016: 9.11%
    - September 30, 2016: 9.12%

### Shareholder Returns

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Consolidated (1H) net income (¥ billion)</td>
<td>9.8</td>
<td>12.1</td>
<td>6.7</td>
</tr>
<tr>
<td>2) Dividend per share (Yen)</td>
<td>7</td>
<td>7</td>
<td>3.5</td>
</tr>
<tr>
<td>3) Total dividends (¥ billion)</td>
<td>1.8</td>
<td>1.8</td>
<td>0.9</td>
</tr>
<tr>
<td>4) Payout ratio ((3) / 1)) (%)</td>
<td>19.0%</td>
<td>15.4%</td>
<td>14.0%</td>
</tr>
<tr>
<td>5) Amount of treasury stock acquired (¥ billion)</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>6) Total ratio of return ((3) + 5) / 1)) (%)</td>
<td>19.1%</td>
<td>15.5%</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

- **Share consolidation**
  - (10 shares → 1 share)
III. Management Strategy
1. Outline of the Next Management Plan (1) Progress of the Current Medium-Term Management Plan and Forecast Results

Outline of the Current Medium-Term Management Plan "Vitality Creation Plan" (from April 2014 to March 2017)

Basic philosophy

- Aim to enhance top-line profit through practicing customer-centricity and effective investment of funds
- Strive to realize management efficiency through optimum deployment of corporate resources
- Build-up an organization enabling self-fulfillment through human resource development and revitalization

Key strategies

I. Vitalizing the community
II. Establishing a revenue base
III. Strengthening human resources and the organization
IV. Improving productivity
V. Strengthening the internal management system

Numerical targets

<FY2016>

(i) Net income: ¥8 billion or above
(ii) Balance of loans: ¥3.25 trillion or above
(iii) Balance of deposits: ¥5 trillion or above
1. Outline of the Next Management Plan  (2) Challenges for Our Existing Business Model

**<Interest on loans>**

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>38.5</td>
<td>36.5</td>
<td>34.7</td>
<td>32.1</td>
</tr>
</tbody>
</table>

**<Expenses>**

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>44.9</td>
<td>45.1</td>
<td>43.2</td>
<td>40.4</td>
</tr>
</tbody>
</table>

**<Fees and commissions>**

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>5.7</td>
<td>6.2</td>
<td>6.1</td>
<td>5.9</td>
</tr>
</tbody>
</table>

**<OHR>**

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nanto Bank</td>
<td>77.7</td>
<td>79.2</td>
<td>79.3</td>
<td>74.8</td>
</tr>
<tr>
<td>Regional bank average</td>
<td>71.3</td>
<td>70.9</td>
<td>70.7</td>
<td></td>
</tr>
</tbody>
</table>

* Core gross business profit basis
1. Outline of the Next Management Plan (3) Management Environment and Challenges

**Management Environment**

- **Policy aspects**
  - Continued quantitative and qualitative monetary easing
  - Negative interest rate policy
  - Corporate governance code
  - Changes in financial regulations

- **Social and economic aspects**
  - Declining population and shrinking economies in rural regions
  - Falling birth rate and an aging society
  - Empowerment of women

- **Technology aspects**
  - Rise of FinTech

- **Competitive environment**
  - Raising of maximum amount of deposits with Japan Post Bank
  - Intensifying competition with rival banks and non-bank competitors
  - Accelerating realignment of regional financial institutions

**Management Challenges**

- **Management metrics**
  - Decreasing interest income due to falling interest on loans
  - Improvement in management metrics (OHR and ROE, among others), etc.

- **Organization and system**
  - Build a more productive organizational system
  - Upgrade our management and controls framework
  - Enhance human resource development
  - Promote diversity, etc.

- **Sales**
  - Vitalize the Nara Prefecture economy
  - Maintain our deposits and loans market shares in Nara Prefecture
  - Build a sales platform suitable for the markets
  - Consider new sales channels and services
  - Improve our solution skills, etc.
1. Outline of the Next Management Plan (4) Business Model Reform

**Business Model Reform**

- Ensure the permeation of improvement culture and ethos that are unique to the Nanto Bank
- Foster a spirit of taking on challenges among bankers

**<Human resources and organizational aspects>**

- Build a new business model
  - Strengthen our retail strategy
    - Personal solutions business
    - Corporate solutions business
    - Osaka strategy
  - Bolster our market investment skills
  - Strengthen our group strategy

**<Sales aspects>**

- Promote clerical operations BPR
  - Build an organizational operation that enables the staff to focus on sales activities

**<Clerical operations aspects>**

- Shift in expense structure
  - Revise expenses as a whole
  - Make strategic investment for human resource development and IT

- Improve human resources quality
- Improve sales quality
- Improve clerical operations quality
- Build a robust structure

- Raise our capital adequacy ratio
- Improve OHR
- Improve ROA and ROE
Management Vision

"A Vitality Creating Bank"
(from 2014 to 2024)

We aim to become a bank that creates vitality for itself and for its local communities through i) delivering high-quality financial and consultation functions as a regional financial institution and ii) cultivating a corporate culture full of dreams and pride.

Significance of the Next Management Plan

"Vitality Creation Plan II—Changing and Taking on Challenges"
(from April 2017 to March 2020)

We have set the three years as a period in which to strive to change to a robust structure in consideration of the changing financial climate. For the plan's final year coinciding with our 85th anniversary, we will make sure to achieve good results in terms of earnings and the financial position.

The 80th anniversary (FY2014)

Vitality Creation Plan (from April 2014 to March 2017)

The 85th anniversary (June 2019)

Vitality Creation Plan II—Changing and Taking on Challenges

The 90th anniversary (2024)
1. Outline of the Next Management Plan (6) Basic Philosophy

- **Basic Philosophy**
  - **Create regional economic vitality**
    - Make utmost efforts to revitalize our sales-target areas in pursuit of co-creation with local communities
  - **Deliver customer-centric services**
    - Deliver optimum and sophisticated services by promptly meeting the increasingly diverse needs of customers
  - **Improve productivity and profitability through reviewing operations**
    - Improve productivity and profitability through enhancing the quality of sales, clerical operations, and human resources, based on the Four Reforms (to awareness, sales, clerical operations and expenses)
  - **Upgrade the management and controls framework**
    - Bolster risk control and earnings management, thus building a management and controls framework capable of responding to the changing environment in a flexible manner
### 1. Outline of the Next Management Plan (7) Priority Strategies

#### (1) Regional Revitalization

- **Human resource and organizational strategy**
  - Vitalize our human resources and organization by i) fostering the spirit of taking on challenges among the bankers, ii) bolstering the human resource development system and iii) realizing a work-life balance

- **Platform and market strategy**
  - Revise the framework of our branches and sales, bolster points-of-contact with customers, and deliver high-quality services

- **Retail business strategy**
  - Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages

- **Corporate business strategy**
  - Aim to become the true main bank for the customer through exercising the consultation function and delivering solutions according to the company's growth stage

- **Osaka strategy**
  - Raise the Bank's presence by actively allocating or reallocating our corporate resources, based on branch continuity

- **Municipality strategy**
  - Seek to develop relationships with individual municipalities by delivering financing and consulting functions to them

- **Market investment strategy**
  - Expand profits by diversifying our investment methods while taking risks appropriately

- **Group strategy**
  - Grow consolidated profits through delivering comprehensive financial services by tapping into our Group's capabilities

- **Clerical operations reform**
  - Fundamentally overhaul the clerical operations of branches and the headquarters, thus transforming the organization into a more efficient one

- **Expenses reform**
  - Revise expenses as a whole to transform our expenses structure

- **Awareness reform**
  - Create regional vitality by playing a leading role in local community, people and job areas

- **Sales reform**
  - Vitalize our human resources and organization by i) fostering the spirit of taking on challenges among the bankers, ii) bolstering the human resource development system and iii) realizing a work-life balance

#### (2) Pursuit of the Four Reforms

- **Regional Revitalization**
  - Create regional vitality by playing a leading role in local community, people and job areas

- **Sales reform**
  - Vitalize our human resources and organization by i) fostering the spirit of taking on challenges among the bankers, ii) bolstering the human resource development system and iii) realizing a work-life balance

- **Corporate strategy**
  - Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages

- **Osaka strategy**
  - Aim to become the true main bank for the customer through exercising the consultation function and delivering solutions according to the company's growth stage

- **Municipality strategy**
  - Raise the Bank's presence by actively allocating or reallocating our corporate resources, based on branch continuity

- **Market investment strategy**
  - Expand profits by diversifying our investment methods while taking risks appropriately

- **Group strategy**
  - Grow consolidated profits through delivering comprehensive financial services by tapping into our Group's capabilities

- **Clerical operations strategy**
  - Fundamentally overhaul the clerical operations of branches and the headquarters, thus transforming the organization into a more efficient one

- **Expenses strategy**
  - Revise expenses as a whole to transform our expenses structure

- **Upgrade our management and controls to firmly support the business model and to obtain even greater trust from customers**

#### (3) Upgrading of Management and Controls

- **Upgrade our management and controls to firmly support the business model and to obtain even greater trust from customers**
1. Outline of the Next Management Plan  (8) Transforming Our Earnings Structure and Loans Portfolio

**Earnings Structure**  
(core gross business profit basis)

- **Bolster fee business**
  - FY2013: 61.1%
  - FY2016: 57.2%
  - FY2019 (plan): 50%

- **Non-interest income**
  - FY2013: 10.2%
  - FY2016: 11.6%
  - FY2019 (plan): 20%

- **Market sector income**
  - FY2013: 28.6%
  - FY2016: 31.1%
  - FY2019 (plan): 30%

**Loans Portfolio**

- **Expand retail loans**
  - FY2013: 14.8%
  - FY2016: 21.9%
  - FY2019 (plan): 15%

- **Loans for local governments**
  - FY2013: 23.8%
  - FY2016: 29.6%
  - FY2019 (plan): 33%

- **Wholesale loans**
  - FY2013: 61%
  - FY2016: 66%
  - FY2019 (plan): 66%

**Earnings Structure**  
(core gross business profit basis)

* Non-interest income = Fees and commissions + Other operating income (excluding gains/losses on bonds (JGBs, etc.))
1. Outline of the Next Management Plan (9) Target Metrics

* Calculation formulae for the metrics
  - OHR: Expenses/Core gross business profit
  - Non-interest income ratio: (Fees and commissions + Other operating income (excluding gains/losses on bonds (JGBs, etc.))/Core gross business profit
  - Capital adequacy ratio: Core capital/Risk assets
  - ROA: Core net business profit/Total assets
  - ROE: Net income/Net assets

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OHR</strong></td>
<td>79.32%</td>
</tr>
<tr>
<td><strong>Non-interest income ratio</strong></td>
<td>11.73%</td>
</tr>
<tr>
<td><strong>Capital adequacy ratio</strong></td>
<td>9.11%</td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>0.20%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>4.76%</td>
</tr>
</tbody>
</table>

**FY2019 target**
- OHR: Less than 70%
- Non-interest income ratio: 20 to 29%
- Capital adequacy ratio: Approx. 10%
- ROA: At least 0.3%
- ROE: At least 5%
1. Outline of the Next Management Plan (10) Profit and Loss Plan

**Profit and Loss Plan**

- **<Core gross business profit>**
  - FY2013: 57.8 (¥ billion)
  - FY2016 (forecast): 53.9
  - FY2019 (plan): —

- **<Core net business profit>**
  - FY2013: 12.8 (¥ billion)
  - FY2016 (forecast): 13.5
  - FY2019 (plan): —

- **<Expenses>**
  - FY2013: 44.9 (¥ billion)
  - FY2016 (forecast): 40.4
  - FY2019 (plan): —

- **<Net income>**
  - FY2013: 8.8 (¥ billion)
  - FY2016 (forecast): 11.5
  - FY2019 (plan): —
### Staffing Plan

**Aiming to build a 2,300-strong platform**

<table>
<thead>
<tr>
<th></th>
<th>&lt;March 31, 2016&gt;</th>
<th>&lt;March 31, 2020&gt; At the end of the next management plan</th>
<th>&lt;March 31, 2022&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no. of staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branch</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Sales staff</td>
<td>1,942 (72%)</td>
<td>1,780 (72%)</td>
<td>1,670 (72%)</td>
</tr>
<tr>
<td>* Clerical operations staff</td>
<td>349 (17%)</td>
<td>230 (12%)</td>
<td>230 (13%)</td>
</tr>
<tr>
<td>Headquarters</td>
<td>620 (23%)</td>
<td>580 (23%)</td>
<td>540 (23%)</td>
</tr>
<tr>
<td>Part-timer, etc.</td>
<td>886</td>
<td>Increase part-timer ratio (up 184 persons)</td>
<td>1,070</td>
</tr>
</tbody>
</table>

- Increase the number of sales staff
- Reduce the number of clerical operations staff by about 30%
- Close branches and revise the formats
- Reduce the number of non-sales side staff by about 20%
- Employ part-timer for about 30% of the Operation–focused Division staff

- **Aiming to build a 2,300-strong platform**
- **Total no. of employees**: (3,555)
Create regional vitality by playing a leading role in local community, people and job areas

Regional Revitalization Initiative

- Conclude a collaboration agreement
  * Results: conclusion with the Nara Prefecture and 10 local municipalities in the prefecture
- Bolster relationships with municipalities
  Municipality strategy: Seek to develop relationships with individual municipalities by delivering financing and consulting functions to them

Creation of regional vitality

- Create regional vitality by playing a leading role in local community, people and job areas
- Regional Revitalization Initiative
  - Get involved in the Japanese government's Regional Comprehensive Strategy in an aggressive and proactive manner
  - Build a platform to collaborate and cooperate with municipalities
    - Conclude a collaboration agreement
      * Results: conclusion with the Nara Prefecture and 10 local municipalities in the prefecture
    - Bolster relationships with municipalities
      Municipality strategy: Seek to develop relationships with individual municipalities by delivering financing and consulting functions to them

Community building

- Participate in community-building projects
- Bolster PPP/PFI initiatives, etc.

Generate flows of people

- Tourism promotion, etc.

Create jobs

- Strive to attract companies
- Strengthen assistance for start-ups and new business deployment
- Revitalize the forest product business
- Provide assistance on herbal medicine and agricultural vitalization, etc.
2. Priority Strategies

(1) Regional Revitalization (ii) Aid Projects for Tourism Promotion and Local Industry

Tourism Promotion

Utilized tourism revitalization fund

- Developed the accommodation and tour environment, tapping into local resources

Stimulated tours and excursions

- Ran tours in collaboration with a major travel agency (November and December 2016)

Encouraged use of Nanto Cotoca, a credit card doubling as an IC cash card

- Attracted tourists to partner stores and facilities

<Privilege of Nanto Cotoca>

- Discount service for partner stores and facilities
- Sent out information via applications

Attracted visitors

- Expanded consumption in local areas (Use Cotoca)

Revitalization of Forestry Business

Collaborated with forestry business associations

- Entered into a comprehensive collaboration agreement with Yoshino Kawakami Shachu (February 2016)
  ⇒ Collaboration and cooperation for product creation, information dissemination, matching with non-forestry businesses, and development of market

Encouraged and publicized the use of Nara-made forest products

- Engaged in public relations activities at business matching fair events
- Organized seminars and learning courses with the cooperation of Narano-ki Marketing Council

Assistance in Pharmaceutical and Herbal Medicine Sectors

Collaborated with the Nara Prefecture and unions

- Organized an opinion exchange meeting with the Nara Prefecture Pharmaceutical Association (August 2016)
- Participated in a Nara Prefecture Herbal Medicine Mecca Promotion Council event
- Engaged in public relations activities at a business matching fair event

Increase the number of inbound tourists
Grow tourism-based consumption

Expand the market for local industries
2. Priority Strategies

(2) Pursuit of the Four Reforms

(i) Awareness Reform (a) Human Resource and Organizational Strategy

- Vitalize our human resources and organization by i) fostering the spirit of taking on challenges among the bankers, ii) bolstering the human resource development system and iii) realizing a work-life balance

Foster the spirit of taking on challenges among the bankers

Bolster Organizational Skills

- Develop the framework for awareness reform
  - ★ Set up the Nanto Improvement Committee
  - ○ Chair: President
  - ○ Introduce consulting from a major manufacturer-affiliated entity

- Optimize staff numbers
  - ★ Improve productivity through clerical operations BPR and sales BPR and branch consolidation and closures

Enhance Human Resource Capabilities

- Enhance and enrich the human resource development system

- Foster specialists in different sectors
  - ★ Foster specialists through defining the roles of retail and corporate sales staff

Improve CS and ES

- Deliver products and services from a customer perspective

- Enrich work-life balance

- Promote efforts for diversity
  - → Set up the Work Style Reform Office (October 2016)

Revise personnel affairs systems

- ★ Amend the systems into ones that are more impartial and convincing
  - ⇒ Improve employees’ motivation and productivity and empower female and senior-age employees, etc.

◆ Improve human resource quality  ◆ Improve organization productivity
2. Priority Strategies (2) Pursuit of the Four Reforms (ii) Sales Reform (a) Platform and Market Strategy

- Revise the framework of our branches and sales, bolster points-of-contact with customers, and deliver high-quality services

**Bolster Our Sales Structure**

**Expand our sales staff**
- Build a 600-strong sales team

**Enhance our unit-based sales structure**
- Improve specialisms while remaining friendly
- Deliver high-quality service through challenge-solution sales activities

**Rebuild Our Existing Branch Network**

**Consolidate and close branches**
- Branch closures and format change: around 30 branches (staff reduction effect: about 90 staff)
  * Includes the number based on implementation in FY2016

**Consider New Sales Channels and Services**

**Bolster non-face-to-face channels**
- Consider introducing a new settlement service application

**FinTech initiative**
- Set up the FinTech Promotion Office (July 2016)
- Considered delivering new financial services that leverage artificial intelligence (AI), block chains, and biometrics
  ⇒ Set up a FinTech Joint Research Group (November 2016)
  ○ Name: Chance FinTech Lab
  ○ Participants are Chance partner regional banks, Bank of Tokyo-Mitsubishi UFJ and IBM Japan.

◆ Operate branches according to the market ◆ Improve customer convenience ◆ Acquire new customer segments
2. Priority Strategies

(2) Pursuit of the Four Reforms

(ii) Sales Reform (b) Retail Business Strategy—Personal Solutions Business

Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages

- **Products and services**
  - ★ Shift to one-stop solutions

<table>
<thead>
<tr>
<th>Life stage</th>
<th>Young customers</th>
<th>Asset-building customer</th>
<th>Elderly customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products &amp; services</td>
<td>Investment trust ◆ Life insurance ◆ Credit cards etc.</td>
<td>Card loan ◆ Personal car loan ◆ Housing mortgage loan ◆ Education loan ◆ Salary remittance ◆ Defined contribution pension ◆ Deposit product etc.</td>
<td>Pension remittance ◆ Apartment loan ◆ Inheritance-related service etc.</td>
</tr>
<tr>
<td>Channel</td>
<td>Face-to-face channels (branch, consultation contact point and group company)</td>
<td>Non-face-to-face channels (smartphone application, ATM, online banking, direct service center and website)</td>
<td></td>
</tr>
<tr>
<td>Sales system</td>
<td>Increase the number of sales staff ◆ Improve specialisms</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Sales system**
  - ★ Improve specialisms

- **Channel**
  - ★ Shift to an omni-channel format
2. Priority Strategies

(2) Pursuit of the Four Reforms

(ii) Sales Reform

(b) Retail Business Strategy—Asset Investment Services

Nara Prefecture Market

Abundant personal assets

- Balance of savings per household: Ranked top in Japan
- Securities ratio: Ranked 6th in Japan

* Statistics Bureau, Ministry of Internal Affairs and Communications, National Survey of Family Income and Expenditure (as of November 2014)
* Securities ratio = Securities / Balance of savings

Our current situation

- Share in deposits in Nara Prefecture ⇒ Approx. 50% (excl. Japan Post Bank and JA)
- Share in securities in Nara Prefecture ⇒ Approx. 10% (estimate)

Bolster Securities Business and Inheritance Business

**<Retail sales staff plan>**

- FY2015: 109
- FY2016: 200
- FY2017: 200
- FY2018: 200

* Includes FA Offices

November 2015: Used tablet devices
April 2016: Launched the investment trust doubling project (IDP)
October 2016: Established the Private Banking Office
- Arranged for the help desk to support branches
- Pursued activities to assist branches in marketing
November 2016: Arranged for 62 low counter tellers to specialize in asset investment consultation services
December 2016: Widened the scope of financial product mediation services to cover all of our branches

Bolster efforts on inheritance-related service

- Number of mediation transactions: 14 in FY2015 ⇒ 36 in the 1H FY2016

**<Sales plan>**

- FY2015: 96.3
- FY2016: 103.2
- FY2019 (plan): 103.2

**<Earnings plan>**

- FY2015: 3.71
- FY2016: 3.72
- FY2019 (plan): 3.72

* Others: Financial product mediation and trust services, etc.
2. Priority Strategies

(ii) Sales Reform (b) Retail Business Strategy—Personal Loans

**Bolster Consumer Loans**

- **Revise card loan product**
  - Raise maximum loan amounts and add guarantee service companies, etc.

- **Continue to utilize direct channels**
  - Expand the scope of direct service center operations (loan service concentration)
  - Step up online advertising and promotion-call services

- **Advance purpose-specific loan products**
  - Launched the Female-Only Loan service (August 2016)
  - Carried out an Education Loan campaign (November 2016)

**Bolster Housing Mortgage Loans**

- **Step up promotion via L Plaza**
  - 12 outposts staffed by 70 staff (September 30, 2016)
  - Enhancement of our holiday sales system
  - Pursuit of activities targeting mainly leading housing business operators and major local players
  - Pursuit of collaborations with branches in the form of housing sales projects, etc.

---

**<Consumer loans balance plan (average balance)>**

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2016 (forecast)</th>
<th>FY2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ billion)</td>
<td>20.2</td>
<td>21.8</td>
<td></td>
</tr>
</tbody>
</table>

* Excludes real estate utilization loans

**<Housing mortgage loans balance plan (average balance)>**

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2016 (forecast)</th>
<th>FY2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ billion)</td>
<td>822.4</td>
<td>897.8</td>
<td></td>
</tr>
</tbody>
</table>

* FY2013, FY2016, FY2019 (plan)

2. Priority Strategies
(ii) Sales Reform (c) Corporate Business Strategy—Corporate Solutions Business

Aim to become the true main bank for the customer through exercising the consultation function and delivering solutions according to the company's growth stage

Deliver Solutions according to the Growth Stage

- Founding period
  - Assistance for start-ups and new business deployment
  - Crowd funding, etc.

- Growth period
  - Business matching service
  - Syndicate loan
  - Assistance for the acquisition of certification for various subsidies
  - Insurance product

- Maturity period
  - Merger and acquisition support
  - Support for overseas expansion
  - Private placement bonds
  - Support for business succession, etc.

- Transformation period
  - Assistance for the formulation of operational improvement plans
  - Merger and acquisition support, etc.

- Growth period

Provide solutions as a true main bank

Bolster relationships by utilizing business practicality assessments and local benchmarks

- Improve the specialisms of sales staff
  - Enhance the unit-based sales structure

- Set up the Business Revitalization Support Office
  - Established in July 2016
  - Bolster the functions of the Credit Analysis Division

- Strengthen activities toward top 100 companies in Nara Prefecture
  - Collaboration between the headquarters and branches
2. Priority Strategies
   (2) Pursuit of the Four Reforms
      (ii) Sales Reform (c) Corporate Business Strategy—Numerical Targets

Corporate Numerical Targets

1. <Target for the number of new retail business customers>
   (cumulative number from FY2016)

2. <Target for the number of business practicality assessment-based borrower>
   (cumulative number from FY2016)

3. <Target for corporate solution-related earnings>

* A combined total amount of foreign exchange-related income, syndicate loans, private placement bonds, business mediation service, merger and acquisition deals, business succession support service and corporate insurance service.
2. Priority Strategies

(2) Pursuit of the Four Reforms

(ii) Sales Reform (d) Osaka Strategy—Branch Deployment and Staffing Plan

- Raise the Bank’s presence by actively allocating or reallocating our corporate resources, based on branch continuity

Build a 20-strong Branch Network in Osaka

Osaka Staffing Plan

- Reallocate corporate resources appropriately

<table>
<thead>
<tr>
<th>Metric</th>
<th>Osaka Pref.</th>
<th>National ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>8,836,000 persons</td>
<td>3rd</td>
</tr>
<tr>
<td>Number of private enterprises</td>
<td>440,000 entities</td>
<td>2nd</td>
</tr>
<tr>
<td>Balance of deposits</td>
<td>¥90.4 trillion</td>
<td>2nd</td>
</tr>
<tr>
<td>Balance of loans</td>
<td>¥45.1 trillion</td>
<td>2nd</td>
</tr>
</tbody>
</table>

Osaka Staffing Plan

- 190 (People)

<Staffing plan of sales staff>

- ★ Expand and reallocate staff according to the market

- ★ Hirano Branch
  - Opened: January 31, 2017
  - New construction: 1H FY2017 (planned)

Bolster the Osaka Regional Headquarters’ Functions

- Share information by consolidating corporate information
- Raise decision-making speed and improve planning skills
- ★ Allocated a dedicated Managing Executive Officer (April 2016)

Bolster and develop the sales business capacity

Upgrade and expand our corporate and retail transaction platform
2. Priority Strategies
   (2) Pursuit of the Four Reforms
      (ii) Sales Reform (d) Osaka Strategy—Numerical Targets

**Numerical Targets in Osaka Area**

- **<Target for the number of new retail business customers>**
  (cumulative number from FY2016)

- **<Target for retail business loan balance>**
  (average balance)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015 (forecast)</th>
<th>FY2016 (plan)</th>
<th>FY2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>284.7</td>
<td>316.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2019 (forecast)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Priority Strategies (2) Pursuit of the Four Reforms (ii) Sales Reform (e) Market Investment Strategy

Expand profits by diversifying our investment methods while taking risks appropriately

**Investment Policy**

- Diversify our investment methods through taking risks appropriately
- Secure profits steadily through making diversified investments
- Secure profits by flexibly engaging in investment and financing

**<Target for securities balance>**

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016 (plan)</th>
<th>FY2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yen bonds</td>
<td>1,102.5</td>
<td>990.3</td>
<td></td>
</tr>
<tr>
<td>Euro-denominated bonds</td>
<td>322.8</td>
<td>332.6</td>
<td></td>
</tr>
<tr>
<td>US dollar-denominated bonds</td>
<td>123.0</td>
<td>69.6</td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>107.0</td>
<td>125.8</td>
<td></td>
</tr>
<tr>
<td>Investment trusts</td>
<td>235.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,719.9</td>
<td>1,753.4</td>
<td></td>
</tr>
</tbody>
</table>

* Expansion of market-sector staff by about 10 is planned from FY2016 onward

**<Target for bond duration>**

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2016</th>
<th>March 31, 2017 (plan)</th>
<th>March 31, 2020 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yen bonds</td>
<td>4.2</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Euro-denominated bonds</td>
<td>5.3</td>
<td>5.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Total</td>
<td>6.5</td>
<td>6.0</td>
<td>6.0</td>
</tr>
</tbody>
</table>

* Sell policy investment-based shareholdings

Reduce the balance continually each fiscal year
2. Priority Strategies  (2) Pursuit of the Four Reforms (ii) Sales Reform (f) Group Strategy

- Grow consolidated profits through delivering comprehensive financial services by tapping into our Group's capabilities

Bolster Our Group's Capabilities

Deliver comprehensive financial services ⇒ Grow consolidated profits

- Improve our staff’s ability to form lease transactions
- Consider meeting customers’ real estate-related needs
- Consider working on new business domains
- Raise usage ratio and hike membership fees for member merchants
- Increase no. of corporate credit card plan members
2. Priority Strategies  
(2) Pursuit of the Four Reforms (iii) Clerical Operations Reform

(a) Clerical Operations Strategy—Rebuilding of Our Clerical Operations Structure

- Fundamentally overhaul the clerical operations of branches and the headquarters, thus transforming the organization into a more efficient one

**Rebuilding of Our Clerical Operations Structure**

Clerical operations: Abolition, simplification, machine usage, labor saving and concentration

### Branches

- **Reduce clerical workload by 30%**
  - Simplify operations and use machines more
  - Consolidate back office clerical operations into the headquarters
  - Rebuild the document management framework
  - Revise and/or abolish products and services

- **Use IT to streamline operations**
  - Utilize tablet devices

- **Revise our over-the-counter sales structure**

### Headquarters

- **Aggressively eliminate waste**
- **Turn the organization into one that can be run by a small number of staff members**
- **Merged the Operations Control Division and the Operations Division (October 2016)**
  - Allocated staff to strategic divisions

- **Reduce the number of existing staff by 20%**
- **Reduce the number of Operations Division staff by 30%**

- **Installed the Operations Support Team (June 2016)**
  - Concentrated branches' back office clerical operations
    - Established in the Operations Control Division (June 2016)
    - Intended to engage in branches' back office clerical operations in a self-contained manner

Become a more efficient organization  
⇒ Improve productivity
2. Priority Strategies

(2) Pursuit of the Four Reforms (iii) Clerical Operations Reform

(a) Clerical Operations Strategy—New Branch Structure

- Assign part-time employees to high-counter teller service
- Arrange for low-counter tellers to solely provide asset investment services

- Simplify the clerical procedures for different types of notifications and concentrate inheritance procedures, etc.
- Continue to shift to a paperless format based on the document management system
- Concentrate back office clerical operations in the Center toward completing the operations in a self-contained manner
- Reduce the number of clerical operations staff by 30%
- Increase the number of sales staff

Utilize tablet for asset investment consultation service
2. Priority Strategies (2) Pursuit of the Four Reforms (iv) Expenses Reform (a) Expenses Strategy

- Revise expenses as a whole to transform our expenses structure

**Transform Our Expenses Structure**

Allocate personnel expenses effectively

- Revise our personnel affairs and pension systems

Invest strategically in IT and FinTech

- Make investments to deliver higher customer convenience and improve the Bank’s productivity

Invest on human resource development

- Make investments toward fostering specialists and improving skills

Reduce non-personnel expenses

- Continue to rigorously lower non-personnel expenses

**<Personnel expenses plan>**

<table>
<thead>
<tr>
<th>(¥ billion)</th>
<th>FY2013</th>
<th>FY2016 (forecast)</th>
<th>FY2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.3</td>
<td>22.3</td>
<td>17.7</td>
<td></td>
</tr>
</tbody>
</table>

**<Non-personnel expenses plan>**

<table>
<thead>
<tr>
<th>(¥ billion)</th>
<th>FY2013</th>
<th>FY2016 (forecast)</th>
<th>FY2019 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.7</td>
<td>15.6</td>
<td>15.6</td>
<td></td>
</tr>
</tbody>
</table>
2. Priority Strategies

(3) Upgrading of Management and Controls

- Upgrade our management and controls to firmly support the business model and to obtain even greater trust from customers

**Upgrading of Management and Controls**

- **Bolster our risk control**
  - Bolster our comprehensive risk management
  - Bolster our market risk control
    - Detect risks for increasingly diverse investment assets in a more rigorous manner
    - Measure interest risk amounts precisely and perform interest controls
  - Upgrade our credit risk controls
  - Strengthen measures to address serious system failure and cyber security matters

- **Rigorously ensure customer protection**
  - Strengthen our control framework for customer protection
  - Put fiduciary duty into practice
  - Disclosure of insurance agency commission (October 2016)

- **Strengthen earnings management and governance platforms**
  - Perform earnings management toward improving profitability
  - Bolster our corporate governance
    - Introduced the Executive Officer System (April 2016)
    - Increased the number of outside Directors (June 2016)
    - Changed director term of office (from two years to one year) (June 2016)

**Build a more solid management and control framework that supports our business model**
Appendix

1. Share in Nara Prefecture
2. Business Conditions for Local Companies (Sentiment on Local Economy)
3. Business Bankruptcy and Employment Conditions
4. Population and Number of Private Enterprises
5. State of Loans by Industry
6. Shift in Classification of Debtors
7. Total Risk Management
8. Pursuit of CSR Activities
1. Share in Nara Prefecture

* Commercial banks, trust banks and shinkin banks in Nara Prefecture. (excluding agricultural cooperatives, Japan Post Bank) (as of September 30, 2016)
2. Business Conditions for Local Companies (Sentiment on Local Economy)

Business Sentiment among Nara Prefecture-based Companies (Quarter on quarter DI)

\[
DI = (\text{Percentage share of "positive" companies}) - (\text{Percentage share of "negative" companies})
\]

(Source: Nanto Economic Research Institute)

Industrial Production Index

(Source: Ministry of Economy, Trade and Industry, Kinki Bureau of Economy, Trade and Industry, Nara Prefecture)
3. Business Bankruptcy and Employment Conditions

Number of Bankruptcies in Nara Pref.

<table>
<thead>
<tr>
<th>Year (Apr. to Sep.)</th>
<th>Total Debts (¥ billion)</th>
<th>Number of Bankruptcies (Cases)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>29.2</td>
<td>164</td>
</tr>
<tr>
<td>FY2014</td>
<td>10.6</td>
<td>97</td>
</tr>
<tr>
<td>FY2015</td>
<td>16.0</td>
<td>116</td>
</tr>
<tr>
<td>FY2016</td>
<td>2.2</td>
<td>28</td>
</tr>
</tbody>
</table>

(Number of bankruptcies by industry)

- Construction: 8 cases
- Retailing: 7 cases
- Wholesaling: 6 cases
- Manufacturing: 3 cases
- Services: 2 cases
- Transportation and communication: 1 case
- Others: 1 case

Effective Ratio of Job Offers to Applicants

- Osaka Pref.:
  - National average: 1.29
  - Kinki region: 1.38
  - Nara Pref.: 1.13

(Source: Ministry of Health, Labour and Welfare)
## 4. Population and Number of Private Enterprises

### Population and Number of Households (Nara Prefecture)

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Number of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,411</td>
<td>555</td>
</tr>
<tr>
<td>2011</td>
<td>1,406</td>
<td>560</td>
</tr>
<tr>
<td>2012</td>
<td>1,401</td>
<td>564</td>
</tr>
<tr>
<td>2013</td>
<td>1,394</td>
<td>573</td>
</tr>
<tr>
<td>2014</td>
<td>1,392</td>
<td>577</td>
</tr>
<tr>
<td>2015</td>
<td>1,384</td>
<td>580</td>
</tr>
<tr>
<td>2016</td>
<td>1,376</td>
<td>583</td>
</tr>
</tbody>
</table>

[Source: Nara Prefecture]

### Future Population Estimates (by prefecture)

2010 = 100

- National average: 92.8
- Osaka Pref.: 90.0
- Nara Pref.: 78.3
- Shiga Pref.: 77.6
- Hyogo Pref.: 84.3
- Mie Pref.: 84.4

[Source: National Institute of Population and Social Security Research]

### Number of Private Enterprises

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>50,424</td>
<td>46,711</td>
<td>46,774</td>
<td>-3,650 -7.2%</td>
</tr>
<tr>
<td>Agriculture, fishery and forestry</td>
<td>132</td>
<td>117</td>
<td>138</td>
<td>+6 +4.5%</td>
</tr>
<tr>
<td>Mining, stone and gravel quarrying</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>+1 +20.0%</td>
</tr>
<tr>
<td>Construction</td>
<td>4,394</td>
<td>3,882</td>
<td>3,712</td>
<td>-682 -15.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5,423</td>
<td>5,073</td>
<td>4,740</td>
<td>-683 -12.6%</td>
</tr>
<tr>
<td>Electric, gas, heat supply and water supply</td>
<td>35</td>
<td>34</td>
<td>41</td>
<td>+6 +17.1%</td>
</tr>
<tr>
<td>Information communication</td>
<td>342</td>
<td>282</td>
<td>264</td>
<td>-78 -22.8%</td>
</tr>
<tr>
<td>Transportation and postal services</td>
<td>821</td>
<td>785</td>
<td>743</td>
<td>-78 -9.5%</td>
</tr>
<tr>
<td>Wholesaleing and retailing</td>
<td>14,073</td>
<td>12,434</td>
<td>12,451</td>
<td>-1,622 -11.5%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>732</td>
<td>694</td>
<td>719</td>
<td>-13 -1.8%</td>
</tr>
<tr>
<td>Real estate and leasing</td>
<td>3,288</td>
<td>3,050</td>
<td>2,967</td>
<td>-321 -9.8%</td>
</tr>
<tr>
<td>Academic research and specialized technology services</td>
<td>1,568</td>
<td>1,446</td>
<td>1,505</td>
<td>-63 -4.0%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>5,552</td>
<td>5,184</td>
<td>5,167</td>
<td>-385 -6.9%</td>
</tr>
<tr>
<td>Living and entertainment services</td>
<td>4,365</td>
<td>4,101</td>
<td>4,144</td>
<td>-221 -5.1%</td>
</tr>
<tr>
<td>Education and learning-aid services</td>
<td>1,630</td>
<td>1,629</td>
<td>1,730</td>
<td>+100 +6.1%</td>
</tr>
<tr>
<td>Medical and welfare services</td>
<td>3,451</td>
<td>3,603</td>
<td>4,172</td>
<td>+721 +20.9%</td>
</tr>
<tr>
<td>Integrated services</td>
<td>443</td>
<td>323</td>
<td>428</td>
<td>-15 -3.4%</td>
</tr>
<tr>
<td>Others (*)</td>
<td>4,170</td>
<td>4,068</td>
<td>3,847</td>
<td>-323 -7.7%</td>
</tr>
</tbody>
</table>

[Source: Statistics Bureau, Ministry of Internal Affairs and Communications, Economic Census]
## Loans Outstanding by Industry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total lending volume</td>
<td>2,983.9</td>
<td>3,088.7</td>
<td>3,198.1</td>
<td>3,240.9</td>
<td>42.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>490.3</td>
<td>502.3</td>
<td>500.7</td>
<td>502.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Agriculture and forestry</td>
<td>3.0</td>
<td>2.9</td>
<td>2.7</td>
<td>2.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>Fishery</td>
<td>4.1</td>
<td>4.3</td>
<td>3.7</td>
<td>3.6</td>
<td>-0.1</td>
</tr>
<tr>
<td>Mining, stone and gravel quarrying</td>
<td>7.3</td>
<td>7.1</td>
<td>11.7</td>
<td>11.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>Construction</td>
<td>85.9</td>
<td>84.0</td>
<td>85.1</td>
<td>78.3</td>
<td>-6.8</td>
</tr>
<tr>
<td>Electric, gas, heat supply and water supply</td>
<td>23.6</td>
<td>27.6</td>
<td>27.8</td>
<td>24.3</td>
<td>-3.4</td>
</tr>
<tr>
<td>Information communication</td>
<td>34.7</td>
<td>36.3</td>
<td>39.7</td>
<td>46.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Transportation and postal services</td>
<td>94.7</td>
<td>91.0</td>
<td>105.2</td>
<td>108.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Wholesaling and retailing</td>
<td>290.9</td>
<td>300.9</td>
<td>292.2</td>
<td>296.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>158.6</td>
<td>158.5</td>
<td>148.4</td>
<td>126.1</td>
<td>-22.2</td>
</tr>
<tr>
<td>Real estate and leasing</td>
<td>327.7</td>
<td>344.8</td>
<td>359.8</td>
<td>372.2</td>
<td>12.3</td>
</tr>
<tr>
<td>Services</td>
<td>164.6</td>
<td>166.4</td>
<td>177.5</td>
<td>177.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Local public entity</td>
<td>436.4</td>
<td>483.9</td>
<td>541.6</td>
<td>574.1</td>
<td>32.4</td>
</tr>
<tr>
<td>Others</td>
<td>861.5</td>
<td>878.0</td>
<td>901.3</td>
<td>917.3</td>
<td>15.9</td>
</tr>
</tbody>
</table>

## Ratio of Loans by Industry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total lending volume</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>—</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16.43</td>
<td>16.26</td>
<td>15.66</td>
<td>15.50</td>
<td>-0.16</td>
</tr>
<tr>
<td>Agriculture and forestry</td>
<td>0.10</td>
<td>0.10</td>
<td>0.09</td>
<td>0.07</td>
<td>-0.01</td>
</tr>
<tr>
<td>Fishery</td>
<td>0.14</td>
<td>0.14</td>
<td>0.12</td>
<td>0.11</td>
<td>-0.00</td>
</tr>
<tr>
<td>Mining, stone and gravel quarrying</td>
<td>0.25</td>
<td>0.23</td>
<td>0.37</td>
<td>0.35</td>
<td>-0.01</td>
</tr>
<tr>
<td>Construction</td>
<td>2.88</td>
<td>2.72</td>
<td>2.66</td>
<td>2.42</td>
<td>-0.25</td>
</tr>
<tr>
<td>Electric, gas, heat supply and water supply</td>
<td>0.79</td>
<td>0.89</td>
<td>0.87</td>
<td>0.75</td>
<td>-0.12</td>
</tr>
<tr>
<td>Information communication</td>
<td>1.16</td>
<td>1.18</td>
<td>1.24</td>
<td>1.42</td>
<td>0.18</td>
</tr>
<tr>
<td>Transportation and postal services</td>
<td>3.17</td>
<td>2.95</td>
<td>3.29</td>
<td>3.33</td>
<td>0.04</td>
</tr>
<tr>
<td>Wholesaling and retailing</td>
<td>9.75</td>
<td>9.74</td>
<td>9.14</td>
<td>9.15</td>
<td>0.01</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>5.32</td>
<td>5.13</td>
<td>4.64</td>
<td>3.89</td>
<td>-0.75</td>
</tr>
<tr>
<td>Real estate and leasing</td>
<td>10.98</td>
<td>11.17</td>
<td>11.25</td>
<td>11.49</td>
<td>0.23</td>
</tr>
<tr>
<td>Services</td>
<td>5.52</td>
<td>5.39</td>
<td>5.55</td>
<td>5.49</td>
<td>-0.06</td>
</tr>
<tr>
<td>Local public entity</td>
<td>14.63</td>
<td>15.67</td>
<td>16.94</td>
<td>17.71</td>
<td>0.78</td>
</tr>
<tr>
<td>Others</td>
<td>28.87</td>
<td>28.43</td>
<td>28.18</td>
<td>28.30</td>
<td>0.12</td>
</tr>
</tbody>
</table>
6. Shift in Classification of Debtors

<As of September 30, 2016>

- Total credit (loans): ¥3,262.3 billion (increase of ¥46.5 billion from Mar. 31, 2016)
- Loans to normal debtors: ¥3,079.6 billion (increase of ¥59.5 billion from Mar. 31, 2016)
- Loans to debtors requiring caution and substandard debtors: ¥124.2 billion (decrease of ¥7.5 billion from Mar. 31, 2016)
- Loans to potentially bankrupt debtors and lower: ¥58.4 billion (decrease of ¥5.4 billion from Mar. 31, 2016)

<table>
<thead>
<tr>
<th>(Subject: Credit related claimable assets such as loans)</th>
<th>As of March 31, 2016</th>
<th>As of September 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Normal assets</td>
<td>Assets requiring caution</td>
</tr>
<tr>
<td>1 Normal debtors</td>
<td>3,020.1</td>
<td>2,974.6</td>
</tr>
<tr>
<td>2 Debtors requiring caution</td>
<td>118.7</td>
<td>14.9</td>
</tr>
<tr>
<td>3 Substandard debtors</td>
<td>13.0</td>
<td>1.3</td>
</tr>
<tr>
<td>4 Potentially bankrupt debtors</td>
<td>58.0</td>
<td>0.0</td>
</tr>
<tr>
<td>5 Bankrupt and effectively bankrupt debtors</td>
<td>5.8</td>
<td>0.0</td>
</tr>
<tr>
<td>6 New debtors</td>
<td>0.0</td>
<td>88.6</td>
</tr>
<tr>
<td>7 Total</td>
<td>3,215.7</td>
<td>3,079.6</td>
</tr>
</tbody>
</table>

Change over March 31, 2016

<table>
<thead>
<tr>
<th>Normal assets</th>
<th>Assets requiring caution</th>
<th>Substandard assets</th>
<th>Potentially bankrupt assets</th>
<th>Bankrupt and effectively bankrupt assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>59.5</td>
<td>-6.7</td>
<td>-0.8</td>
<td>-7.0</td>
<td>1.6</td>
<td>46.5</td>
</tr>
</tbody>
</table>
7. Total Risk Management

**Total Risk Management**

- Distribution for capital adequacy (as of Sep. 30, 2016) ¥260.3 billion
- Risk capital (2H FY2016) ¥160.5 billion
- Risk amount (as of Sep. 30, 2016) ¥79.1 billion

**Risk Measurement Method**

- Distribution for capital adequacy = Core capital + Valuation difference on available-for-sale securities reported on the balance sheet
- Interest-rate risk measurement includes use of an internal model that considers core deposits

<table>
<thead>
<tr>
<th>Measurement Approach</th>
<th>Confidence Level</th>
<th>Holding Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk VaR</td>
<td>99%</td>
<td>1 year</td>
</tr>
<tr>
<td>Interest rate, investment purposes VaR</td>
<td>99%</td>
<td>120 business days</td>
</tr>
<tr>
<td>Strategic purposes VaR</td>
<td>99%</td>
<td>240 business days</td>
</tr>
<tr>
<td>Short-term trade VaR</td>
<td>99%</td>
<td>10 business days</td>
</tr>
<tr>
<td>Operational risk Gross profit distribution approach</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8. Pursuit of CSR Activities

Social contribution activities

- Nanto Bank hockey team “Shooting Stars”
- Nanto Nara cheer squad (volunteer guides)
- Nanto Scholarship Society
- Financial and economic education
- Small Kindnesses Society (cleanup activities, blood donation activities, etc.)

Environmental preservation activities

- Yoshino Cherry Tree Preservation Group
- Community support utilizing forests and wood
- Promotion of environmentally-conscious financial products
- Cool Biz (lighter employee attire)
- Establishment of recycling centers

Community support through forest preservation and supporting forestry revitalization

- Brochure stand made from Yoshino cedar
- Participated in the Third Forests, Trees and Houses of Nara Festa event as a host
- Volunteer guides
- Financial and economic education (All Japan High School Economics Quiz Tournament)
- Manyo charity walk
- Yoshino Cherry Tree Preservation Group (fund-raising campaign)

Nanto Bank hockey team
- Won their seventh title, their first in 11 years, at the 38th Amateur National Hockey Championship
In this material, we refer to the future performance of the bank. However, please be aware that these contents do not guarantee our future performance and it may change due to the unexpected risks and uncertainties in the operating environment.

[Contact, if any:]
The NANTO BANK, LTD. Corporate Planning Division
TEL: 0742-27-1552
FAX: 0742-20-3614
E-mail: ir-souki@nantobank.co.jp
URL: http://www.nantobank.co.jp/