

Information Meeting

—The Year Ended March 2017—



THE NANTO BANK, LTD.

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I. About the Nanto Bank, Ltd.

1. Profile of the Nanto Bank

(as of March 31, 2017)

1. Founded	June 1, 1934
2. Location of head office	16 Hashimoto-cho, Nara City
3. Capital	¥29,249 million
4. Number of employees	2,615
5. Number of offices	139 (Japan) 2 (representative offices in Hong Kong and Shanghai)
6. Total assets	¥5,802.9 billion
7. Deposits outstanding	¥4,780.7 billion
8. Outstanding loans	¥3,262.3 billion
9. Capital adequacy ratio	Non-consolidated: 9.19% Consolidated: 9.42%
10. Market share in Nara Prefecture	Loans: 48.8% Deposits: 49.0%
11. External credit rating	“A” (Stable) from JCR “A-” (Stable) from R&I

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**

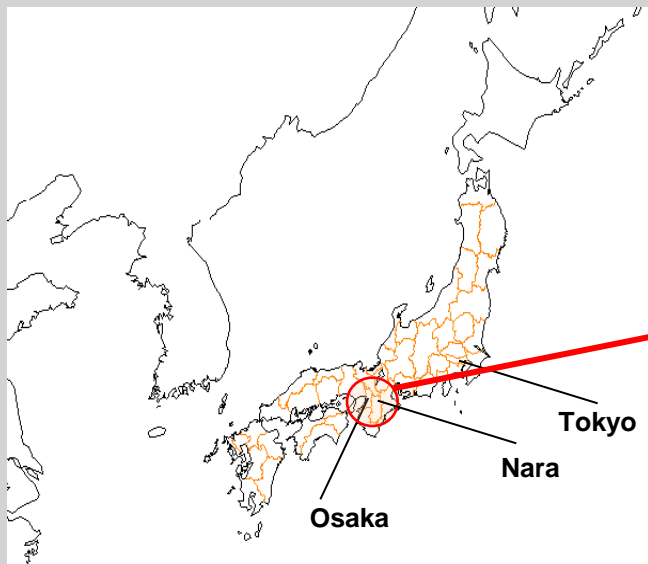


(Head Office)

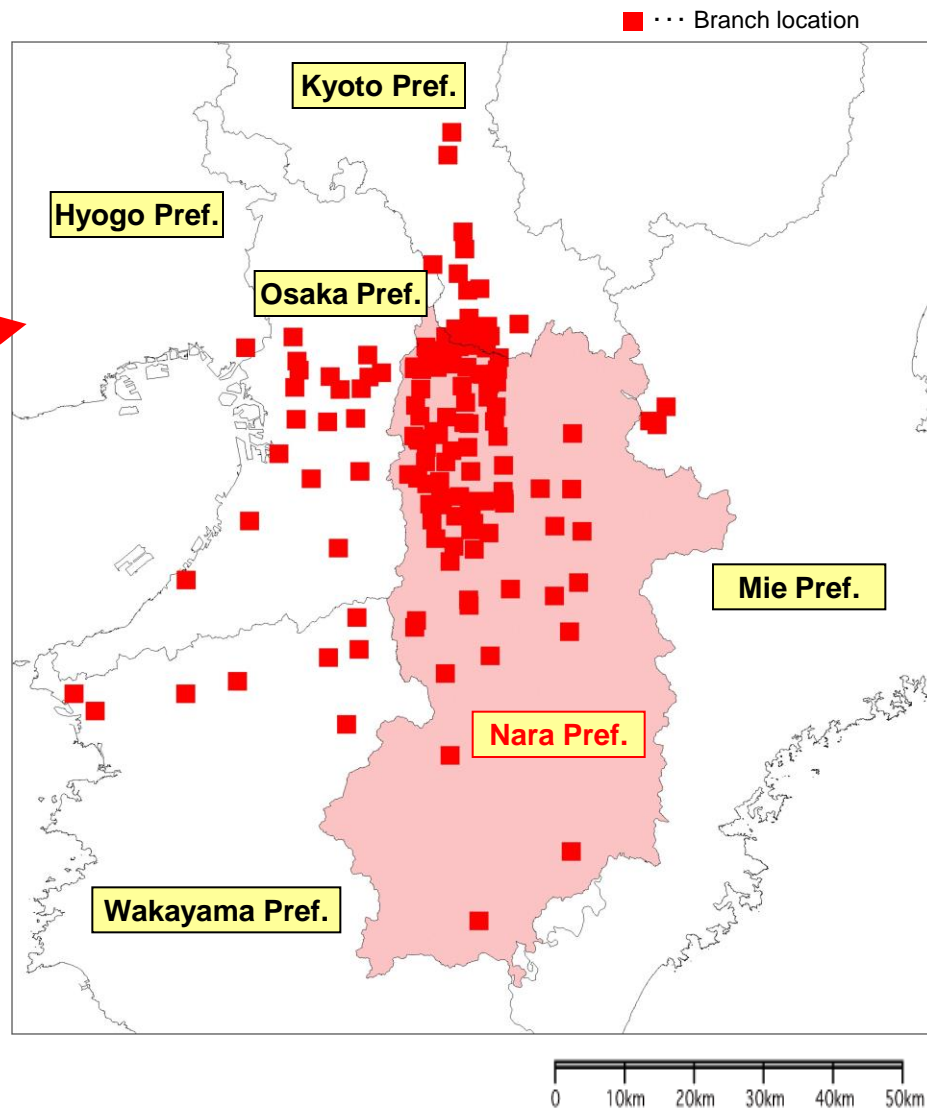
2. Operating Areas of the Bank

Operating Areas of the Bank

Map of Japan



Our Network of Branches



Number of branches (as of March 31, 2017)

	Headquarters and branches	Sub-branches	Agencies	Total
Nara Pref.	71	18	3	92
Wakayama Pref.	6	2	-	8
Kyoto Pref.	11	4	-	15
Mie Pref.	1	2	-	3
Osaka Pref.	19	-	-	19
Hyogo Pref.	1	-	-	1
Tokyo	1	-	-	1
Total	110	26	3	139

3. Summary of Nara Prefecture (1) History and Tourism Resources

History of Nara Prefecture

- Following the unification of Japan in ancient times, Nara was the country's capital up until the end of the Nara Period (from 710 to 794). It was home to many of Japan's existing cultural properties, such as Buddhist architecture.
- In Waka poems, Nara is referred to as the "Birthplace of Japan."

Abundant Tourism Resources

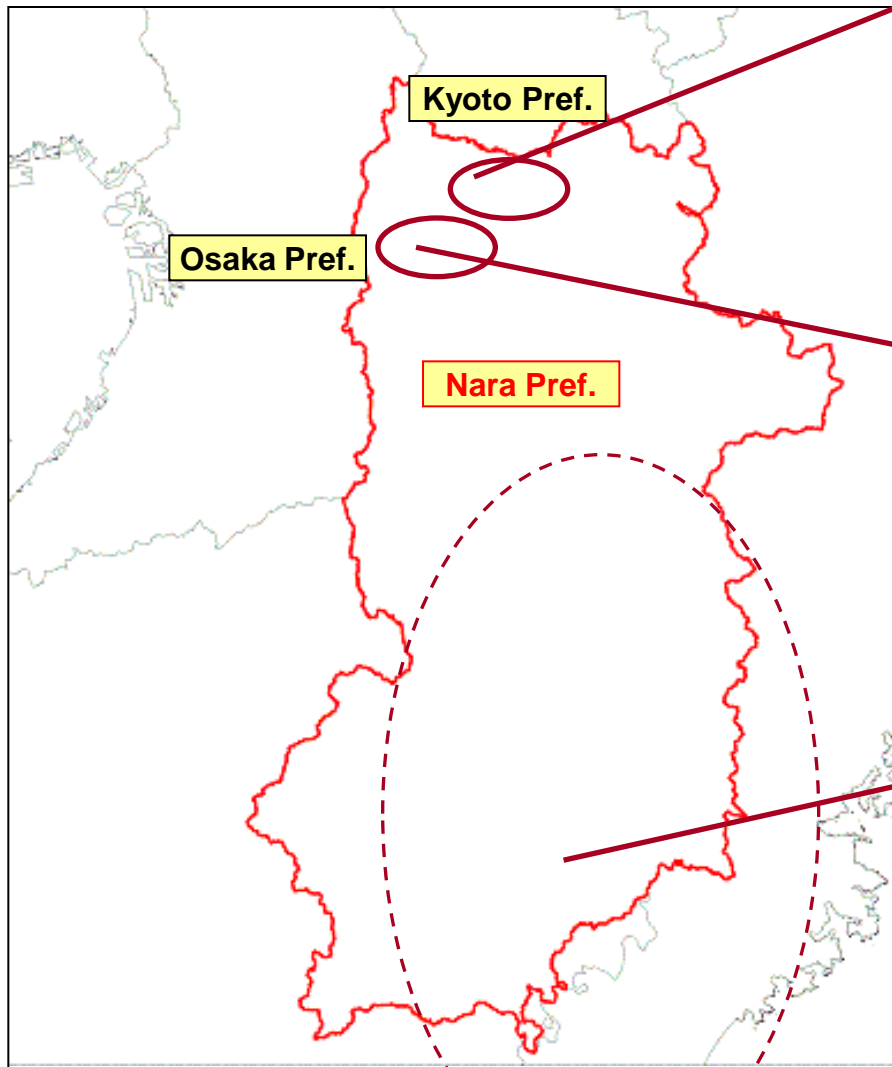
- Three World Heritage sites → Ranked top in Japan for the number of such sites
 - (i) Historic Monuments of Ancient Nara
 - (ii) Buddhist Monuments in the Horyu-ji Area
 - (iii) Sacred Sites and Pilgrimage Routes in the Kii Mountain Range
 - A total of 1,525 National Treasure and Important Cultural Property certifications (as of June 1, 2017)
 - * Ranked third in the country, only behind Tokyo and Kyoto
- ⇒ In 2015, the annual number of foreign tourists visiting Nara exceeded the 1 million mark.

★ Origin of the name Nanto Bank

- The Bank was named Nanto Bank when it was established in 1934 because Nara had long been referred to as "Nanto" (the South Capital) in reference to Kyoto.

3. Summary of Nara Prefecture (2) Three World Heritage Sites

Expanded Map of Nara Prefecture



(i) Historic Monuments of Ancient Nara

Nara, Nara Pref.

Registered in 1998 as a world heritage site

(ii) Buddhist Monuments in the Horyu-ji Area

Ikaruga-cho, Ikoma-gun, Nara Pref.

Registered in 1993 as a world heritage site

(iii) Sacred Sites and Pilgrimage Routes in the Kii Mountain Range

Nara Pref., Wakayama Pref. and Mie Pref.

Registered in 2004 as world heritage sites

3. Summary of Nara Prefecture (2) Three World Heritage Sites

(i) Historic Monuments of Ancient Nara

- **“Historic Monuments of Ancient Nara” are made up of the temples in Nara city. (Tôdai-ji, Kôfuku-ji, Kasuga-Taisha, Kasugayama Primeval Forest, Gangô-ji, Yakushi-ji, Tôshôdai-ji and the site of Heijô-kyo)**
- **During the Nara Period (from 710 to 794), many temples and shrines were built around the Heijô-kyo and the location served as the country’s capital. These “Historic Monuments of Ancient Nara” serve to illustrate the religious activities and lifestyle of the Nara Period.**

(ii) Buddhist Monuments in the Horyu-ji Area

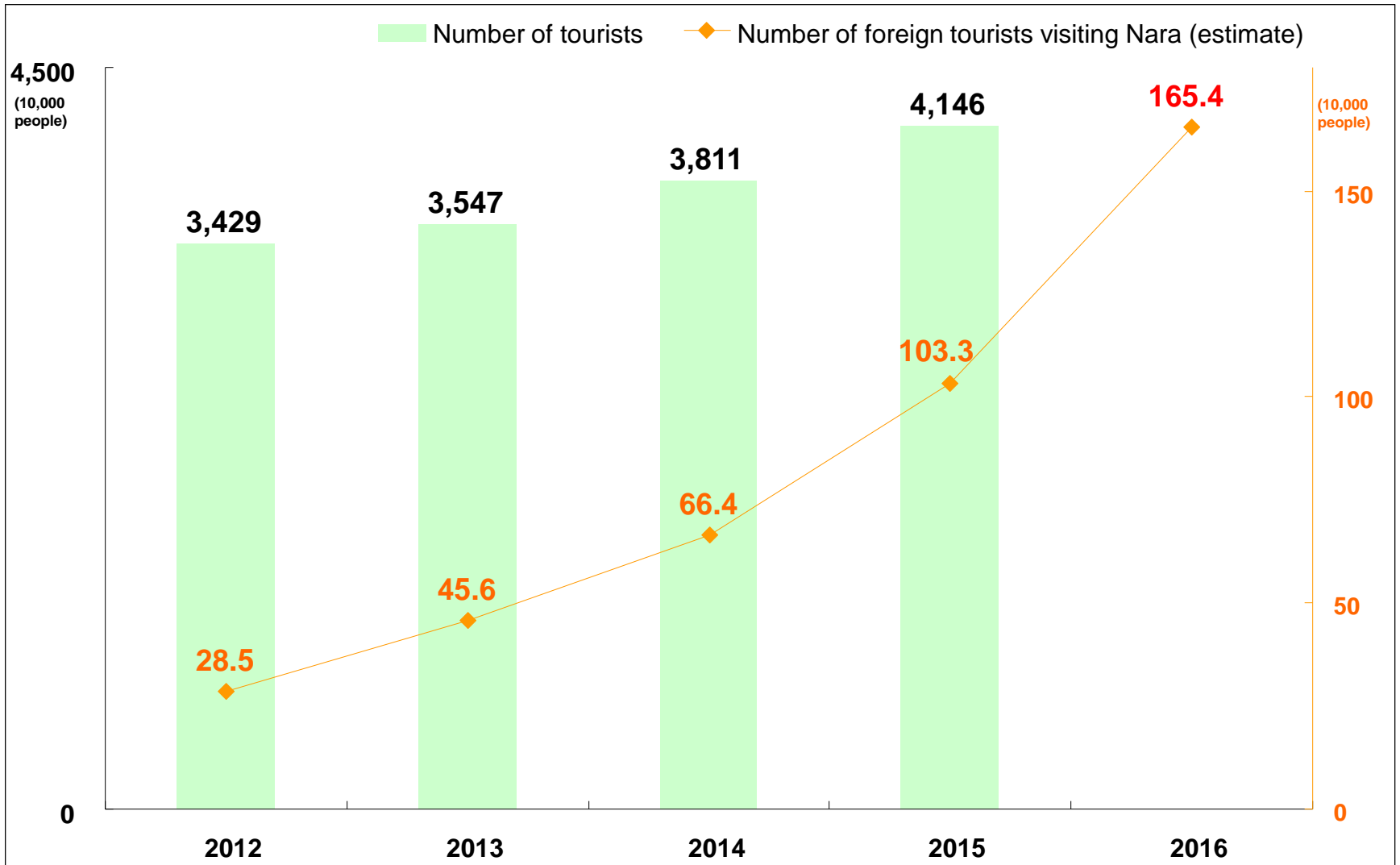
- **Wooden structures at the Horyu-ji and Hokki-ji Temples**
- **Built shortly after Buddhism arrived in Japan, these are among the nation’s oldest existing wooden structures. Combined with the structures built thereafter, they reveal how Japanese Buddhist architecture changed over time, and are thus praised as being masterpieces of Buddhist architecture.**

(iii) Sacred Sites and Pilgrimage Routes in the Kii Mountain Range

- **These World Heritage Sites span Nara Prefecture and the adjacent Mie and Wakayama Prefectures. The location contains three sacred sites: Yoshino and Omine; Kumano Sanzan; and Koyasan, connected by the pilgrimage routes Omine Okugakemichi, the Kumano Pilgrimage Routes and the Koya Pilgrimage Routes.**
It was here that nature worship-based religious practices from ancient Japan amalgamated with Buddhism, arriving from the continent, and resulted in the creation of many different forms of religion.

3. Summary of Nara Prefecture (3) Number of Tourists

Number of Tourists Visiting Nara



[Source: Nara Prefecture]

4. Summary of the Local Economy

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>

Ranking is among the 47 prefectures of Japan

Metric	Nara Pref.	Rank	Source	Osaka Pref.	
				Pref.	Rank
Population (Thousands of people)	1,356	30th	Ministry of Internal Affairs and Communications, <i>Population Estimates</i> , October 2016	8,833	3rd
Deposits balance (¥ trillion)	11.4	24th	Kinyu Journal, <i>Financial Map 2017</i>	90.4	2nd
Loan balance (¥ trillion)	3.5	31st	Kinyu Journal, <i>Financial Map 2017</i>	45.1	2nd
Per-capita income (¥ thousand)	2,534	35th	Cabinet Office Economic and Social Research Institute (ESRI), fiscal 2014	3,013	13th
Balance of savings (households of 2 or more) (¥ thousand)	17,849	6th	Ministry of Internal Affairs and Communications, <i>National Survey of Family Income and Expenditure</i> , November 2014	15,017	24th
Housing starts (Thousands of units)	6	36th	Ministry of Land, Infrastructure, Transport and Tourism, <i>Building Starts</i> , fiscal 2016	70	3rd
Percentage of people who enter post-secondary education (%)	58.9	7th	Ministry of Education, Culture, Sports, Science and Technology, March 2016	60.5	5th
Percentage of people who answer correctly on the financial literacy examination (%)	60.5	1st	The Central Council for Financial Services Information, June 2016	54.1	38th
Cross-prefecture employment ratio (%)	29.9	1st	Ministry of Internal Affairs and Communications, <i>National Census</i> , October 2010	5.8	15th
Number of private enterprises (offices) (Thousand of entities)	48	40th	Ministry of Internal Affairs and Communications, <i>Economic Census</i> , July 2014	413	2nd
Value of shipped manufactured goods (establishments employing at least 10 workers) (¥ trillion)	1.8	36th	Ministry of Economy, Trade and Industry, <i>Census of Manufacturers</i> , December 2014	15.7	3rd
Sales value of wholesale goods (¥ trillion)	0.7	42nd	Ministry of Economy, Trade and Industry, <i>Census of Commerce</i> , July 2014	38.9	2nd
Sales value of retail goods (¥ trillion)	1.0	35th	Ministry of Economy, Trade and Industry, <i>Census of Commerce</i> , July 2014	8.4	2nd
Number of items designated as National Treasures and Important Cultural Properties (Items)	1,525	3rd	Agency for Cultural Affairs, June 2017	736	5th
Ratio of visits by foreign tourists coming to Japan (sightseeing and leisure purposes) (%)	8.4	9th	Japan Tourism Agency, <i>Consumption Trend Survey for Foreigners Visiting Japan</i> , 2016	44.7	1st

II. Financial Results for FY2016

1. Summary of Profit and Loss

(¥ billion)		FY2015 results	FY2016 results	Y/Y change
1	Core gross business profit	54.5	53.9	-0.6
2	Interest income	49.6	49.6	+0.0
3	Fees and commissions	6.1	5.3	-0.7
4	Other operating income (*1)	-1.2	-1.0	+0.1
5	Cost of derivative financial products	1.4	1.3	-0.1
6	Expenses	43.2	40.1	-3.1
7	Personnel expenses	25.5	22.2	-3.2
8	Non-personnel expenses	15.7	15.4	-0.2
9	Core net business profit	11.2	13.7	+2.5
10	Gains/Losses on bonds (JGBs, etc.)	0.8	3.9	+3.1
11	Net transfer to general provision for possible loan losses	-3.7	3.0	+6.7
12	Net business profit	15.8	14.7	-1.0
13	Non-recurrent gains/losses	-2.7	1.3	+4.0
14	Gains/Losses on stocks	1.5	2.2	+0.7
15	Disposal of non-performing loans	5.0	0.7	-4.3
16	Bad debt recovered	0.2	0.8	+0.5
17	Ordinary income	13.1	16.0	+2.9
18	Extraordinary gains/losses	0.4	-0.1	-0.6
19	Income before taxes	13.5	15.9	+2.3
20	Income taxes	1.8	3.8	+1.9
21	Net income	11.7	12.1	+0.4
22	Credit cost (*2)	1.0	2.9	+1.8

Analysis of Change Factors in Core Net Business Profit

(¥ billion)

Core net business profit for FY2015		11.28
1) Average balance of loans (Average balance Y/Y change +¥137.8 billion)		+1.54
2) Interest rate on loans (0.99%, Y/Y change -0.12 pt)		-3.91
3) Average balance of deposits (Average balance Y/Y change -¥71.9 billion)		+0.03
4) Interest rate on deposits (0.02%, Y/Y change -0.02 pt)		+1.17
Deposit/loans sector total		-1.16
5) Average balance of securities (Average balance Y/Y change +¥68.5 billion)		+0.73
6) Yield on securities (1.16%, Y/Y change +0.09 pt)		+1.71
7) Interest on fund management		-0.09
8) Interest on fund procurement (including cost of derivative financial products)		-0.99
Market sector total		+1.35
9) Fees and commissions (investment trust revenues: Y/Y change -¥0.32 billion life insurance revenues: Y/Y change -¥0.59 billion)		-0.74
10) Others		-0.03
11) Expenses		+3.10
Core net business profit for FY2016		13.78

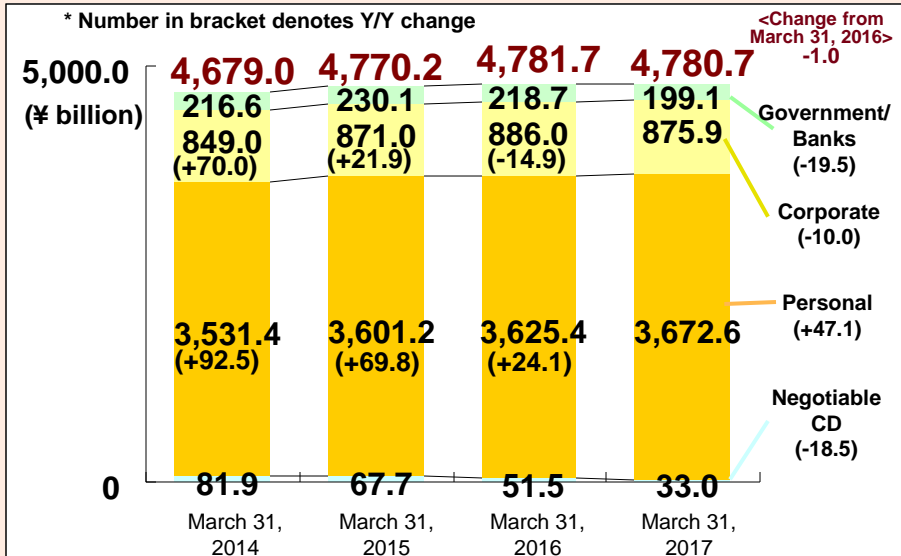
* 1 Excludes gains/losses on bonds (JGBs, etc.)

* 2 (Net transfer to general provision for possible loan losses + Disposal of non-performing loans) - (Bad debt recovered)

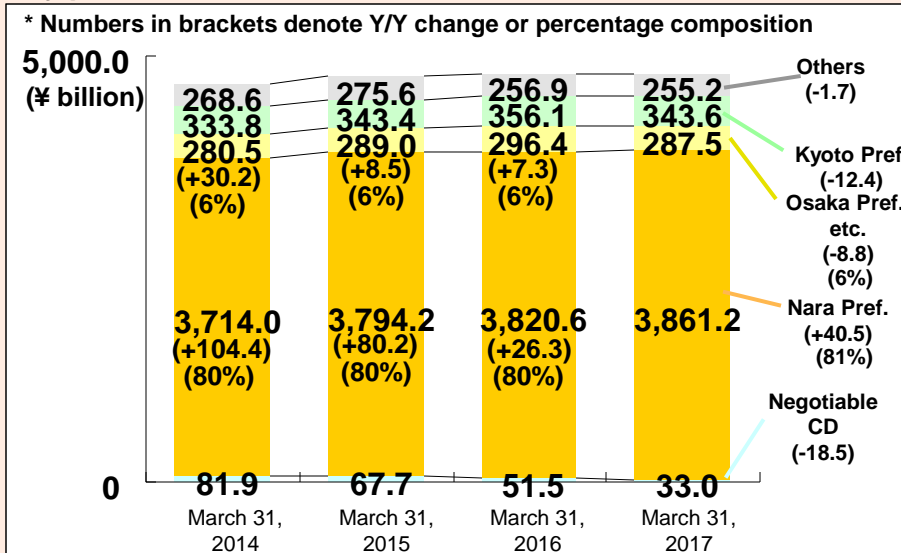
2. Summary of Deposits and Loans

Balance of Deposits

<By sector>

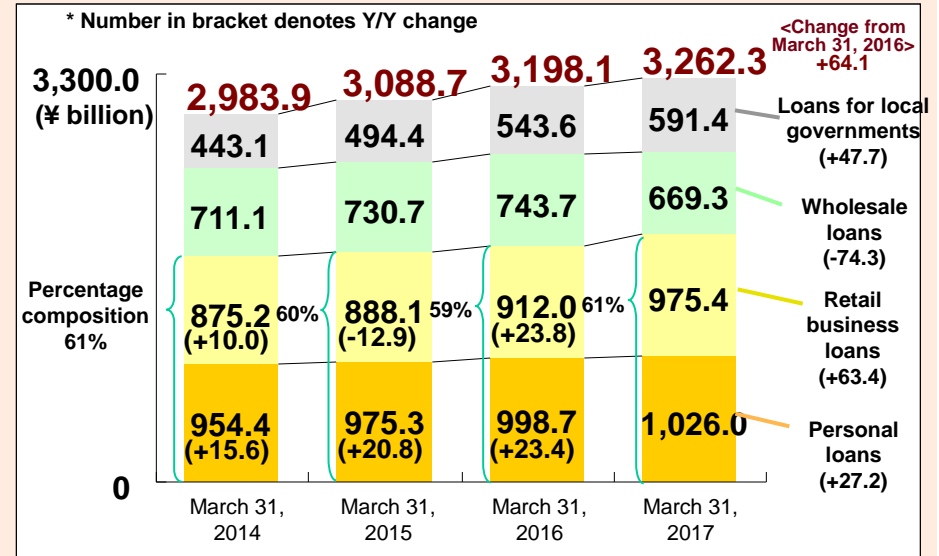


<By prefecture>

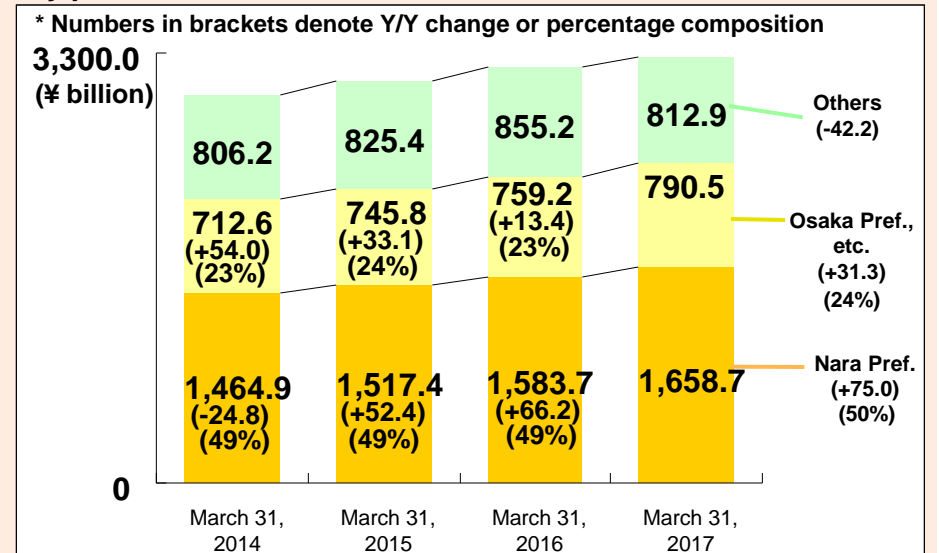


Balance of Loans

<By sector>

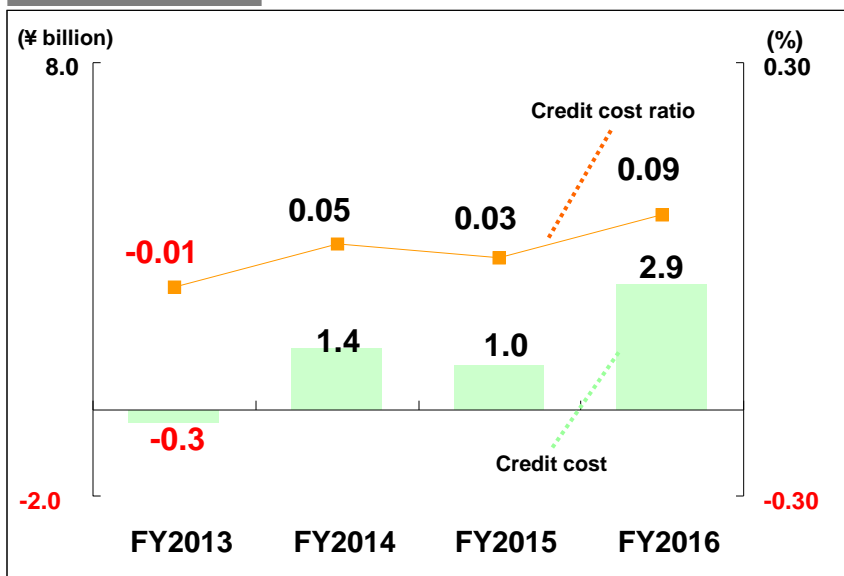


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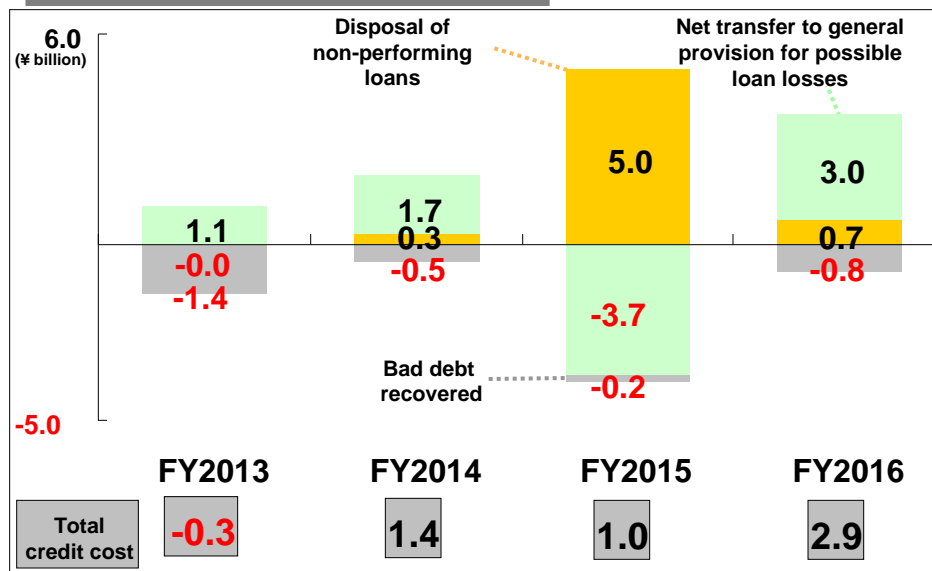
3. Summary of Non-Performing Loans

Credit Cost

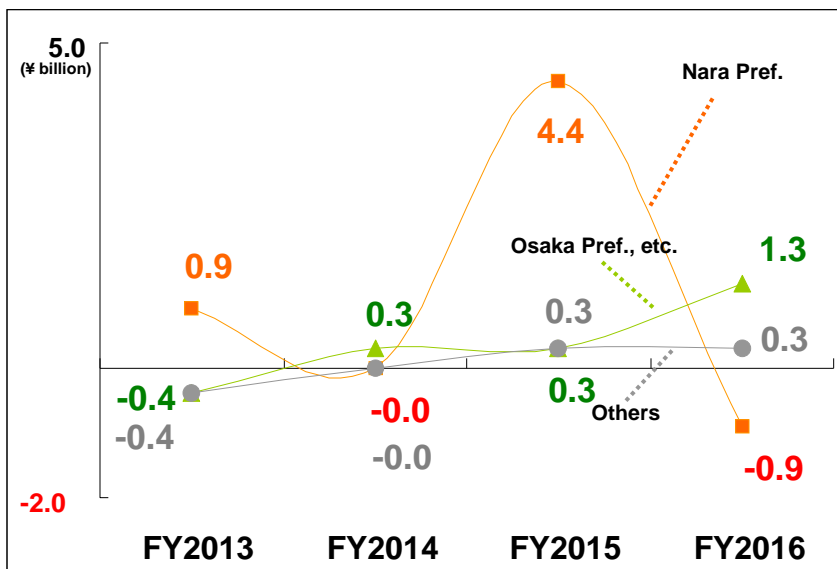


* Credit cost ratio = Credit cost / Average balance of loans

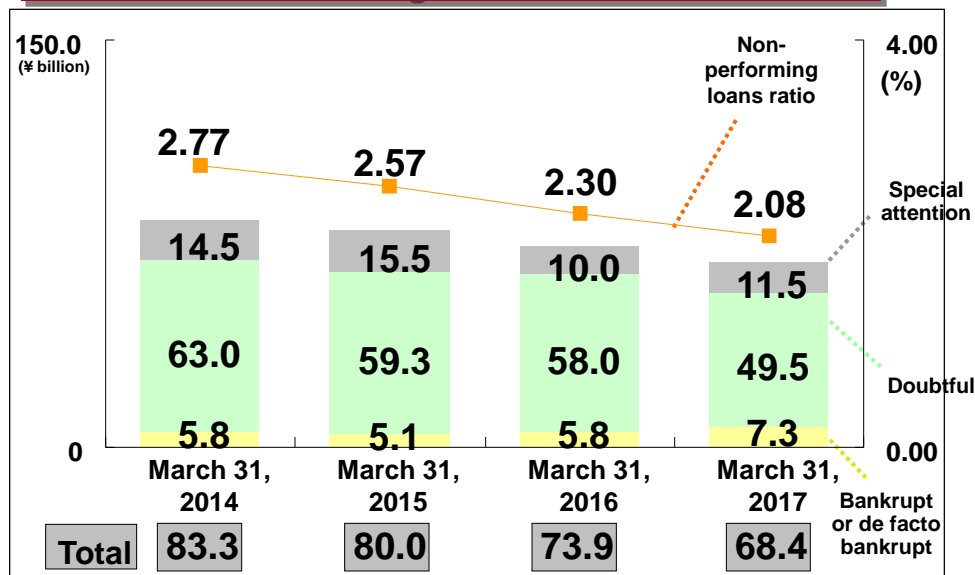
Breakdown of Credit Cost



Disposal of Non-Performing Loans by Region

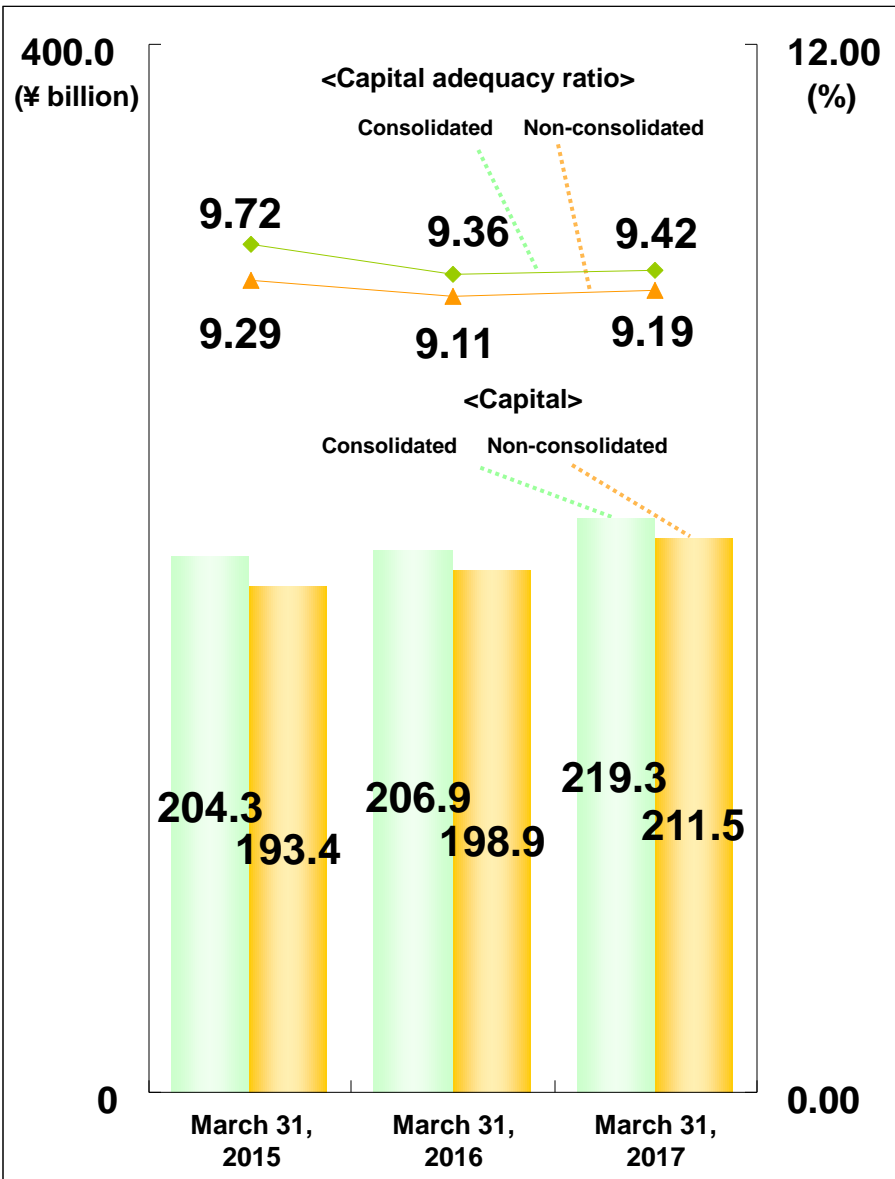


Loans Based on the Financial Reconstruction Law / Non-Performing Loans Ratio



4. Capital Adequacy Ratio

Capital Adequacy Ratio



<Non-consolidated>

(¥ billion)

	March 31, 2015	March 31, 2016	March 31, 2017
1) Capital adequacy ratio	9.29%	9.11%	9.19%
2) Capital	193.4	198.9	211.5
Subordinated loans	-	-	-
3) Risk assets	2,080.8	2,181.1	2,300.7

<Consolidated>

(¥ billion)

	March 31, 2015	March 31, 2016	March 31, 2017
1) Capital adequacy ratio	9.72%	9.36%	9.42%
2) Capital	204.3	206.9	219.3
Subordinated loans	-	-	-
3) Risk assets	2,101.7	2,209.7	2,327.7

III. Reinforcement of Financial Platform

1. Raising Capital

○ In an effort to promote the regional banks' mission of "regional revitalization," the Bank will further reinforce its financial platform and prepare for loan growth-driven risk asset expansion in order to capture cash needs conducive to regional economic growth and aggressive provision of funds.

Outline of Capital Increase

	Through public offering	Through third-party allotment
Class of stock	Common stock	
Number of shares outstanding	5,000,000 shares	750,000 shares
Capital increase	Half of total amount paid in (Difference from total amount paid in takes the form of capital reserves)	
Payment due date	June 7, 2017	July 4, 2017

Capital raised
Approx.
¥17.3 billion



★ Enhance profitability and productivity for the future

- ◆ Prepare for risk asset expansion
 - Bolster retail loans
 - Diversify securities investments

IV. Management Strategy

1. Outline of the Medium-Term Management Plan (1) 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.

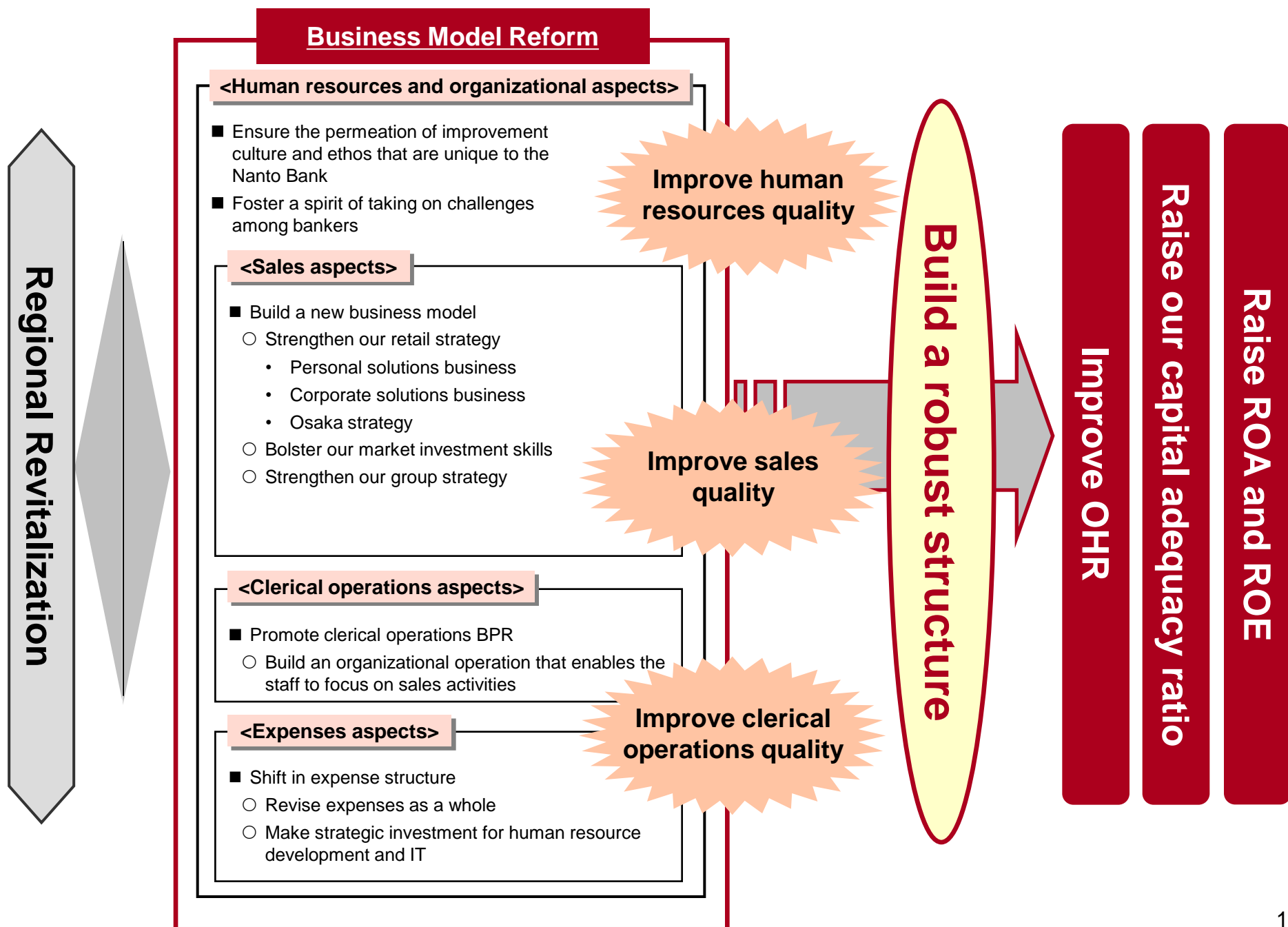
Organization and system

- 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.

It is essential to reform our business model.



Management Vision

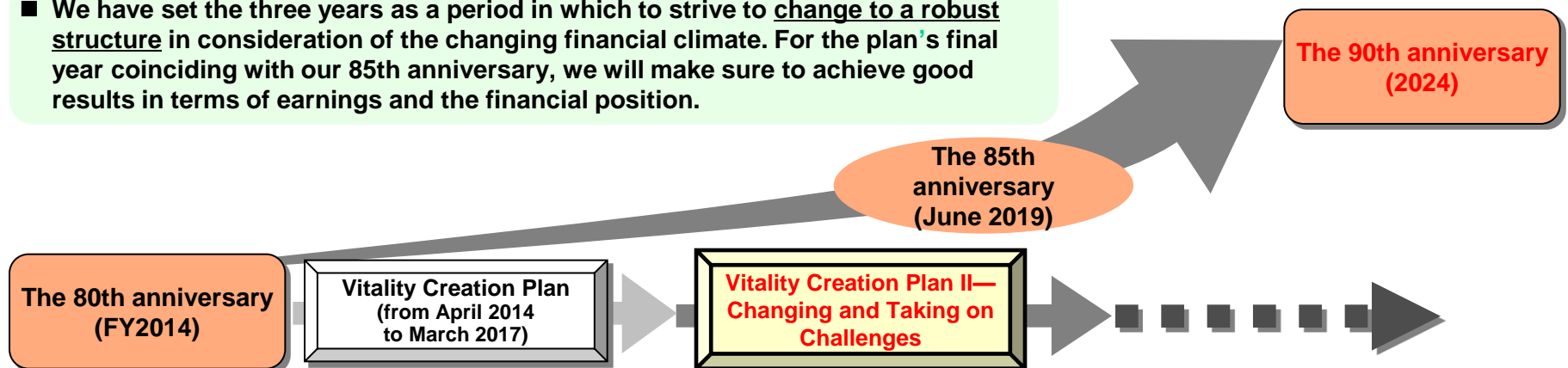
“A Vitality Creating Bank”
(from 2014 to 2024)

- 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 Medium-Term 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.



1. Outline of the Medium-Term Management Plan (4) 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 Medium-Term Management Plan (5) Priority Strategies

Priority Strategies

(Initiatives policy)

(1) Regional Revitalization	Awareness reform	Human resource and organizational strategy	<ul style="list-style-type: none"> ■ Create regional vitality by playing a leading role in local community, people and job areas ■ 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	<ul style="list-style-type: none"> ■ Revise the framework of our branches and sales, bolster points-of-contact with customers, and deliver high-quality services 	
		Retail business strategy	<ul style="list-style-type: none"> ■ Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages 	
		Corporate business strategy	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ Raise the Bank's presence by actively allocating or reallocating our corporate resources, based on branch continuity 	
		Municipality strategy	<ul style="list-style-type: none"> ■ Seek to develop relationships with individual municipalities by delivering financing and consulting functions to them 	
		Market investment strategy	<ul style="list-style-type: none"> ■ Expand profits by diversifying our investment methods while taking risks appropriately 	
		Group strategy	<ul style="list-style-type: none"> ■ Grow consolidated profits through delivering comprehensive financial services by tapping into our Group's capabilities 	
		Clerical operations reform	Clerical operations strategy	<ul style="list-style-type: none"> ■ Fundamentally overhaul the clerical operations of branches and the headquarters, thus transforming the organization into a more efficient one
		Expenses reform	Expenses strategy	<ul style="list-style-type: none"> ■ Revise expenses as a whole to transform our expenses structure
(2) Pursuit of the Four Reforms				
(3) Upgrading of Management and Controls			<ul style="list-style-type: none"> ■ Upgrade our management and controls to firmly support the business model and to obtain even greater trust from customers 	

- ★ The Business Reform Headquarters are to oversee the reform efforts across the organization
- ⇒ Make sure to manage the progress of significant measures and verify their effectiveness

Urgency

Simultaneity

Rigor

- 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

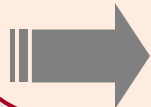
Foster the spirit of taking on challenges among the bankers

Nanto Improvement Committee

- ★ Utilize the consulting services of a leading manufacturer-affiliated vendor and establish an improvement culture and ethos unique to Nanto Bank
- ★ Begin “improvement activities” in advance for all branches, before promptly standardizing the operations established through such activities for all offices/branches

“Improvement activities”: Execution status and plan

	Jul. 2017	1H FY2017	2H FY2017	1H FY2018
Number of activity areas and blocks (cumulative)				
	3 blocks and 27 branches	6 blocks	9 blocks	13 blocks



Detect issues, think and act independently
Pursue a reform of the Bank’s fundamental awareness

Conducting a “Staff Award Program”

- ★ Not only sales staff, but clerical staff (including part-time employees) and headquarters staff are also eligible for the award
 - ⇒ Evaluate employees’ awareness reform-based efforts on sales and clerical work reforms, and encourage them to take on new challenges

Implementing Organizational Change

- ★ Implement name changes by removing the word “Management” from division names, thus defining the system where headquarters support the branches
 - ⇒ Awareness reform by headquarters and branch staff members

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

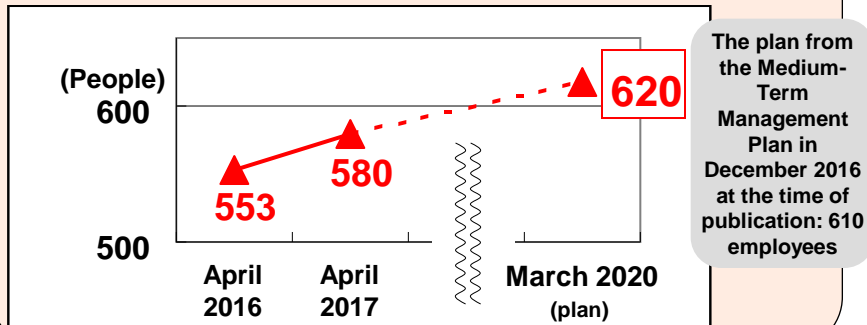
2. Pursuit of the Four Reforms (2) Sales Reform (i) Platform and Market Strategy

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

Bolstering Our Sales Structure

Expanding our sales staff

<Branch sales staff staffing plan>



Enhancing our unit-based sales structure

- ★ Improve specialisms while remaining friendly
 - ★ Deliver high-quality service through challenge-solution sales activities
 - ★ Currently in use in 6 units and 23 branches (About a third of all areas, with the exception of Yoshino-gun, is being considered for implementation)
- ⇒ Further expansion is planned

Rebuilding Our Existing Branch Network

Revising branch formats

★ FY2016 results

Converted one branch into a sub-branch, two branches into in-branch outlets, abolished one branch and revised two other branches
⇒ Reduced the number of staff members by 16

★ FY2017 plan (finalized portion)

Convert one branch into a sub-branch, one branch into an in-branch outlet and revise six other branches
⇒ Reduce the number of staff members by 14

Expanding non-face-to-face channels

Introducing account opening application (March 2017)

Adding functions to our smartphone applications

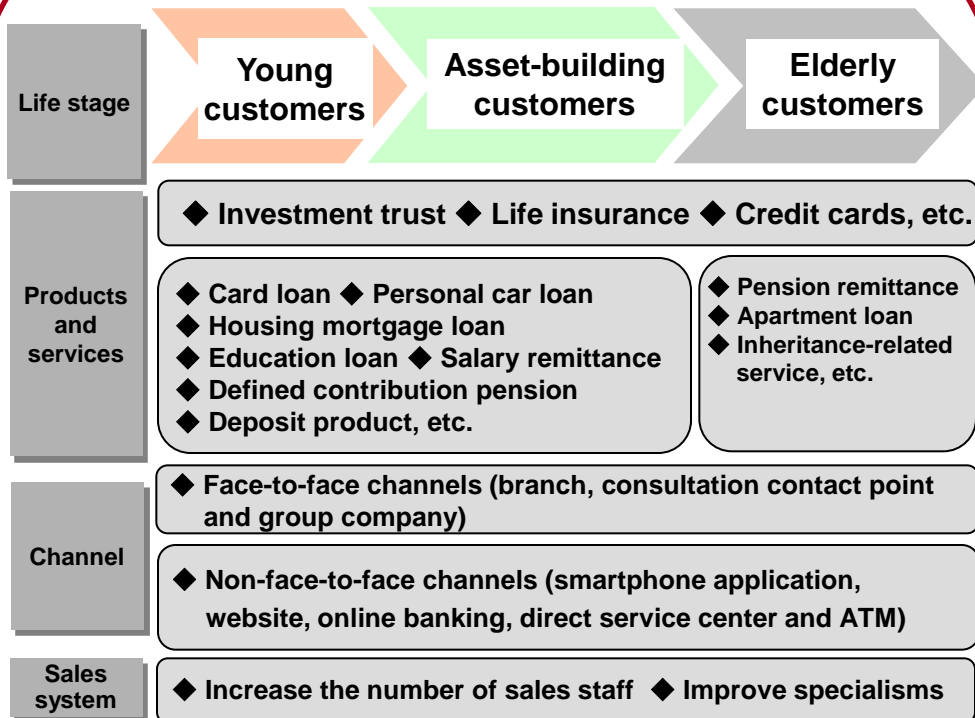
Introducing an online branch (within FY2017)

- ◆ Operate branches according to the market
- ◆ Improve customer convenience
- ◆ Acquire new customer segments

■ 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



<Sales system>

★ Improve specialisms

<Channel>

★ Shift to an omni-channel format

Products and services

- December 2016: Expanded the scope of financial product intermediation services to include all branches
- January 2017: Personal DC pension plan “Nanto DC Personal Plan”
Money loading service for e-money Rakuten Edy
- February 2017: Product revision for Nanto Card Loan “E-PACK”
- March 2017: Female-only medical insurance plan
- April 2017: Trust products (will substitution trust, will trust and inheritance arrangement services)
Group credit cancer life insurance plan (a home loan scheme based on a guarantee by Nanto Credit Guarantee Co., Ltd.)
- May 2017: “Nanto Robinson,” a term-specified investment trust

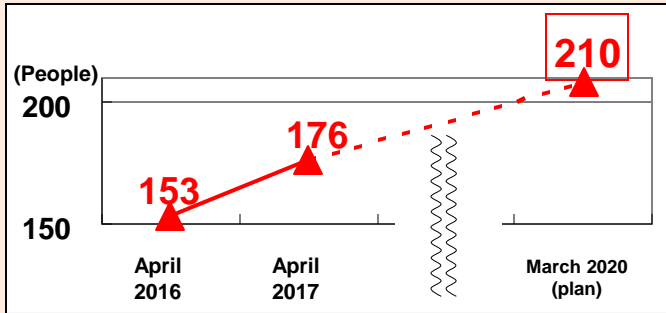
Channel

- January 2017: Online application for life insurance policies
- March 2017: Account-opening application
Processing of online applications for Nanto Cotoca, a type of credit card that doubles as a smart bank card

Bolster Securities Business and Inheritance Business

Increasing the number of sales staff for retail customers

<Retail sales staff staffing plan>

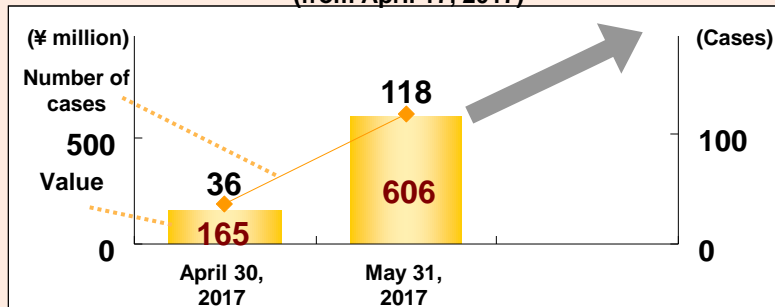


Launched a “trust service” (April 2017)

The first for Kinki regional banks

- ★ Obtained approval for a trust service in addition to banking services (December 2016)
- ★ The service was launched offering will substitution trusts, will trusts and inheritance arrangements

<Cumulative results of will substitution trusts> (from April 17, 2017)



Introduced the Money Advisor (MA) scheme and increased staffing

- ★ Introduce additional counter staff dedicated to asset investment consultation
62 persons (November 2016) → 71 persons (April 2017)

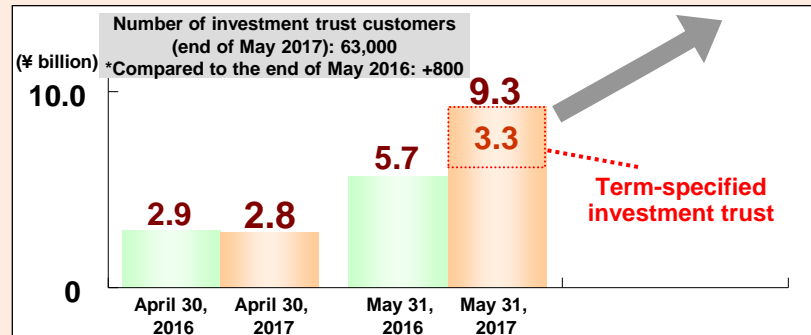
Expanded the scope of financial product intermediation services to include all branches (December 2016)

Established the “Private Banking Department” (March 2017)

Launched “Nanto Robinson,” a term-specified investment trust (May 2017)

- ★ Mitigate investment risk with spaced out purchases
- ★ Choose terms from one year, two years, three years, or a flexible term (from at least one year and in monthly increments)
- ★ Shift from a flow-centric service to an accumulation-centric service

<Investment trust fund sales results (cumulative fiscal year results)>

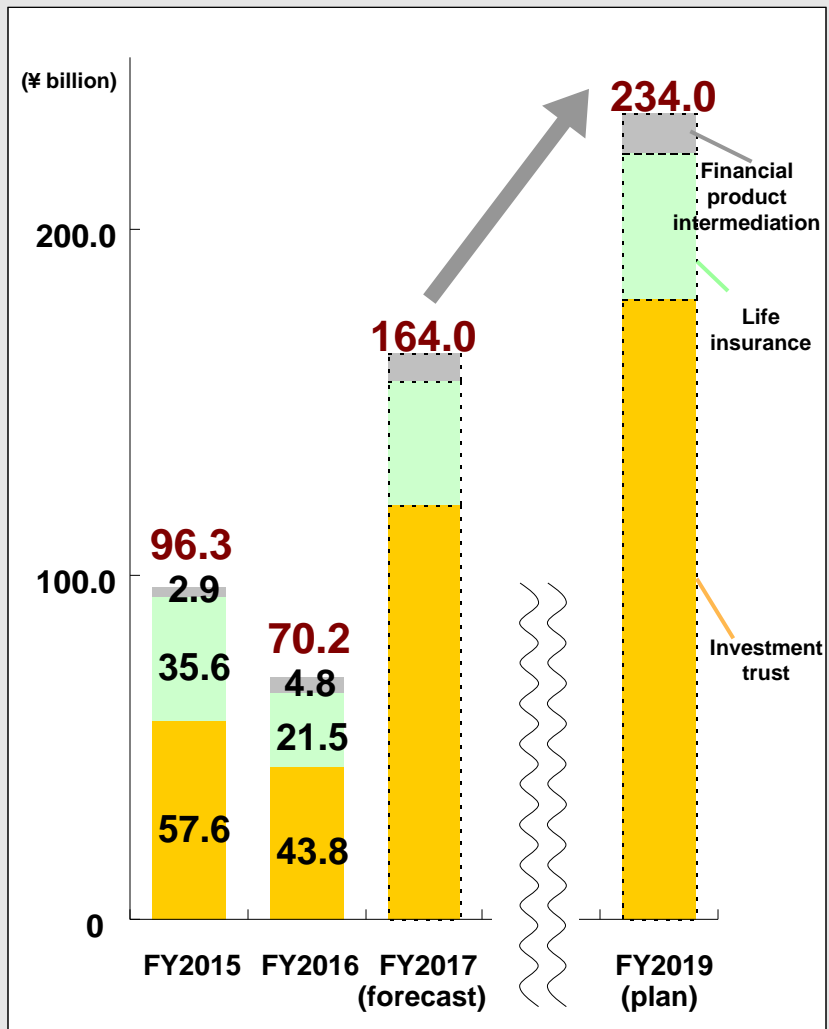


*Sales results for term-specified investment trusts (from May 22, 2017) were calculated as a cumulative accumulation value for the agreement term

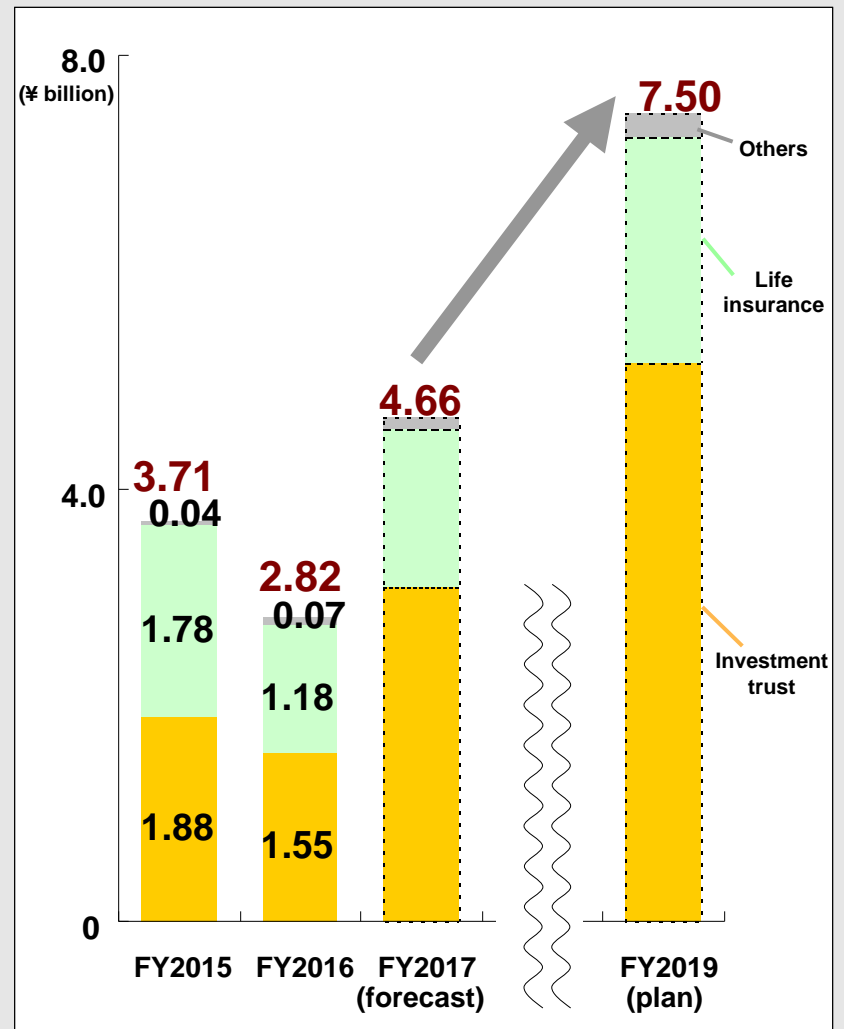
**Abundant retail customer market
⇒ Greater fees and commissions**

Numerical Results and Plans Related to Assets under Management

<Sales results and plans>



<Actual and planned profits>



* Others: Financial product intermediation and trust services, etc.

Bolster Consumer Loans

Advance purpose-specific loan products

- ★ Offer female-only loan schemes (August 2016)
- ★ Hold a promotional campaign for purpose-specific loans (July 2017)

Continue to utilize direct channels

- ★ Expand the scope of direct service center operations (loan service concentration)
- ★ Step up online advertising and promotion-call services

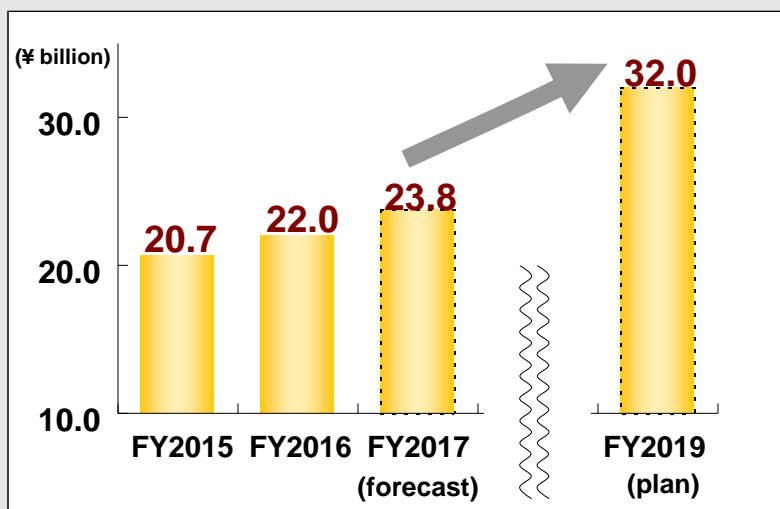
Bolster Housing Mortgage Loans

Step up promotion via L Plaza, a specialized department

- ★ 12 outposts staffed by 65 staff (March 31, 2017)
- ★ 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 condominium housing sales projects, etc.

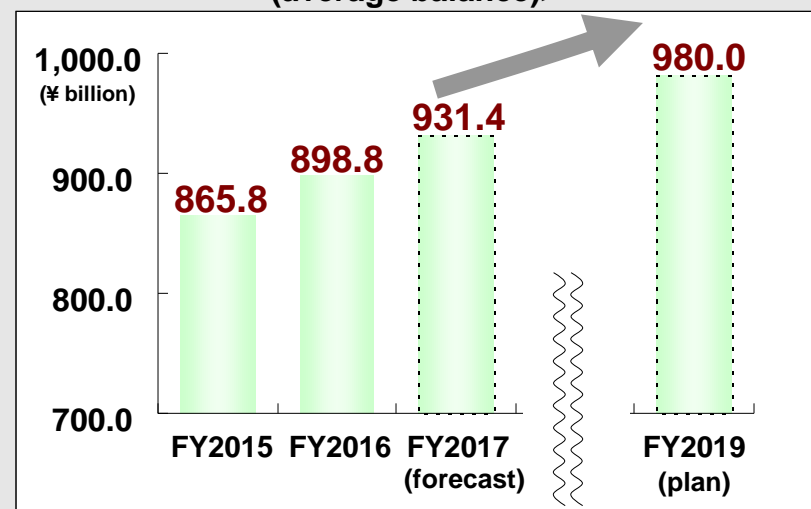
Launch group credit cancer life insurance plans (April 2017)

<Consumer loans balance plan (average balance)>



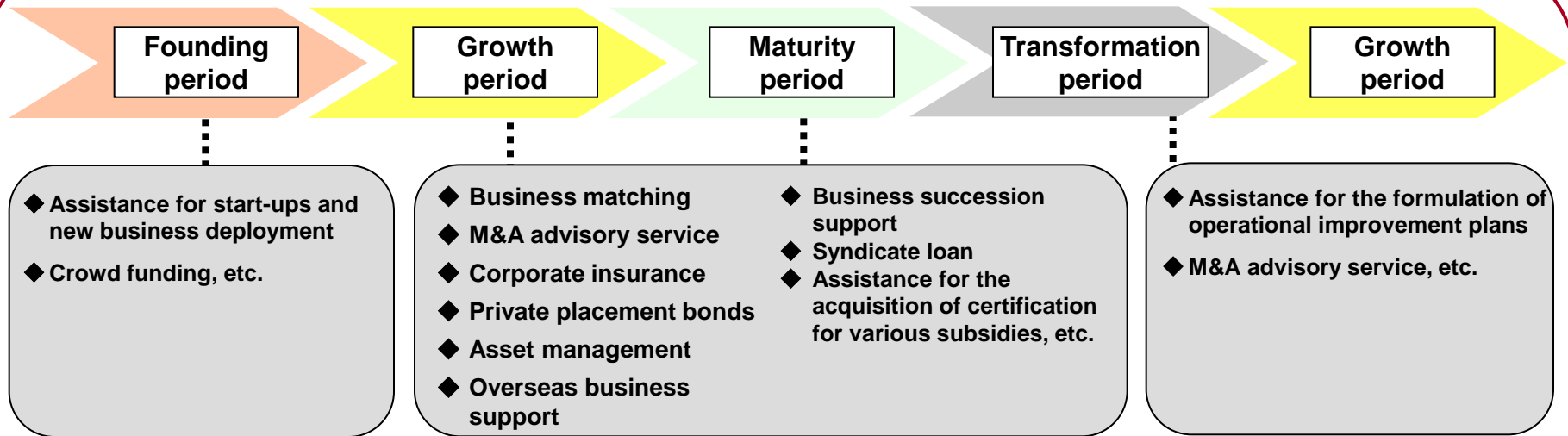
* Balance of card loans as of the end of March 2017 (period-end balance): ¥13.5 billion

<Housing mortgage loans balance plan (average balance)>



- 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



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

- ◆ Bolster activities for the Bank to expand the sales of companies having the top annual sales in Nara Prefecture
 - Collaboration between the headquarters and branches

Assist Company and New Business Creation

Business Plan Commercialization Assistance Project: “Nanto Success Road”

- ★ Seek business plans that will contribute to the local economy and community
- ⇒ Provide prize money and commercialization assistance for chosen business plans
- ★ In FY2016 (the third round for the project), nine plans were chosen, with a total of 25 plans
- ⇒ 11 plans have been commercialized

“Nanto Commercialization Assistance Fund 80”

- ★ A loan program for creating companies and new businesses
- ★ Business plans received: 32 plans
- Total loans provided: 23 loans worth ¥383 million (as of May 31, 2017)

◆ Establishing a fund to further bolster assistance

(i) Established the “Nanto CVC Investment Limited Partnership” (June 2017)

This partnership assists, beyond our operational boundaries, core enterprises that will contribute to the economic, industrial and regional revitalization of the entire country in the future

→ Assist customers in our sales-target area in collaboration with investee companies

(ii) Discover and support companies that would potentially become core enterprises in our sales-target area (to be launched in the first half of FY2017)

Initiatives to Provide Other Solutions

Nanto Vitality Creation Support Fund

- ★ Assist and develop local companies through loans based on business viability assessments
- ★ Total loans provided: 286 loans worth ¥5.4 billion (from October 2015 to the end of May 2017)
(FY2015: 57 loans worth ¥1.1 billion / FY2016: 210 loans worth ¥3.9 billion)
Average interest rate contracted: 2.57%

Bolster business support for Mexico (September 2016)

- ★ A business collaboration scheme using the framework set by the Japan Bank for International Cooperation

Form the “Investment Limited Partnership for TM Japan Renewable Energy Fund 2017” (January 2017)

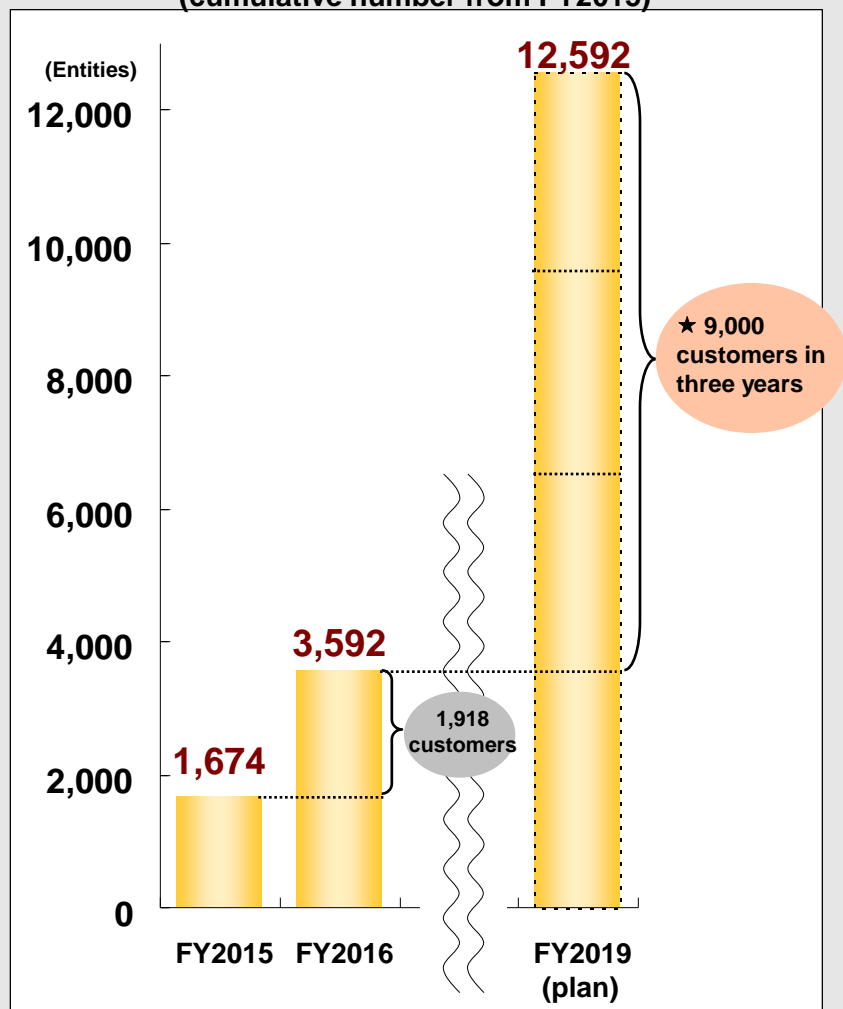
- ★ Joint capital contribution by four regional banks (fund size: ¥4.0 billion)
- ★ Promote investments in infrastructure, such as renewable energy sources, and utilize regional resources effectively

Usage of the “Nanto 6th Industrialization Support Fund”

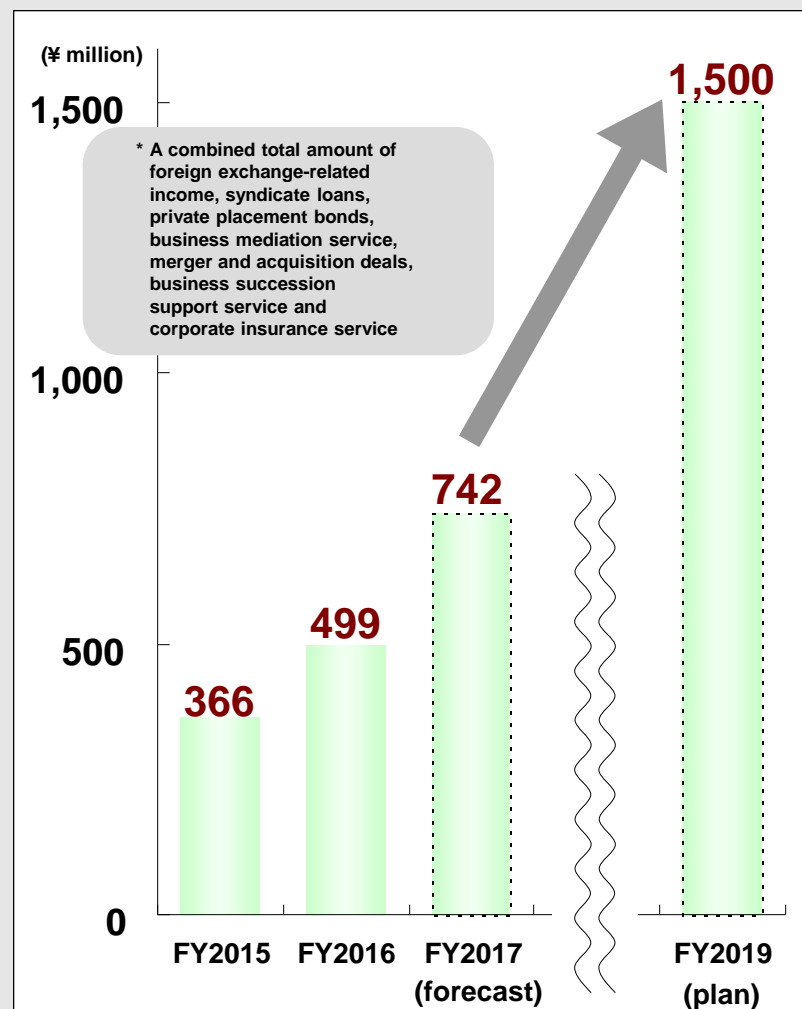
- ★ Determine the entities for the first capital investment (February 2017)

Corporate Numerical Results and Plans

<Actual and planned number of newly-acquired retail business customers>
(cumulative number from FY2015)



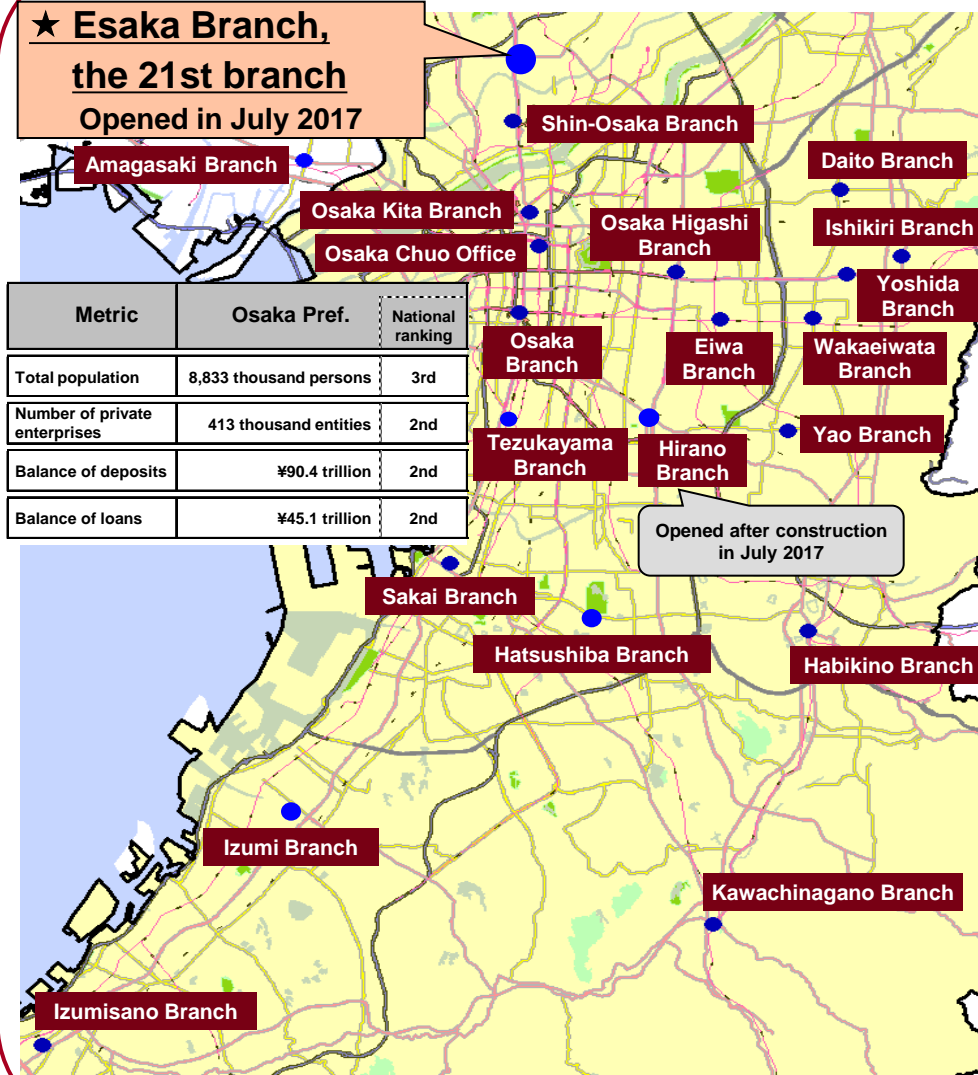
<Actual and planned profits for the corporate solutions business>



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

Branch Deployment

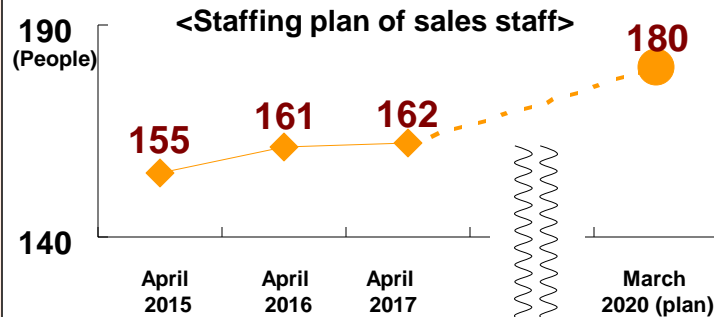
★ **Esaka Branch, the 21st branch**
Opened in July 2017



Osaka Staffing Plan

Reallocate corporate resources appropriately

★ Expand and reallocate staff according to the market



Bolster the Osaka Regional Headquarters' Functions

Share information by consolidating corporate information

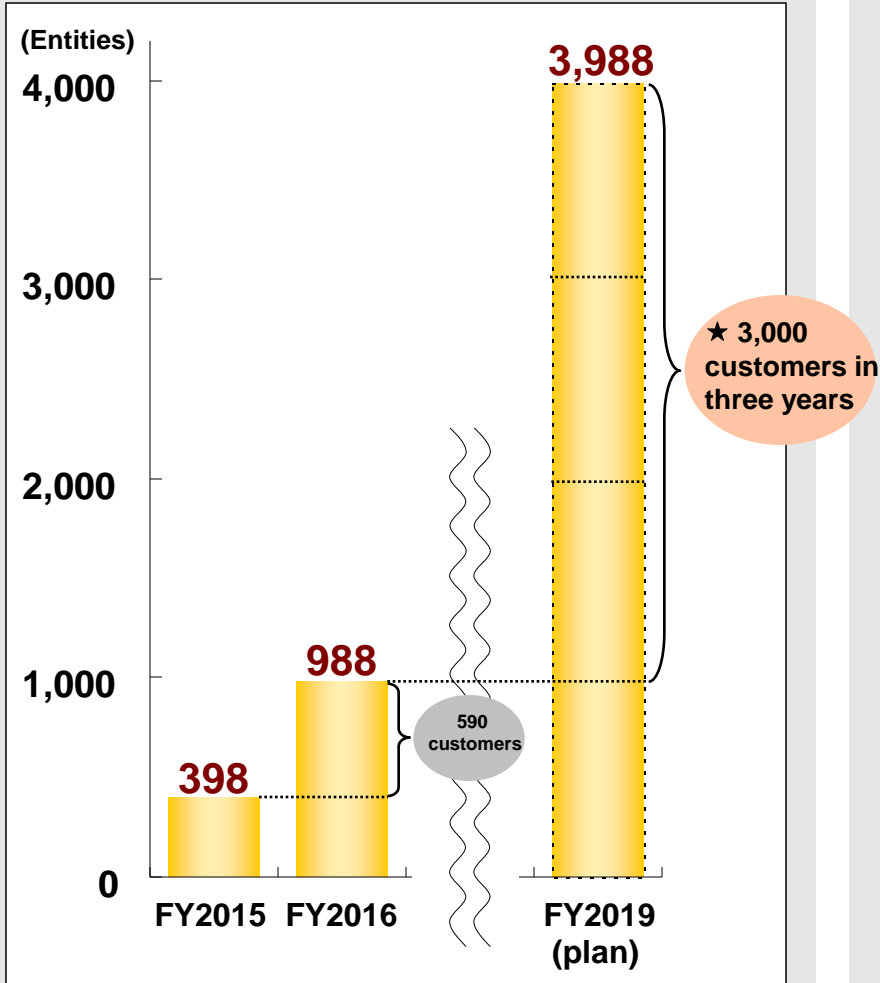
Bolster retail customer sales strategy that caters to regional characteristics

Bolster and develop the sales business capacity

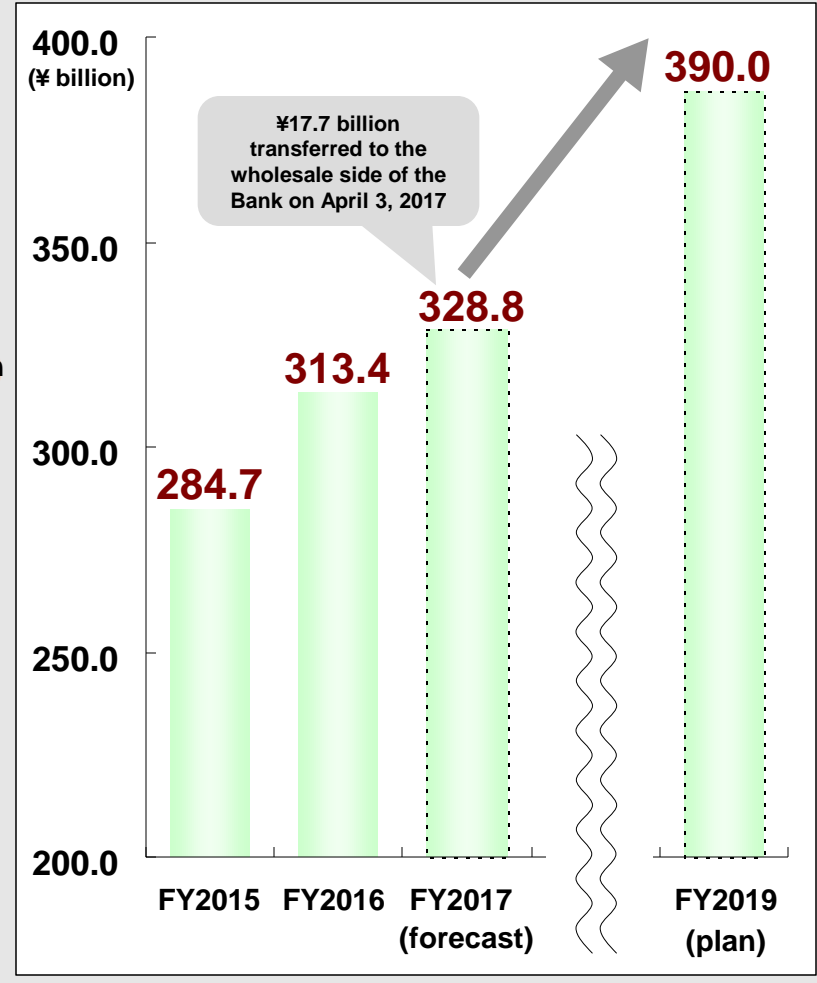
Upgrade and expand our corporate and retail transaction platform

Numerical Targets in Osaka Area

<Actual and planned number of newly-acquired retail business customers> (cumulative number from FY2015)



<Actual and planned balance of retail business loans (average balance)>



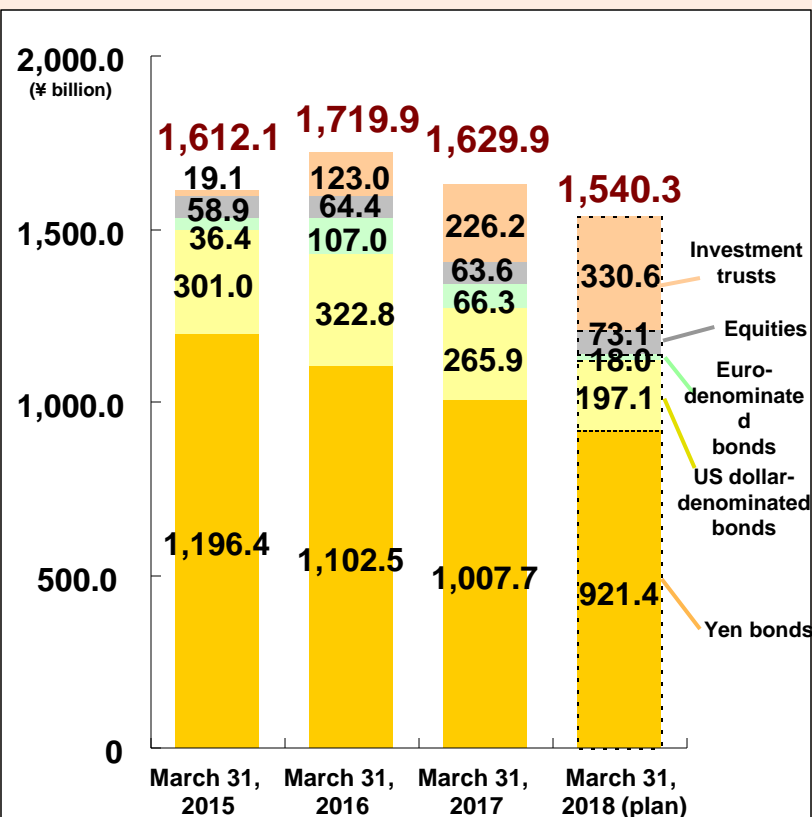
2. Pursuit of the Four Reforms (2) Sales Reform (v) Market Investment Strategy

■ Expand profits by diversifying our investment methods while taking risks appropriately

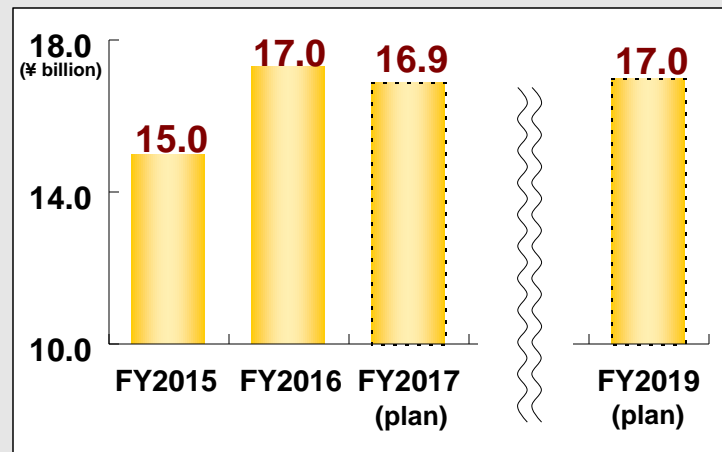
Investment Policy for FY2017

- ★ “Portfolio rebalancing” and “diversification and sophistication of investment techniques”
- Reduce the balance of foreign bonds in consideration of outlier regulations
- Flexibly manage portfolios with potentially rising interest rates in mind (buy and sell)

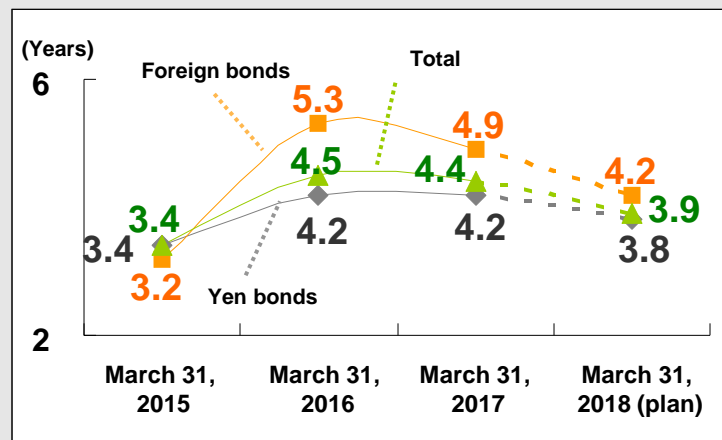
<Balance of securities>



<Target for market-sector core gross business profit>



<Bond duration>

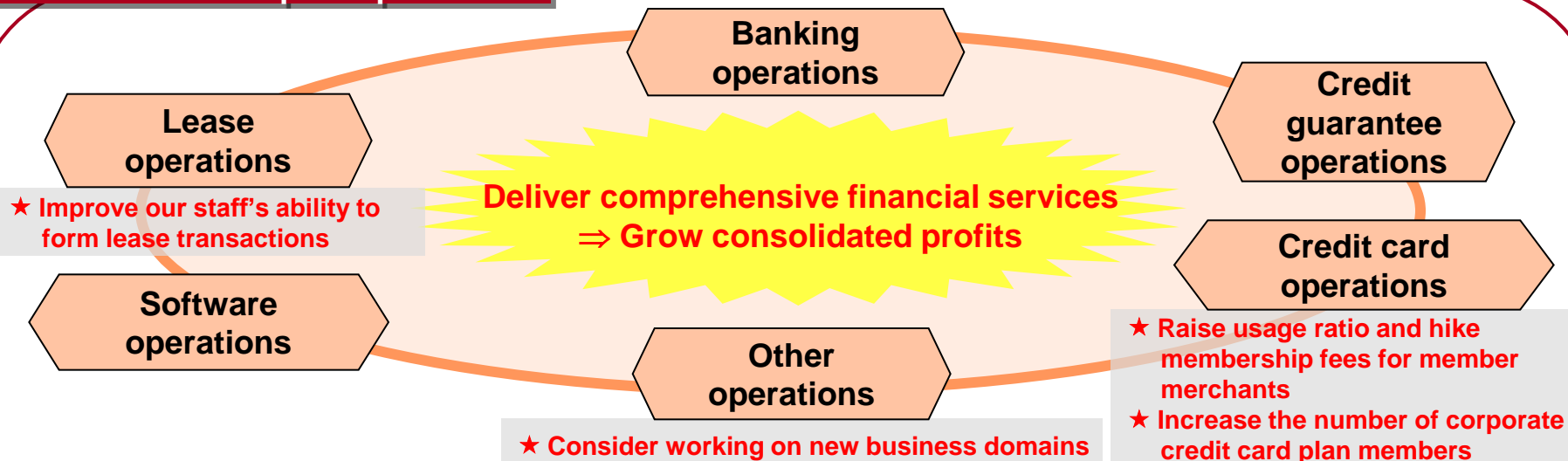


<Sell policy investment-based shareholdings>
Reduce the balance continually each fiscal year

2. Pursuit of the Four Reforms (2) Sales Reform (vi) Group Strategy

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

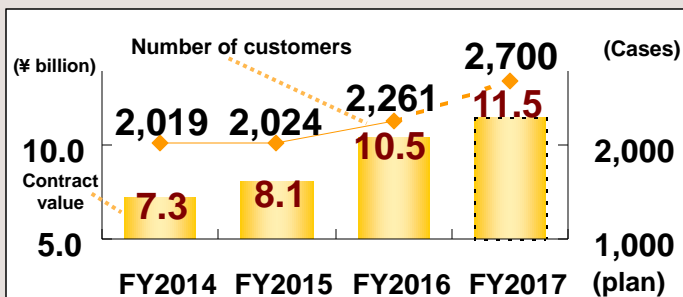
Bolster Our Group's Capabilities



Increase in capital adequacy of Nanto Lease Co., Ltd.

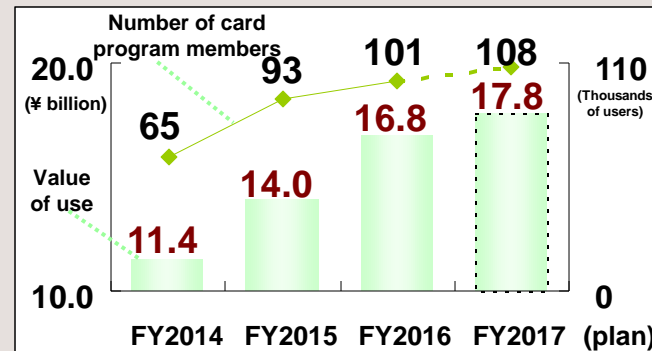
- ★ Value for the increase in capital adequacy: ¥1.0 billion
=> All of which was contributed by the Bank

<Nanto Lease contract value>



Results of Nanto Card Services Co., Ltd.

<Value of Nanto Service Cards used>



■ 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

Abolition, simplification, machine usage, labor saving and concentration

Branches

Reduce clerical workload by 30%

- ★ Consolidate back office clerical operations into the headquarters
- ★ Revise authority and procedures
- ★ Eliminate pointless administrative duties and reduce inefficient administrative duties

Establish next-generation branches

- ★ Consider using tablets and increase the number of seal-free procedures

Headquarters

Activities of operations support team

- ★ Currently, back office duties are consolidated at 11 branches
⇒ Achieve standardization and consolidation at all branches by the end of FY2017

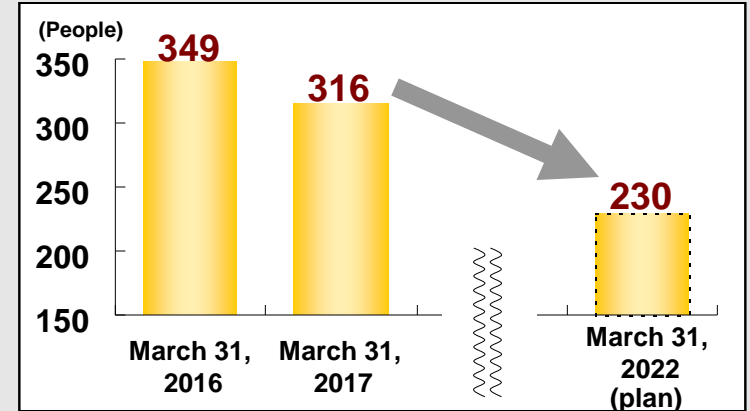
Conducted an organizational realignment program (April 2017)

- ★ Established a “Branch Strategy Group” in “Sales Support” and an “Administrative Operations Innovation Group” in “Administrative Operations Support” ⇒ Build a structure to vigorously push forward with administrative BPR and IT shift

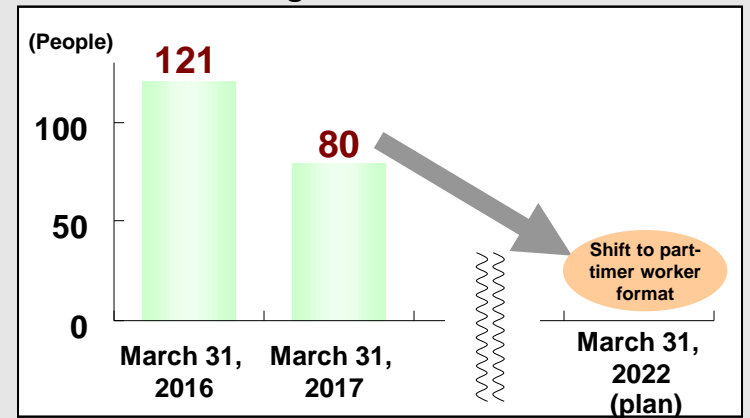
Consider introducing RPA

Become a more efficient organization
⇒ Improve productivity

<Number of clerical operations staff at branches>



<Number of “High Counter” Staff Members>



Total number of employees **2,669** **2,608** **2,300**

2. Pursuit of the Four Reforms (4) Expenses Reform (i) Expenses Strategy

■ Revise expenses as a whole to transform our expenses structure

Transform Our Expenses Structure

Allocate personnel expenses effectively

- ★ Revisions to the personnel affairs and pension systems are now under consideration

Invest strategically in IT and FinTech

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

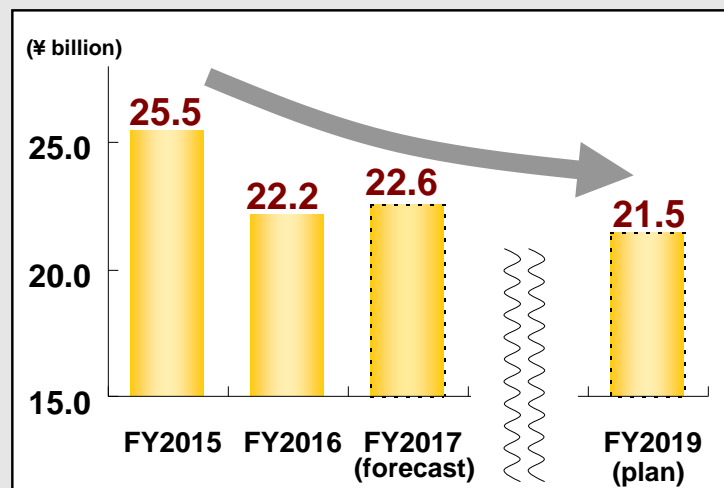
Invest on human resource development

- ★ Make investments toward fostering specialists and improving skills

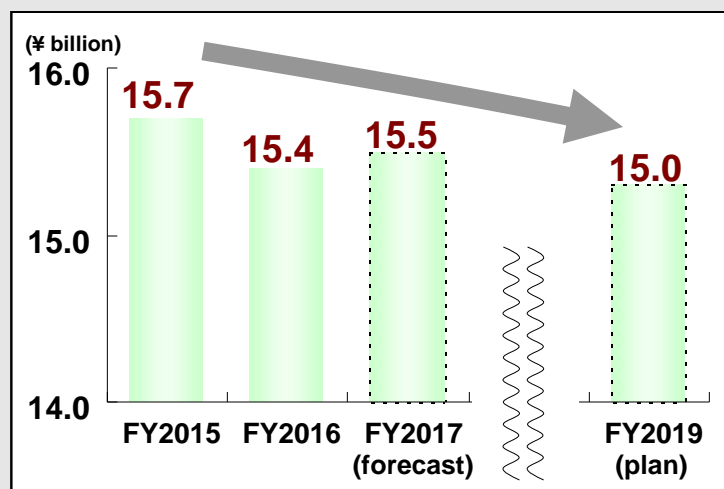
Reduce non-personnel expenses

- ★ Continue to rigorously lower non-personnel expenses
- Make sure that employees change their awareness about expenses by imposing rules on spending
- Headquarters should lead expense saving
 - ⇒ Introduce new power suppliers and reduce internal network cost

<Personnel expenses plan>



<Non-personnel expenses plan>



3. Regional Revitalization (1) Creation of Regional Vitality

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

Regional Revitalization Initiative

Conclude a collaboration agreement with municipalities

* Results: conclusion with the Nara Prefecture and 18 local municipalities in the prefecture

Get involved in the Japanese government's Regional Comprehensive Strategy in an aggressive and proactive manner

- ★ Analyze the current state and conditions of the region by using the Regional Economy Society Analyzing System (RESAS)
- ★ Provide hands-on assistance in collaboration with the Kinki Bureau of Economy, Trade and Industry
- ★ Use the regional economy recycling and creation project subsidy (Regional Round Table)

Community building

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

Creation of regional vitality

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.

3. Regional Revitalization (2) Tourism Promotion and Local Industry Assistance

Tourism Promotion

Utilize tourism revitalization fund

- ★ Developed the accommodation and tour environment, tapping into local resources
 - ⇒ Carried out investment project 2 (¥20 million, March 2017)
- * A business to run the first-ever microbrewery and restaurant in Nara City

Stimulate tours and excursions

- ★ Developed a bus tour in collaboration with a major travel agency
 - ⇒ The second tour was conducted from April to June 2017 (in the Yoshino area, etc.)

Promote the utilization of traditional houses

- ★ “The Nanto Using Traditional Houses for Business Loan”
Launched “the Nanto Using Traditional Houses for Business Loan in Naramachi” (starting from September 2016)
 - ⇒ Business funds to utilize traditional houses, which have high historic value
- ★ Conducted a tour of vacant houses and traditional houses in the area around the town of Nara (March 2017)
 - ⇒ A matching program for “owners of traditional houses” and “business operators” in collaboration with the Nara City Government (participated by 28 professionals from 19 business operators)

The tourism website, run by the Bank, was completely rebuilt (July 2016)

Hold “Seminars to Create Tourism” (September 2016, January 2017)

- ★ Conducted recently by the joint sponsorship of the Nara Prefectural Government and with assistance from the Kinki Local Finance Bureau (July 2017)

Revitalization of Forestry Business

Collaborate with forestry and timber business associations

Encourage and publicize the use of Nara-made forest products

- ★ Engaged in public relations activities at business matching fair events
- ★ (January 2017) It promoted the forestry industry by featuring the JW Marriot Hotel Nara (to be opened in spring 2020)
 - * Promoted the use of Nara-made lumber for interiors

Bolster our seminar and training programs

- ★ Launched a training program designed to revitalize the forestry and timber industry (January 2017)

Assistance in Pharmaceutical and Herbal Medicine Sectors

Collaborate with Nara Prefecture and associations

- ★ Organized an opinion exchange meeting with the Nara Prefecture Pharmaceutical Association (August 2016)
 - ⇒ Began to provide Nara-based pharmaceutical companies with non-principal repayment loans for up to three years, usable for capital spending (February 2017)
- ★ 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

4. 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 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
 - Began efforts to obtain FIRB approval in July 2016

Bolster internal auditing framework

- ★ Appointed a director solely in charge of the Audit Division (June 2017)
- ★ Turned the Audit Division into a unit directly reporting to the Board of Directors (April 2017)

Practice fiduciary duty

- ★ Aggressively practice fiduciary duties in order to gain greater confidence from customers (announced in July 2017)

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

V. Business Forecasts for FY2017

1. Summary of Profit and Loss, Shareholder Returns

Business Forecasts for FY2017 (Released on May 12, 2017)

(¥ billion)		FY2016 results	FY2017 forecasts		Compared to the Medium-Term Management Plan	
			Y/Y change			
1	Core net business profit	13.7	13.5	-0.2	+0.4	
2	Interest income	49.6	48.0	-1.6		
3		Interest on loans	32.4	30.7	-1.6	
4		Interest on securities	20.3	20.7	+0.3	
5		Financing cost	3.7	4.0	+0.2	
6	Fees and commissions	5.3	7.2	+1.8		
7	Expenses	40.1	40.5	+0.3		
8	Net business profit	14.7	15.0	+0.2		
9	Ordinary income	16.0	14.5	-1.5	+0.4	
10	Net income	12.1	10.5	-1.5	+0.5	
11	Credit cost (*)	2.9	1.4	-1.5		

* (Net transfer to general provision for possible loan losses + Disposal of non-performing loans)
 - (Bad debt recovered)

Shareholder Returns

			FY2015	FY2016	FY2017 (forecast)
(1)	Consolidated net income	¥ billion	12.1	12.5	(10.7)
(2)	Dividend per share	¥	*1 70	70	(70)
(3)	Total dividends	¥ billion	1.8	1.8	*2 (1.8)
(4)	Payout ratio ((3) / (1))	%	15.4%	15.0%	*2 (17.5%)
(5)	Amount of treasury stock acquired	¥ billion	0.00	0.01	—
(6)	Total ratio of return ((3) + (5)) / (1))	%	15.5%	15.1%	—

*1 Adjusted to post stock-merger standard

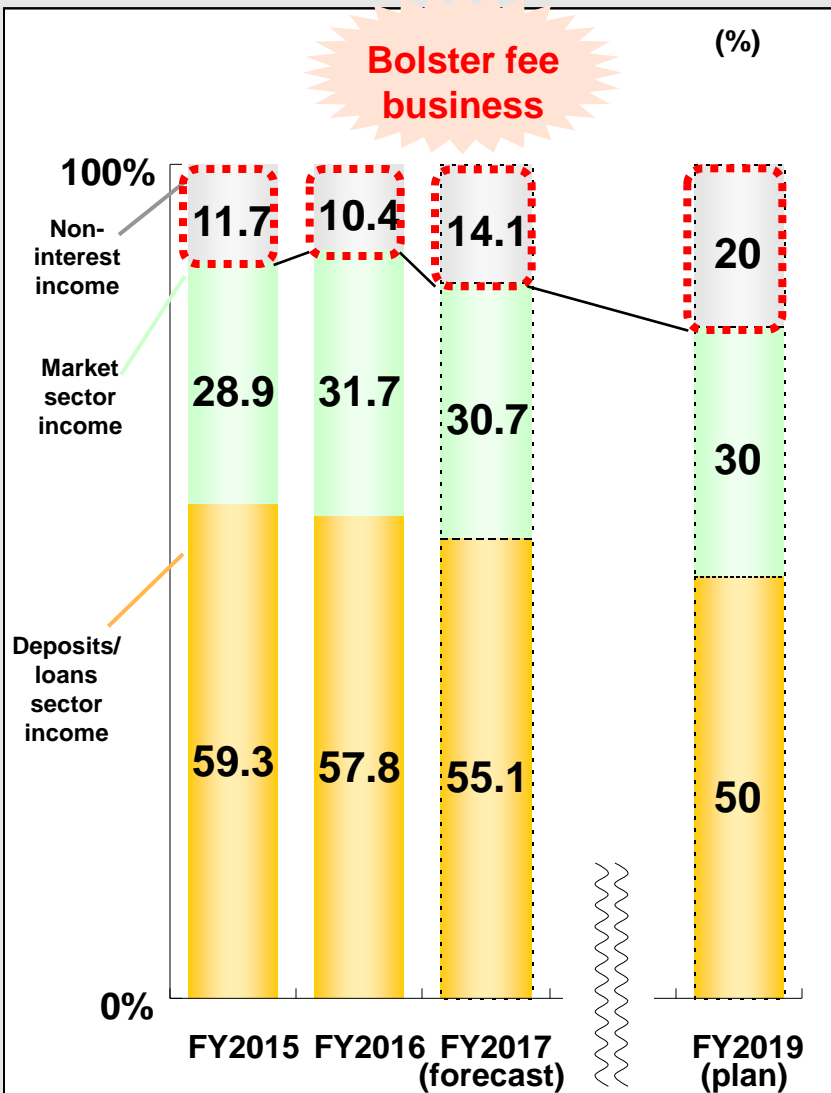
*2 Does not factor in the capital increase

Promote Dialogue with Shareholders

- ★ Individual shareholders
 - ⇒ Planning to hold a shareholders forum in September 2017 (the second of its kind following the one from 2016)
- ★ Institutional investors
 - ⇒ Improve information meetings (twice a year) and individual investor relations

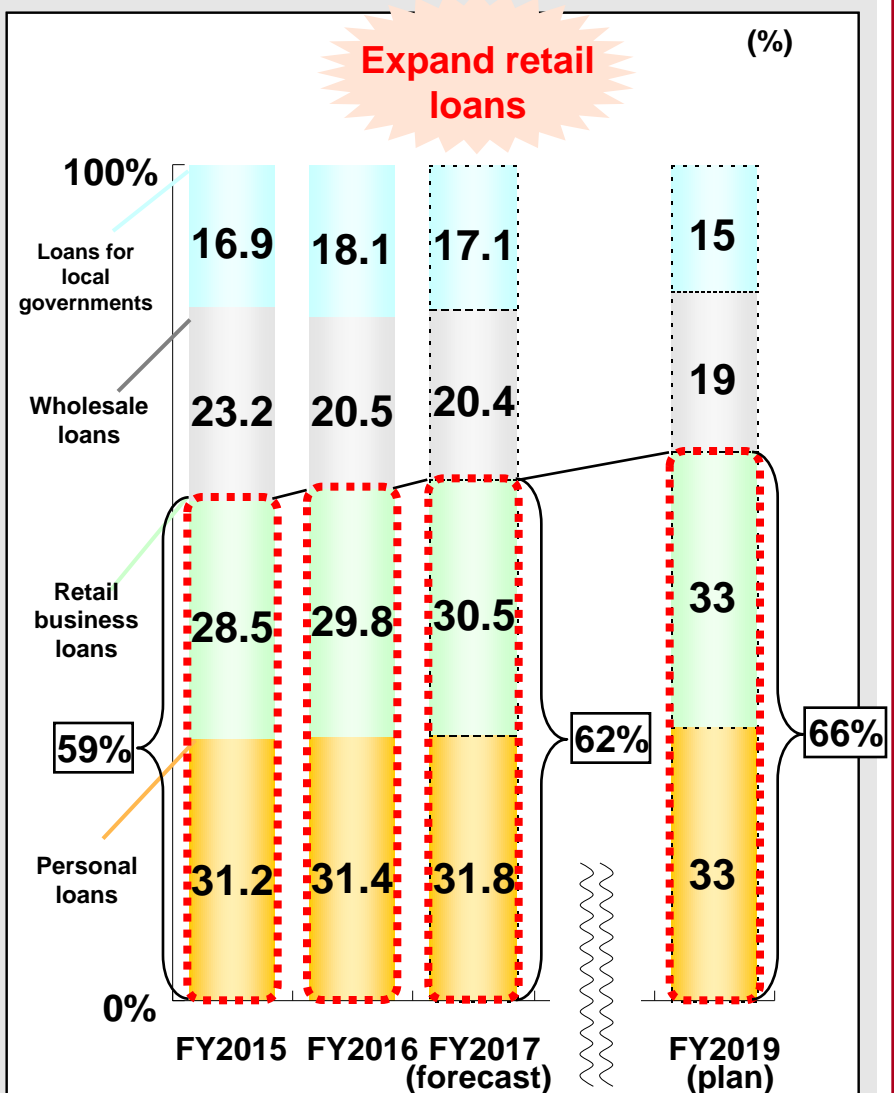
2. Transforming Our Earnings Structure and Loans Portfolio

Earnings Structure (Core Gross Business Profit Basis)



* Non-interest income = Fees and commissions + Other operating income (excluding gains/losses on bonds (JGBs, etc.))

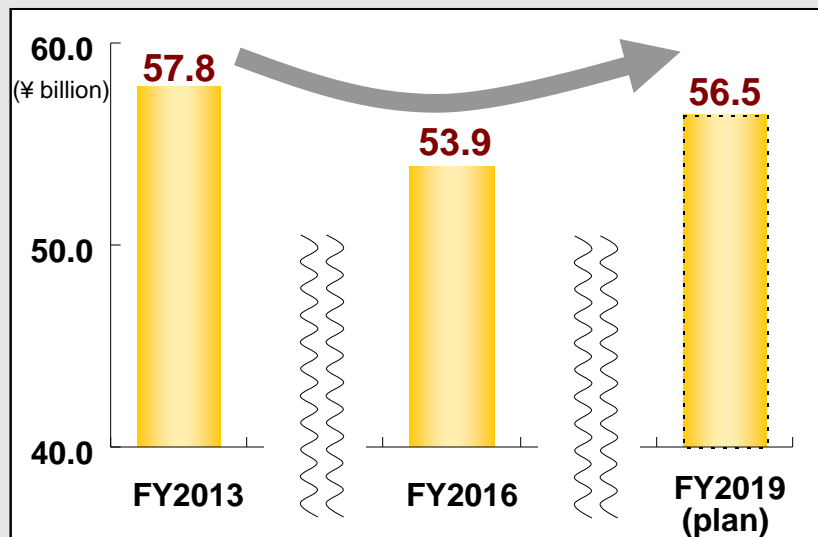
Loans Portfolio



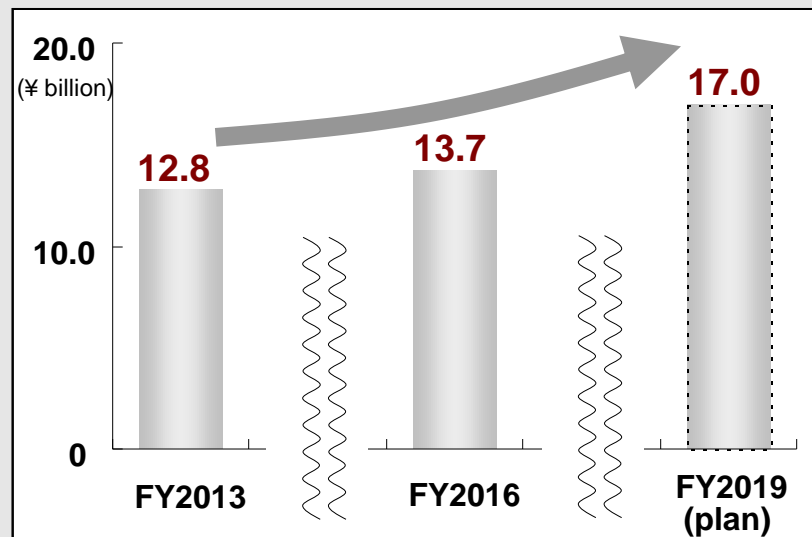
3. Profit and Loss Plan of the Medium-Term Management Plan

Profit and Loss Plan

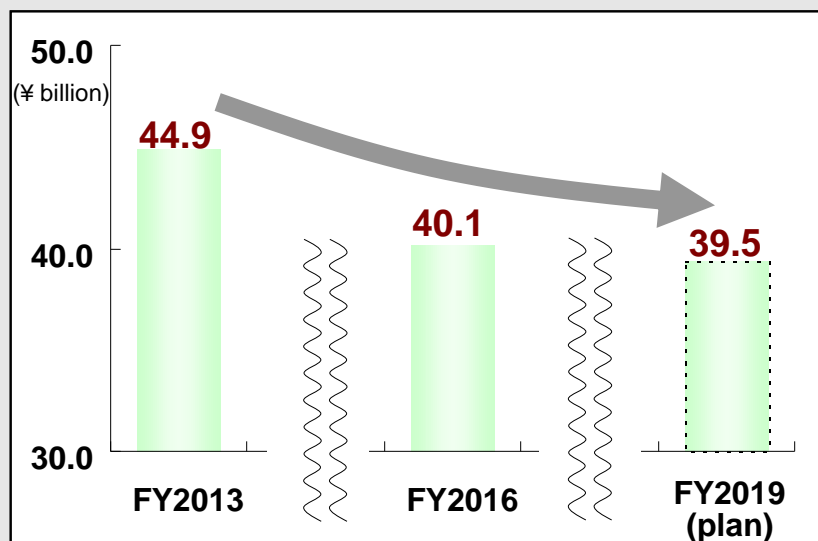
<Core gross business profit>



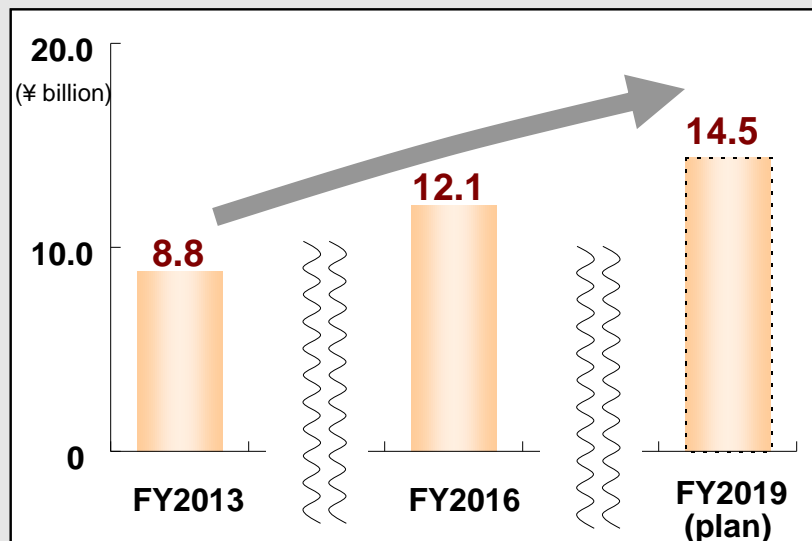
<Core net business profit>



<Expenses>



<Net income>



4. Target Metrics

Target Metrics

	FY2016 result	FY2017 forecast *	Compared to the Medium-Term Management Plan
OHR	74.45%	74.88%	-0.77%
Non-interest income ratio	10.40%	14.10%	+0.12%
Capital adequacy ratio	9.19%	9.00%	-0.04%
ROA	0.24%	0.23%	+0.00%
ROE	4.88%	4.21%	+0.35%

FY2019 target

Less than 70%

At least 20%

Approx. 10%

At least 0.3%

At least 5%

* Does not factor in the capital increase

* 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

**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:]

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Nanto Bank is a supporter of the Yoshino Heart Project and the Kizukai Drive.