

Information Meeting

May 31, 2019

The NANTO BANK, LTD.

Takashi Hashimoto, President

(as of March 31, 2019)

1. Founded	June 1, 1934
2. Location of head office	16 Hashimoto-cho, Nara City
3. Capital	¥37,924 million
4. Number of employees	2,551
5. Number of offices	140 (Nara Pref. 92, Osaka Pref., etc. 21, Kyoto Pref. 15, Wakayama Pref. 8, Mie Pref. 3, Tokyo 1) 2 (representative offices in Hong Kong and Shanghai)
6. Total assets	¥5,782.2 billion
7. Deposits outstanding	¥4,939.1 billion
8. Outstanding loans	¥3,405.2 billion
9. Capital adequacy ratio	Non-consolidated: 9.40% Consolidated: 9.75%
10. Market share in Nara Prefecture	Loans: 49.6% Deposits: 49.2%

* The share of loans is shown after deducting an amount of partly direct write-offs.

* Total number of ordinary banks, trust banks and Shinkin banks in Nara Prefecture (excluding agricultural cooperatives and Japan Post Bank)



(Head Office)

We would like to convey the following items today.

I. Progress of Medium-Term Management Plan
Pages 2 to 3

II. “Recognition of Issues” Based on Efforts in the Previous Term
Pages 4 to 11

III. Action Items for This Term
Pages 12 to 19

IV. Business Forecasts and Dividends
Pages 20 to 21

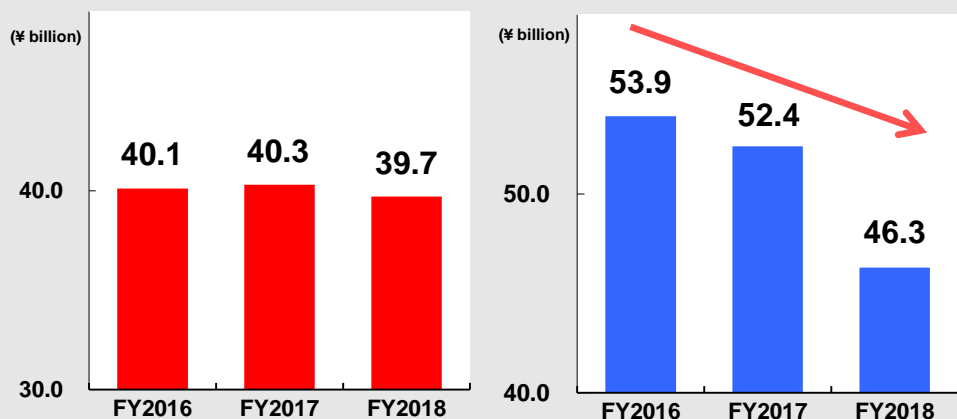
I. Progress of Medium-Term Management Plan

◆ The biggest factor responsible for the unfavorable progress of key target metrics is that “an index of sales is below the target.”

	FY2016	FY2017		FY2018		<i>FY2019 target</i>
	Full year	Full year	Y/Y change	Full year	Y/Y change	
OHR	74.45%	77.03%	+2.58%	85.70%	+8.66%	Less than 70%
Non-interest income ratio	10.40%	10.83%	+0.43%	13.85%	+3.01%	20% level
Capital adequacy ratio	9.19%	9.64%	+0.45%	9.40%	-0.23%	Approx. 10%
ROA	0.24%	0.20%	-0.03%	0.11%	-0.09%	At least 0.3%
ROE	4.88%	4.90%	+0.01%	4.01%	-0.88%	At least 5%

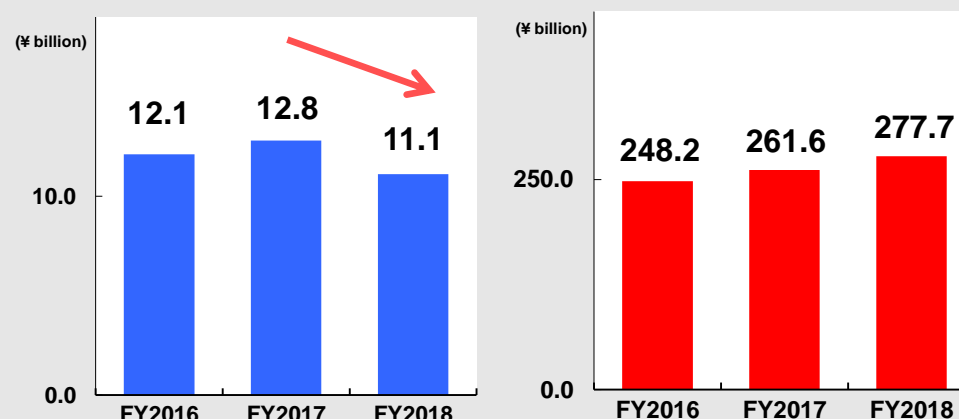
OHR

◆ OHR = Expenses / Core gross business profit
 <Expenses> <Core gross business profit>



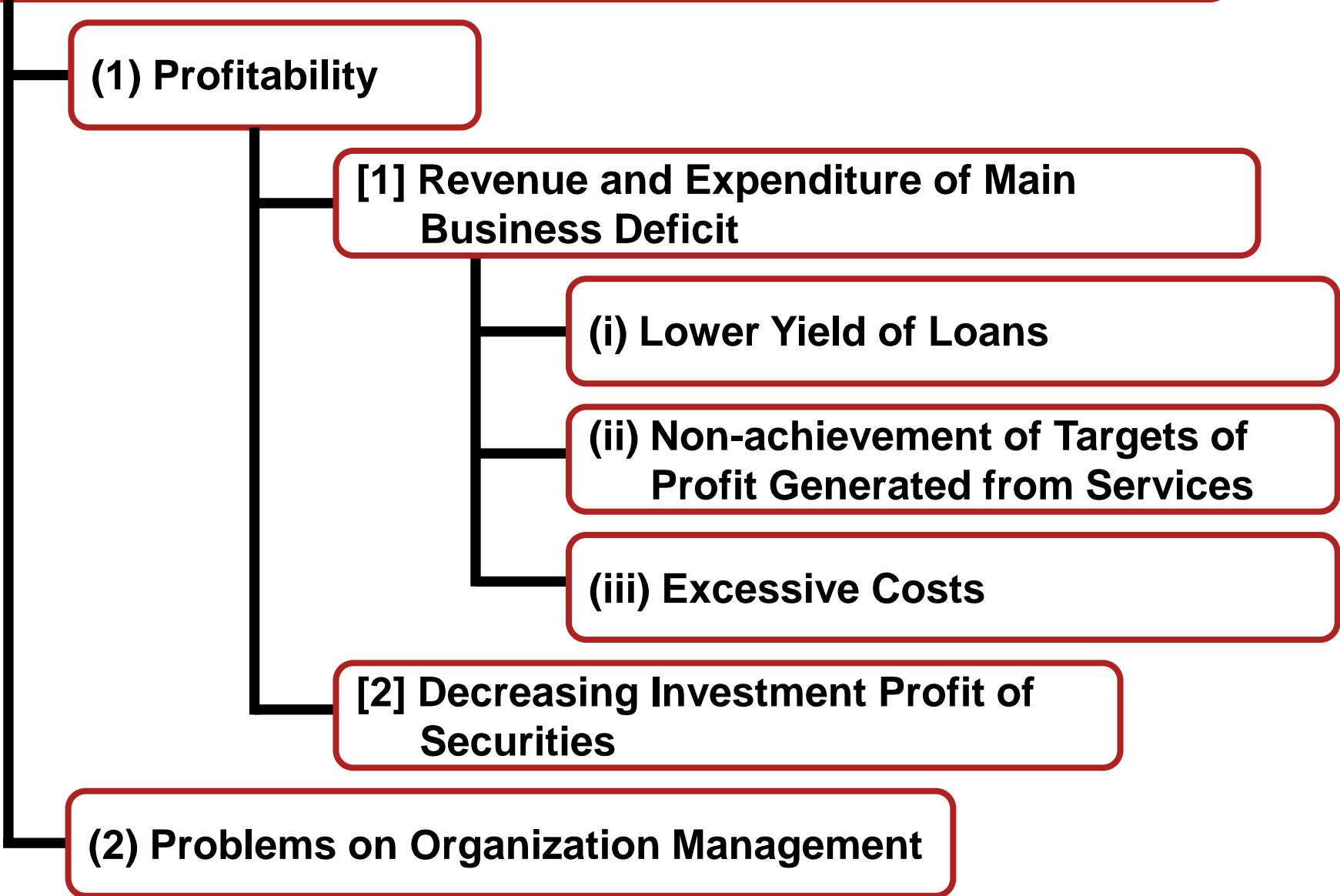
ROE

◆ ROE = Net income / Net assets
 <Net income> <Net assets> (average balance)



II. “Recognition of Issues” Based on Efforts in the Previous Term

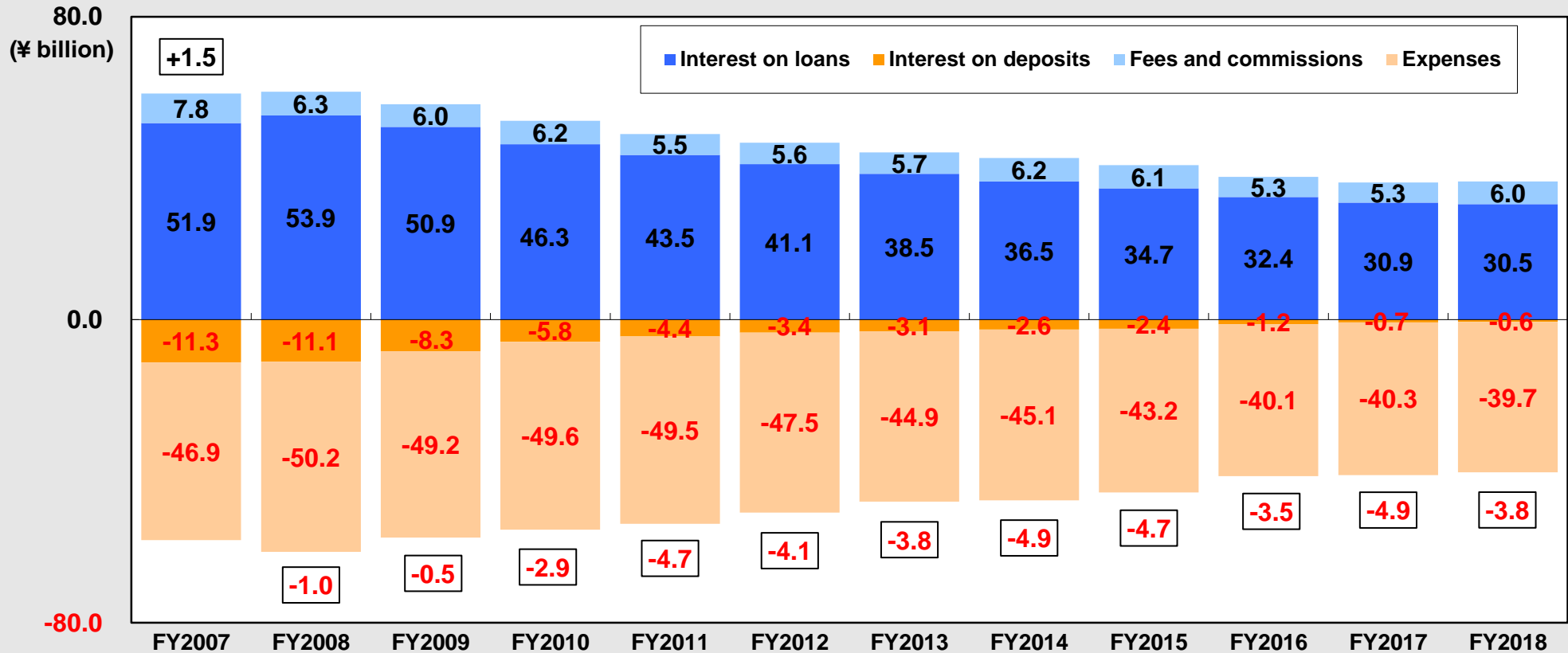
II. “Recognition of Issues” Based on Efforts in the Previous Term



◆ There have been revenue and expenditure deficits of profit/loss of customer services (main business) 11 years in a row.

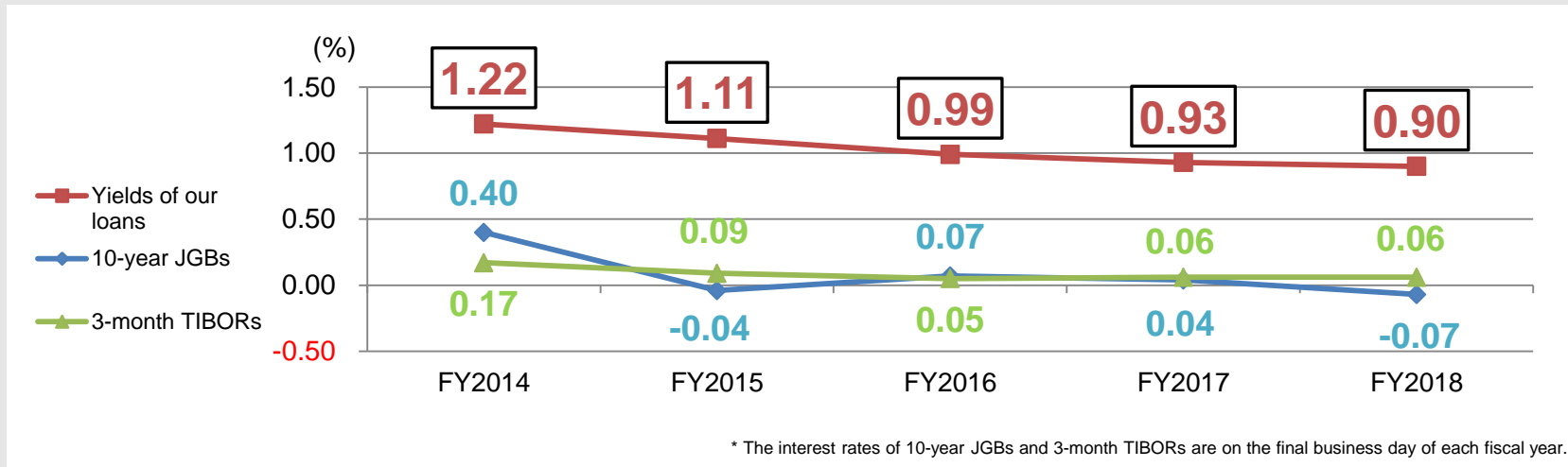
Profit/loss of Customer Services

◆ Profit /loss of customer services = Average balance of loans × (Yields for loans - Yields for deposits) + Fees and commissions - Expenses



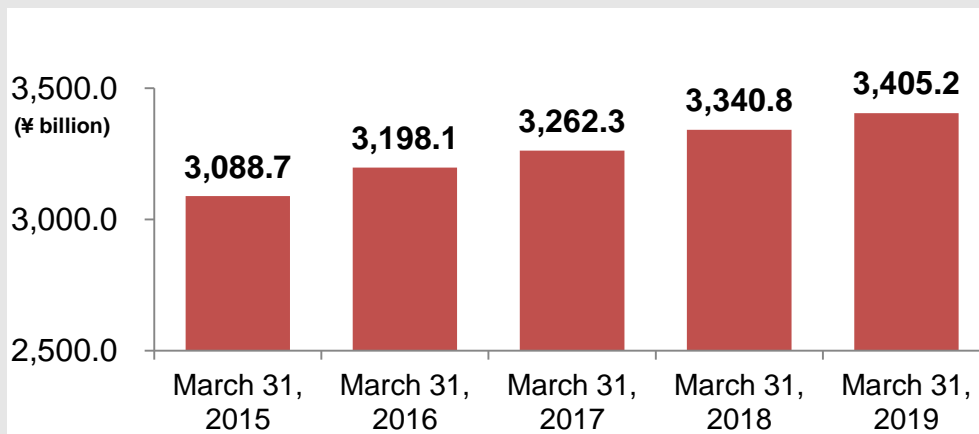
◆ Lower yield for loans and decreasing interest on loans due to a continuous low interest rate environment

Yield for Loans

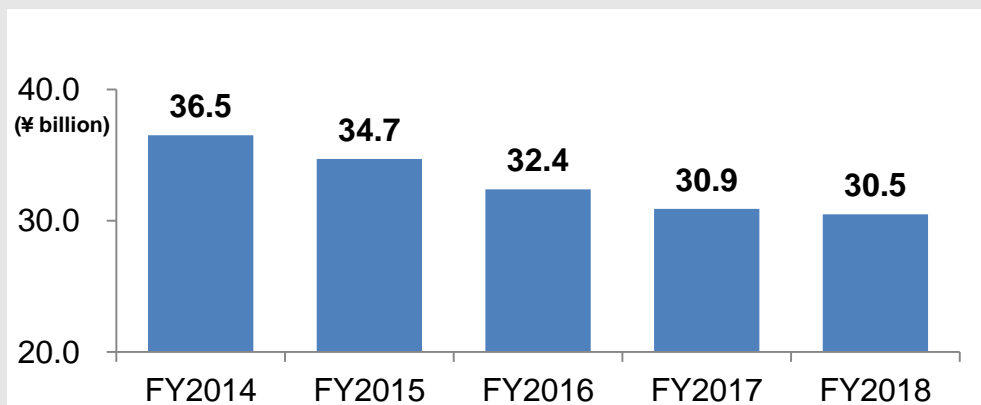


Balance and Interest on Loans

<Outstanding loans>

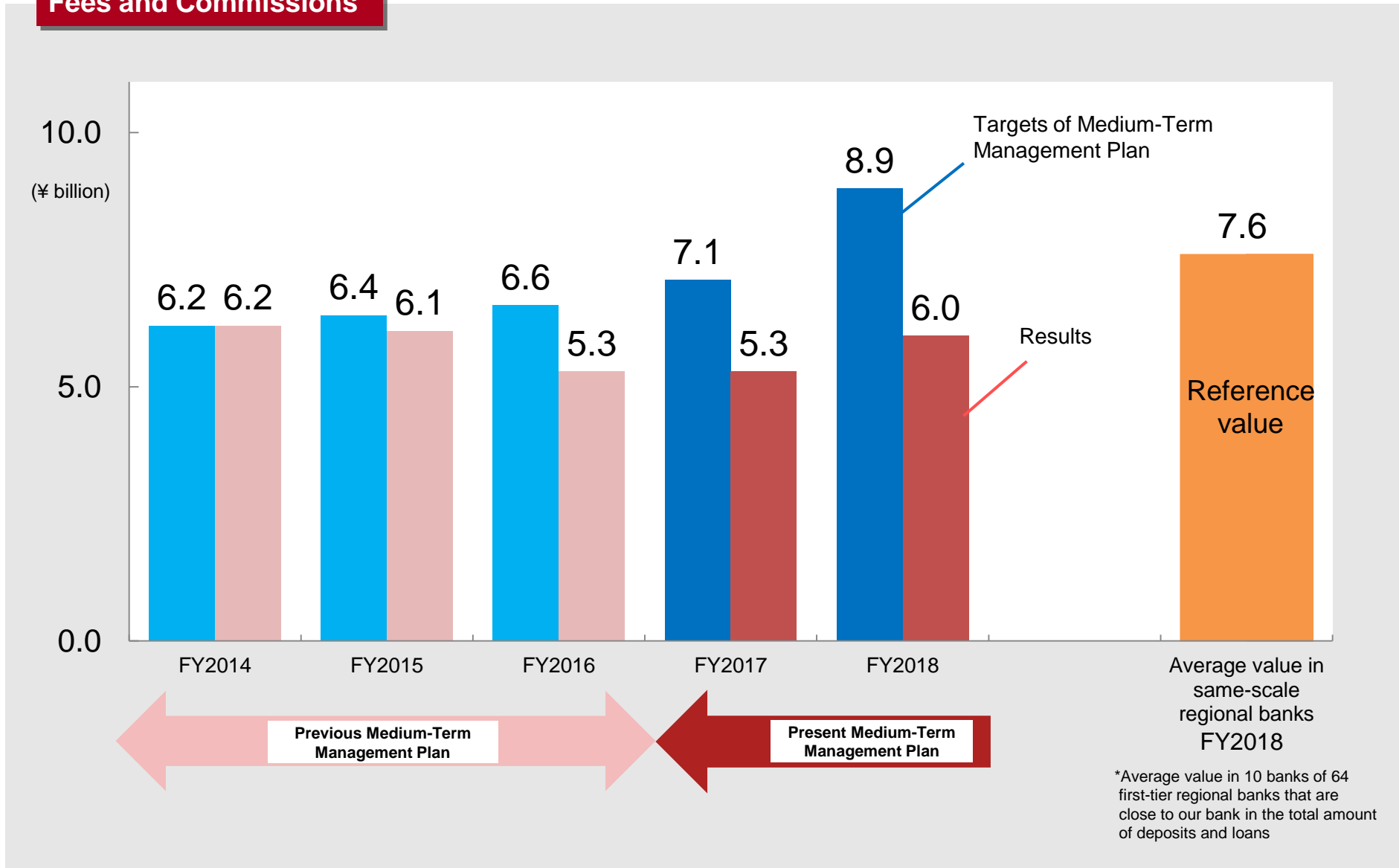


<Interest on loans>

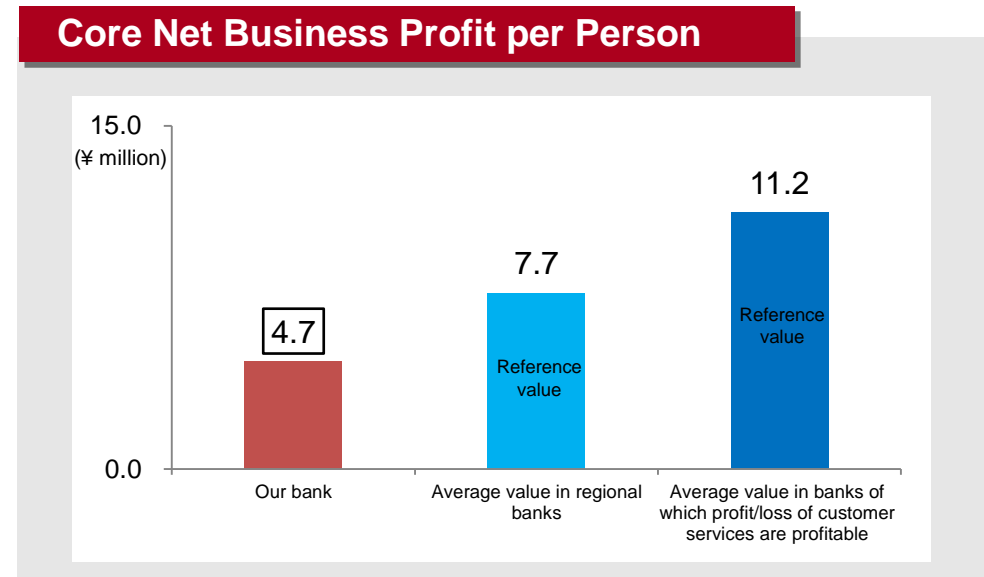
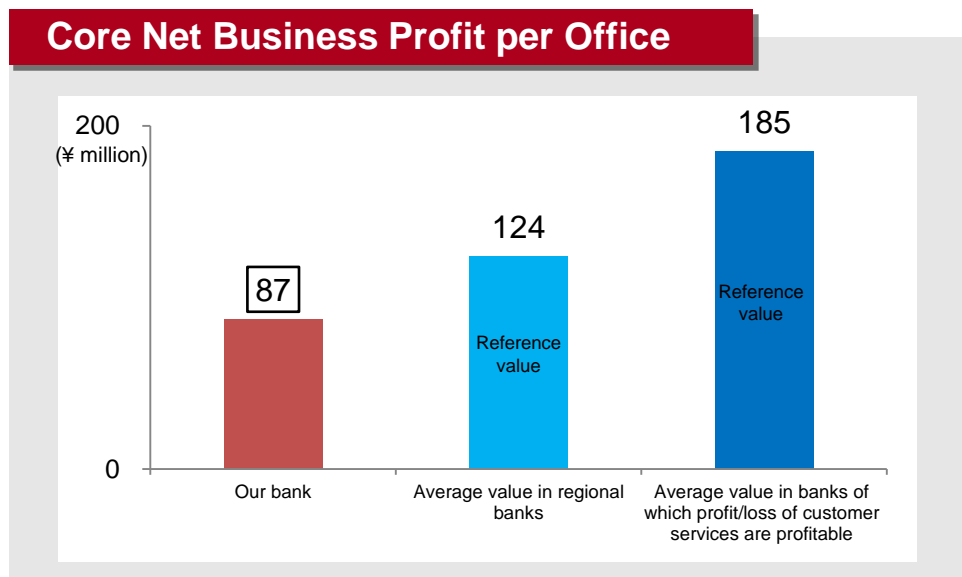
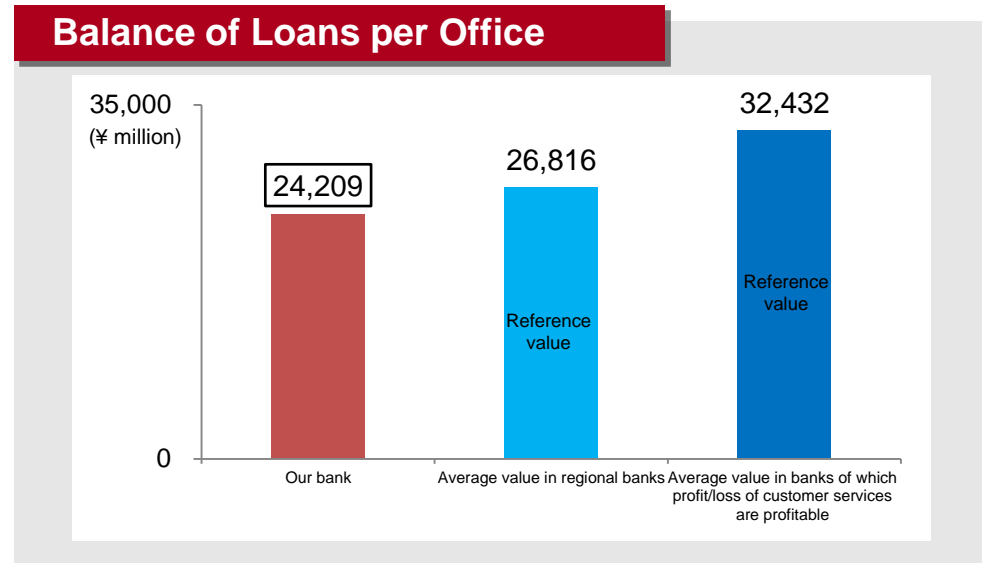
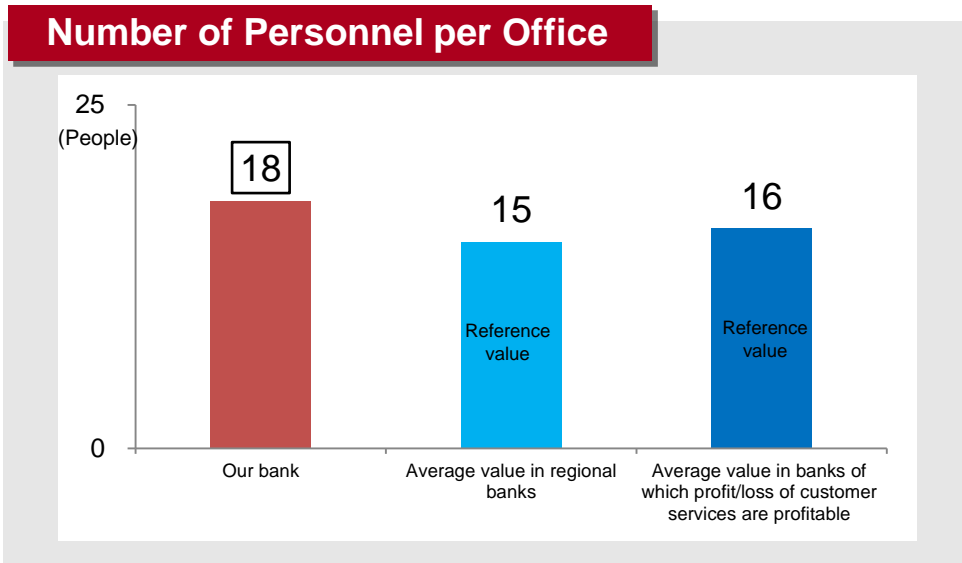


◆ The targets of Medium-Term Management Plan have not been achieved because invested resources were not effectively used due to insufficient market analysis and narrowing down of targets.

Fees and Commissions



◆ An appropriate level of profit corresponding to costs has not been secured due to low productivity per person per office.

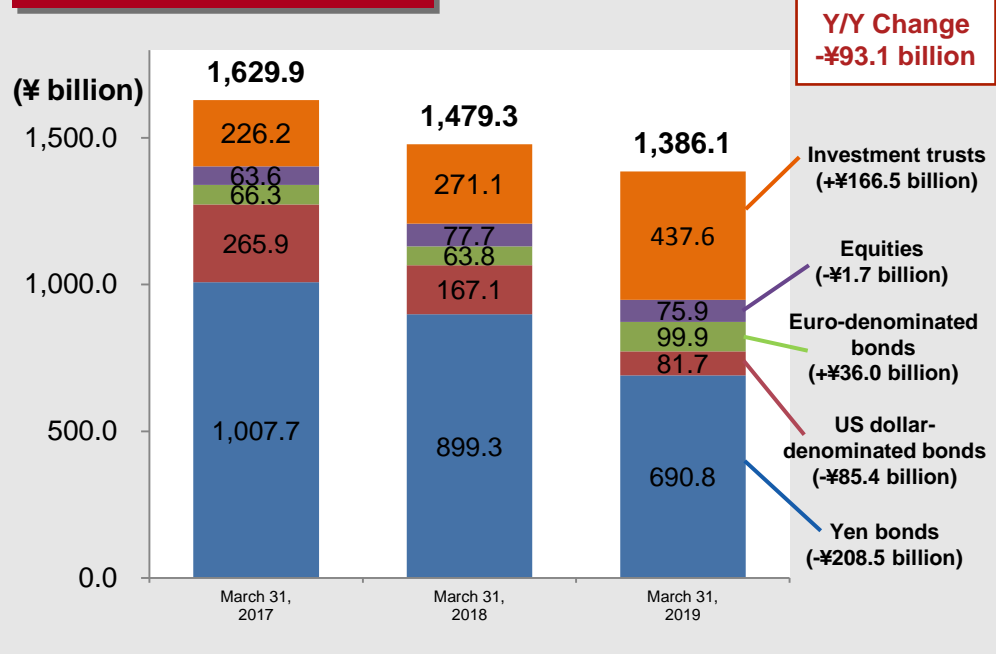


* The reference values are calculated based on financial results for the fiscal year ended March 2018 of 64 first-tier regional banks (of which profit/loss of customer services of 29 banks are profitable).

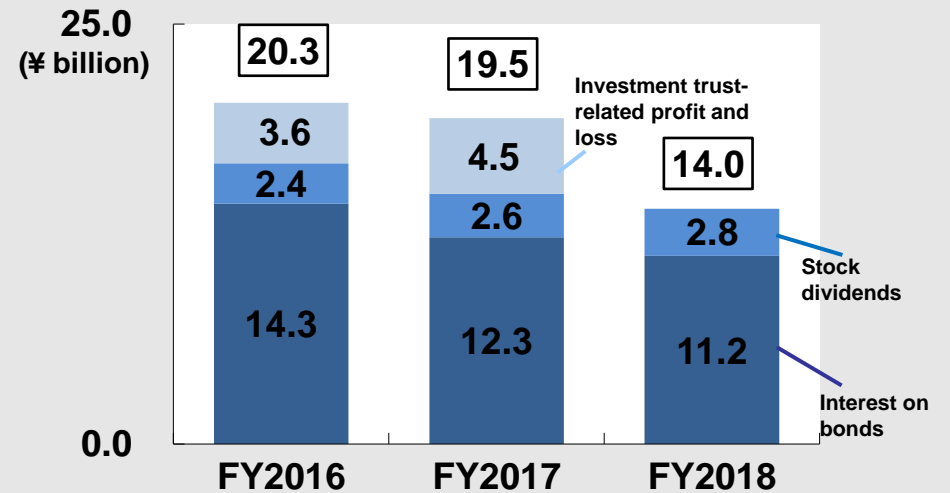
NANTO II. Recognition of Issues (1) Profitability [2] Decreasing investment profit of securities

- ◆ The balance of securities have decreased due to redemption of national bonds and sale of foreign bonds in preparation for future interest-rate increase.
- ◆ Interest on securities have decreased significantly compared to the previous year because of losses arising from the precautionary cancellation of investment trusts which included unrealized losses.

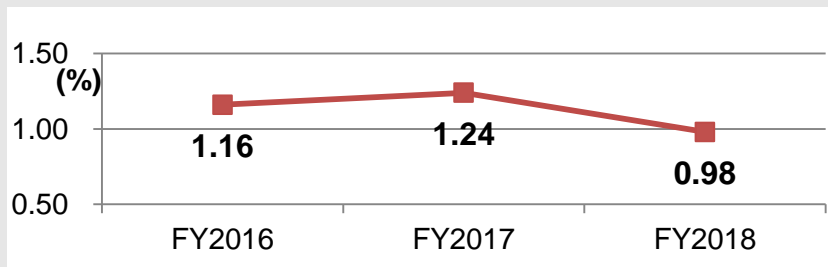
Balance of Securities



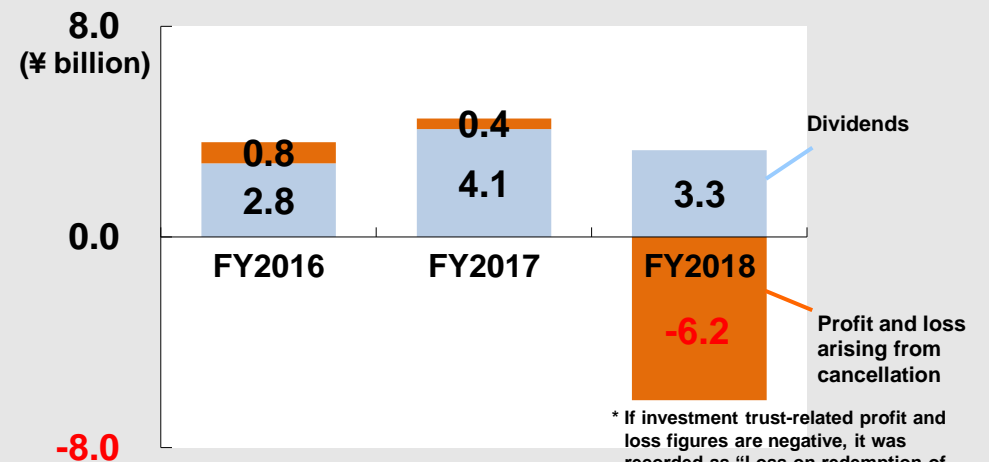
Interest on Securities



Yield of Securities



<Investment trust-related profit and loss>



* If investment trust-related profit and loss figures are negative, it was recorded as "Loss on redemption of bonds including national bonds," not as "Interest on securities."

- ◆ Having worked on “Four Reforms” (consciousness, sales, clerical operations and expenses) toward business model reform, we still have not destruct our corporate culture such as “following the precedent,” “avoiding trouble” and “lack of sense of ownership.”
- ◆ We need to implement further “Consciousness Reform” because there still remains sectionalism in our bank and it is not clear where responsibility lies.

Previous Efforts

FY2017



To be a bank that can create vitality not only in our bank but also in regions

To establish our own corporate culture of improvement through the concept of 5S such as improvement and cleanliness as deployed in consultation with a subsidiary of a large manufacturer.

FY2018



To unify and change our bank

To change our bank into an organization where act spontaneously and are responsible for our behavior from an organization where the sense of ownership is low, by reviewing conventional wisdom and stereotypes.

It is necessary to change our behavior to implement Consciousness Reform.

FY2019

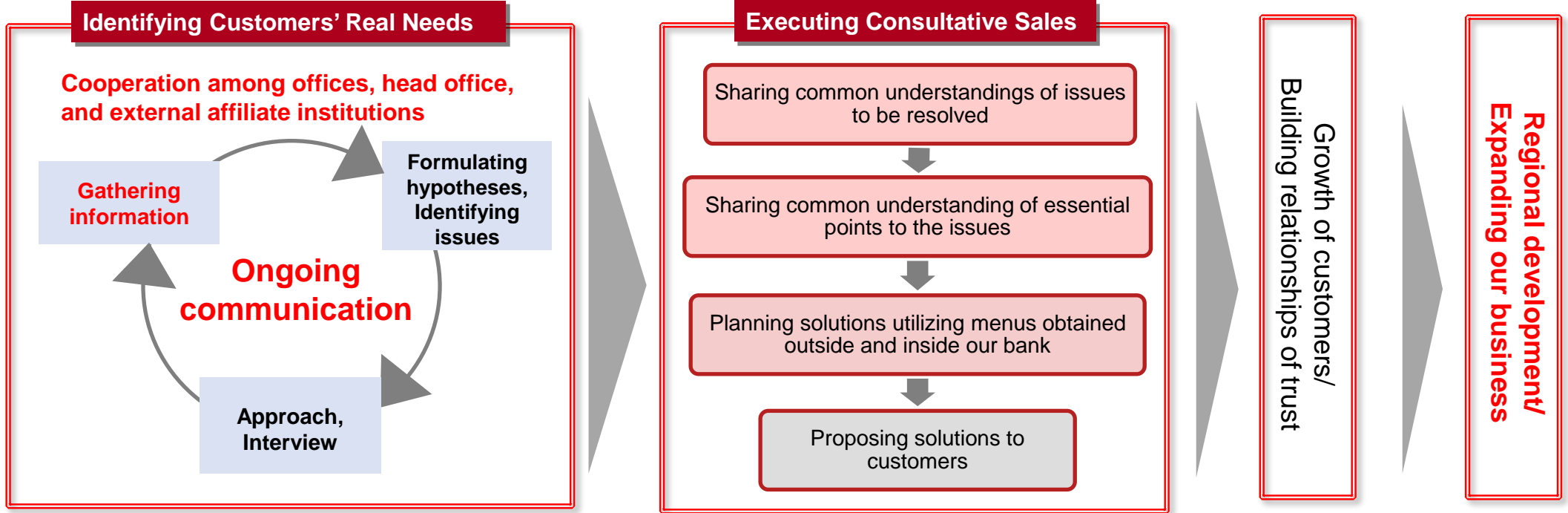
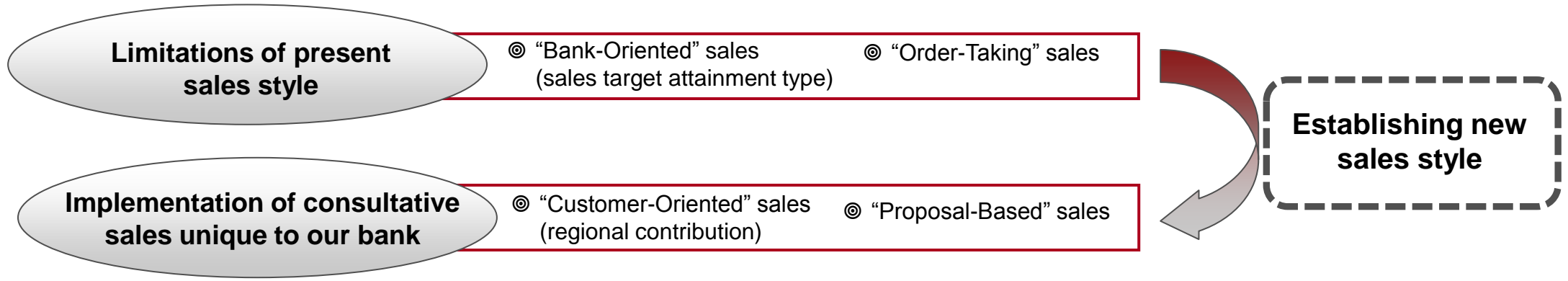


To be a bank that can create new value

Creating and providing added value that only The Nanto Bank can think of will build the future of regions and customers.
To be a bank that is chosen by regions and customers.

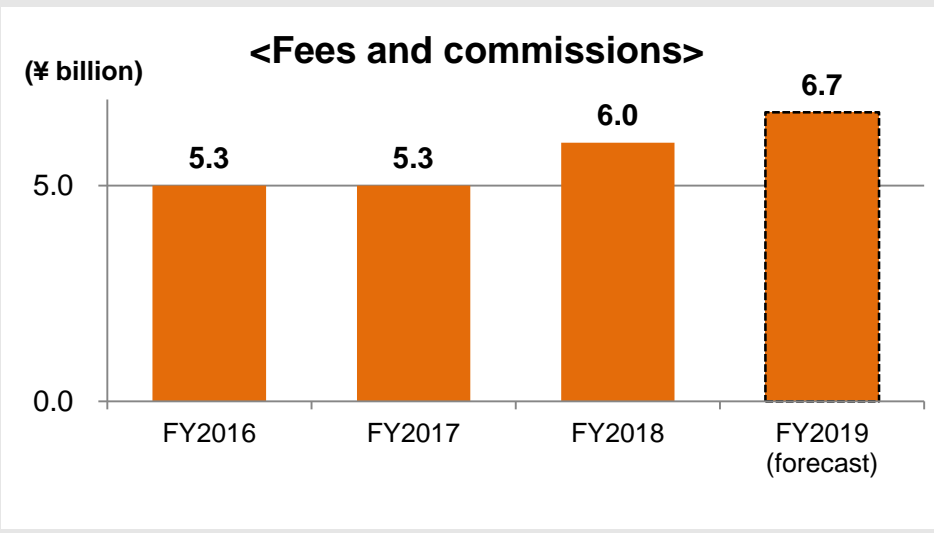
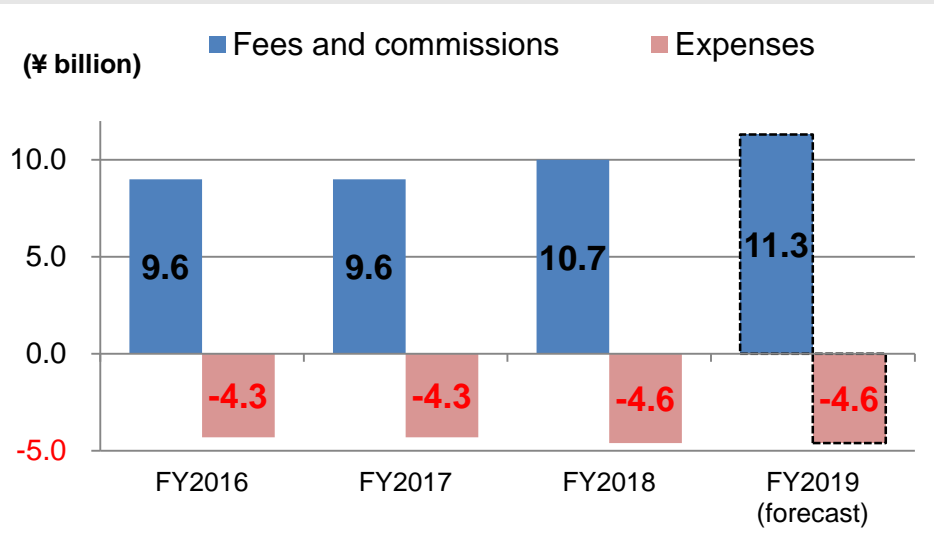
III. Action Items for This Term

◆ Our present sales style, a “Bank-Oriented” and an “Order-Taker”, is not sustainable for our future continuous growth. Starting this fiscal year, we will transform our sales style to consultative sales that provides solutions to customers’ real problems.

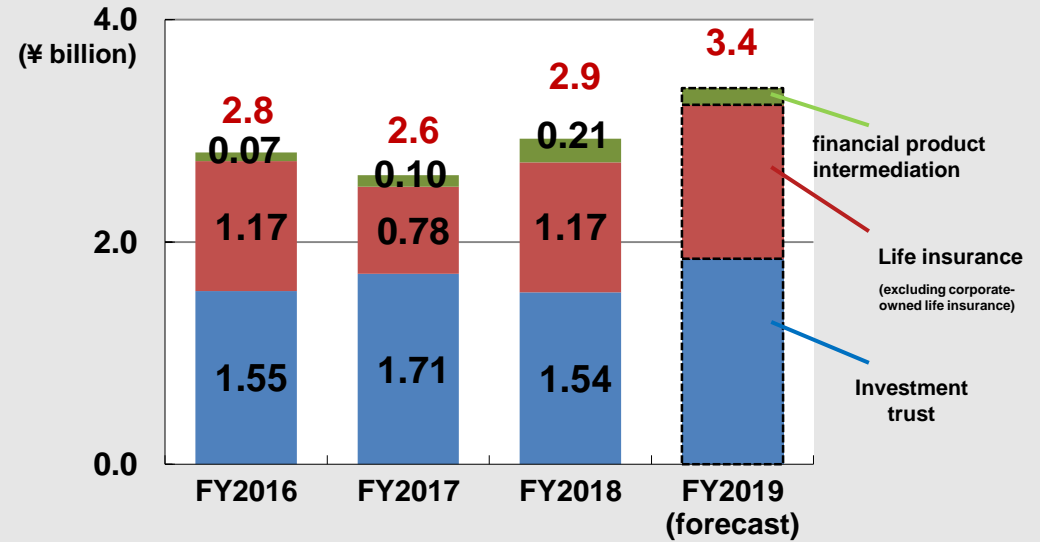


◆ Under the current situation where the interest on loans is not expected to significantly increase, we will focus on increasing profit from services for individuals and corporations based on our consultative sales.

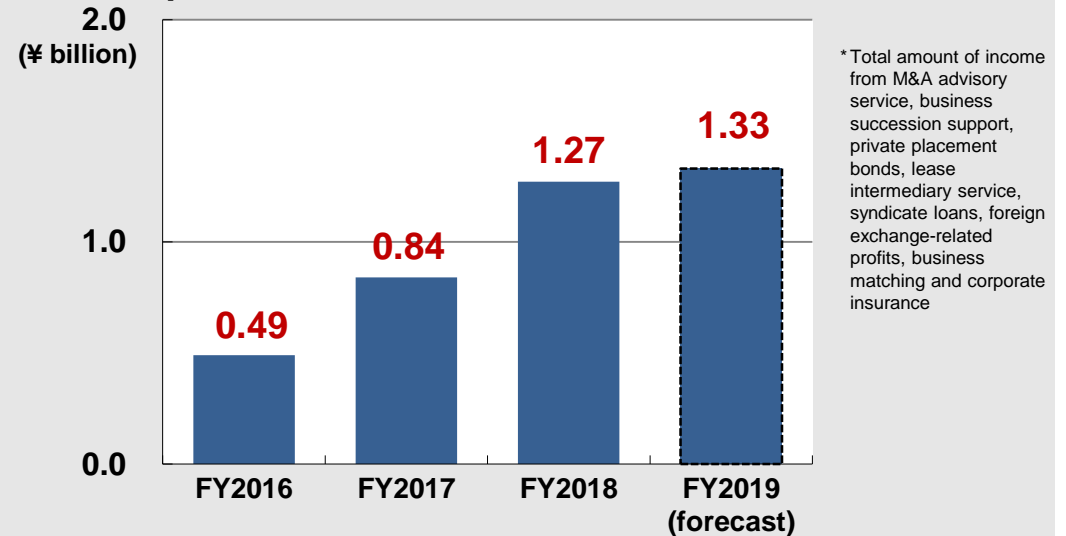
Fees and Commissions



<Sales profit of deposit assets>



<Corporate solutions business-related income>

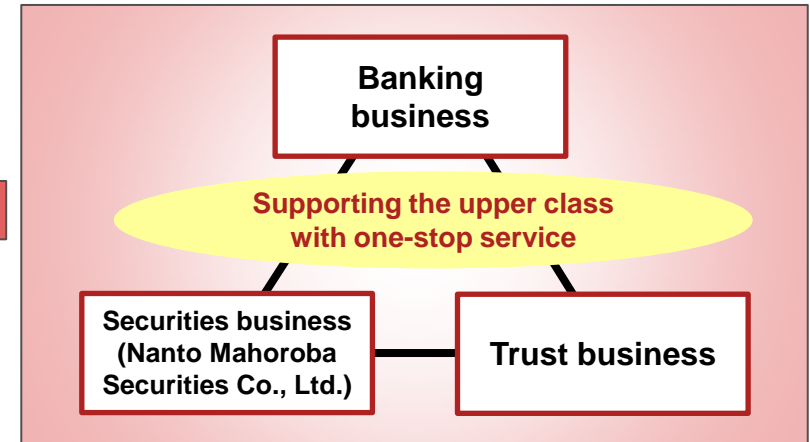
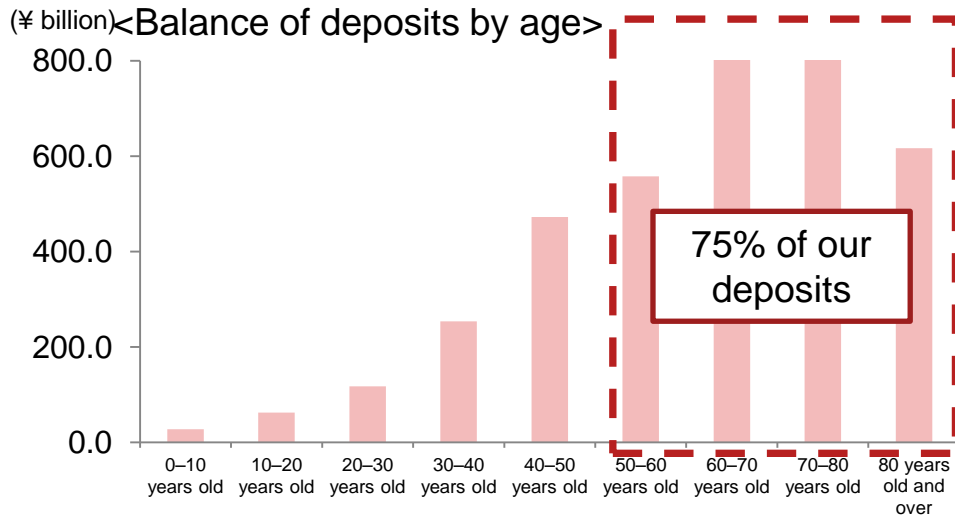


III. Action Items for This Term (1) Establishing a Consultative Sales —Increasing profit from services—

- ◆ Consumer business unit—Providing high-quality financial services in collaboration with the banking, trust and securities businesses
- ◆ Corporate business unit—Providing consulting functions corresponding to each customer’s growth stage

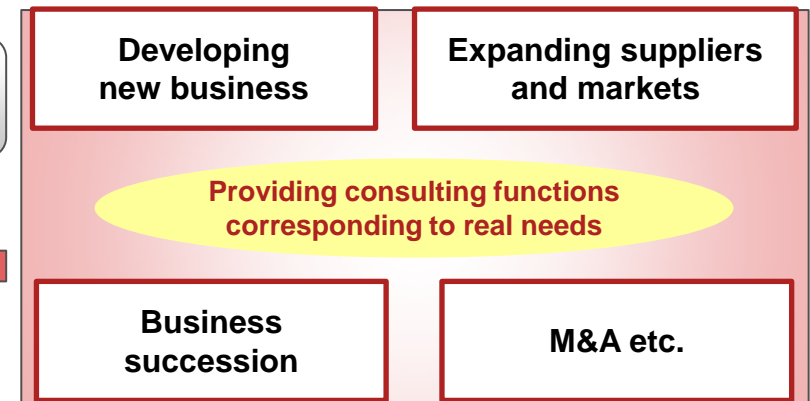
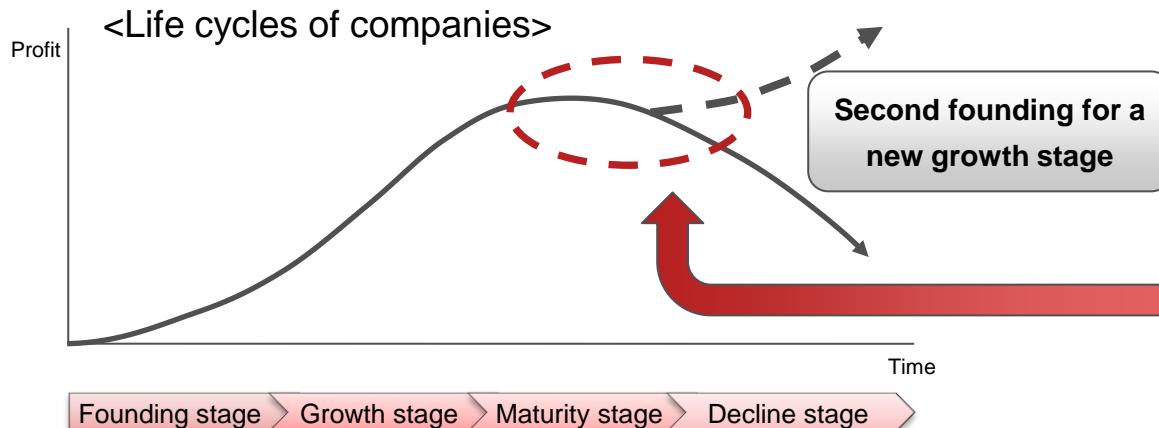
Consumer Business Unit

Providing solutions of securities and trusts focusing on customers over 50 years old accounting for 75% of our deposits



Corporate Business Unit

Bolstering the consulting function for companies at a maturity stage



- ◆ Maximizing profits for the period by using acceptable risk assets and interest rate risk quantity
- ◆ Stabilizing profits by utilizing portfolio rebalancing and strategy

Investment Management Policy

Investment principles

- Utilizing diversified investment to pursue medium- and long-term stable profits and asset buildup
 - Diversifying portfolio risks
 - Building high-quality portfolios based on the medium- and long-term perspectives

Medium- and long-term direction of portfolios

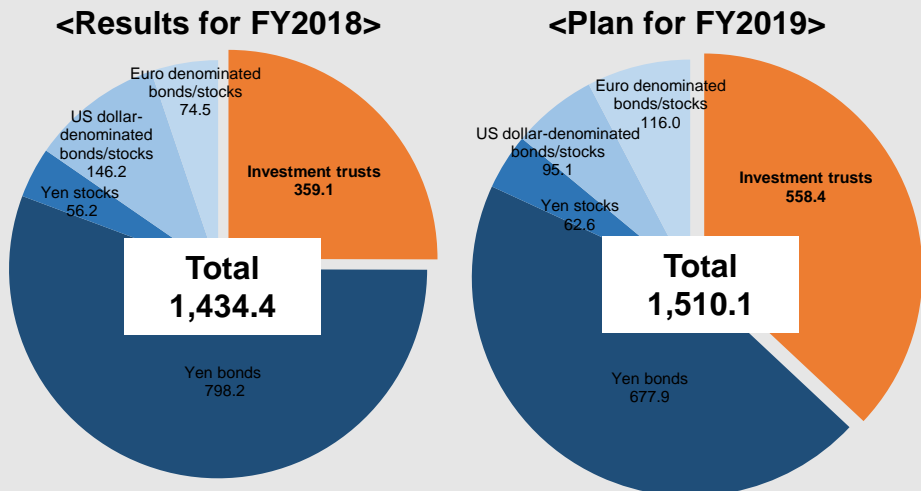
- Securing stable profits of 1% or more by well balancing self-managed investment and outsourcing investment through investment trusts

Investment management policy for FY2019

- <Bonds> Investment in bonds in foreign currency with high spread of investment and funding in addition to reinvesting a part of redeemed bonds in yen currency
- <Stocks> Increase in European stocks with high expected profit
- <Investment trusts> Reinforcement of rebalance considering investment results

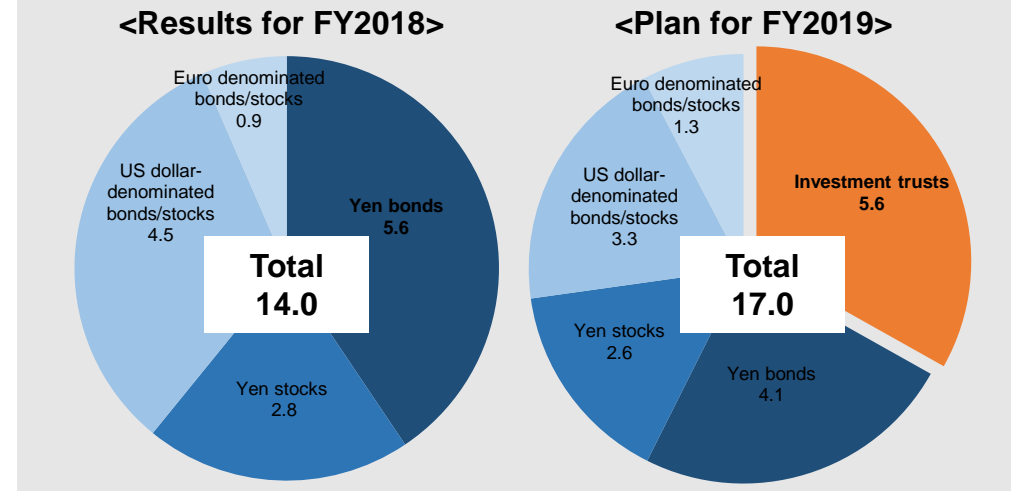
Average balance

(¥ billion)



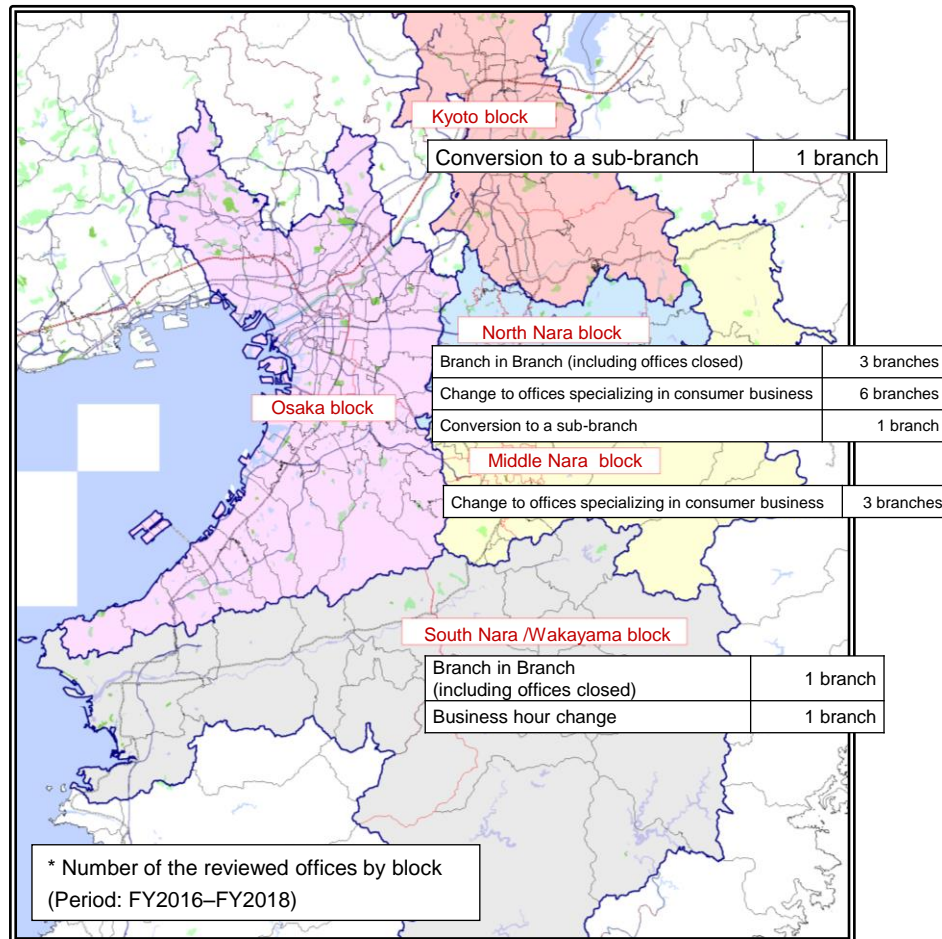
Interest etc.

(¥ billion)



- ◆ Non-personnel expenses have been reduced through reviewing office styles and ATM networks, etc.
- ◆ We will take one step further towards the integration and closing of our offices for further cost reductions to respond to radical changes in the financial environment.
- ◆ Specifically, the number of our offices will be reduced by about 20% without reducing the convenience of customers and our services as much as possible.
⇒ The details will be announced this fall.

Results



Review of Office Networks

- Review of our office networks corresponding to markets
Execution of efficient office management

[Number of reviewed offices]

	FY2016	FY2017	FY2018	Cumulative results
Branch in Branch (including offices closed)	3	1	0	4
Change to offices specializing in consumer business	2	5	2	9
Conversion to a sub-branch	1	1	0	2
Business hour change	0	1	0	1
Total	6	8	2	16

Review of ATM Networks

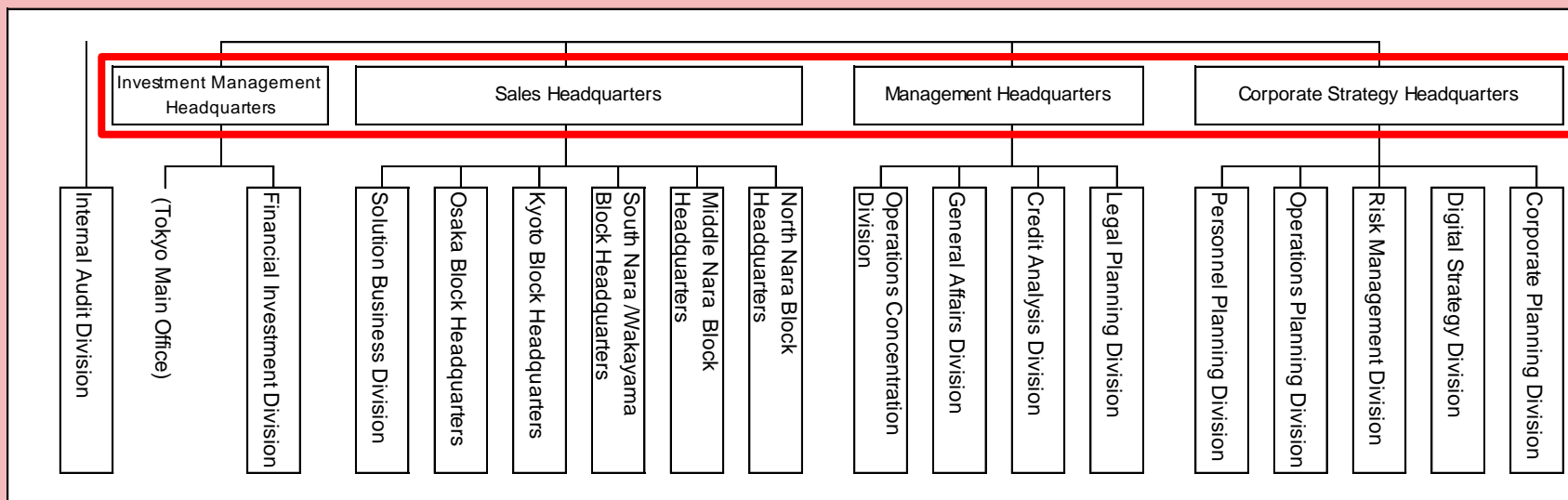
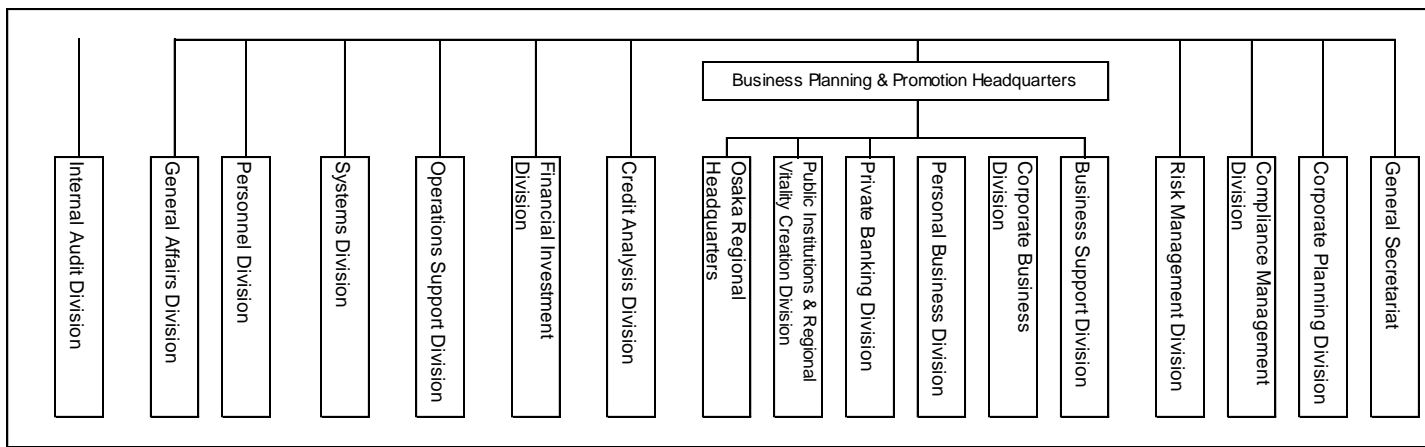
- Realization of our new ATM networks including joint ATMs with Seven Bank, Ltd. to achieve both maintaining customer convenience and reducing ATM management costs

[Number of reduced ATMs]

	FY2016	FY2017	FY2018	Cumulative results
ATM inside office	-3	1	-28	-30
ATM outside office	2	-1	-5	-4
Total	-1	0	-33	-34

(ATMs)

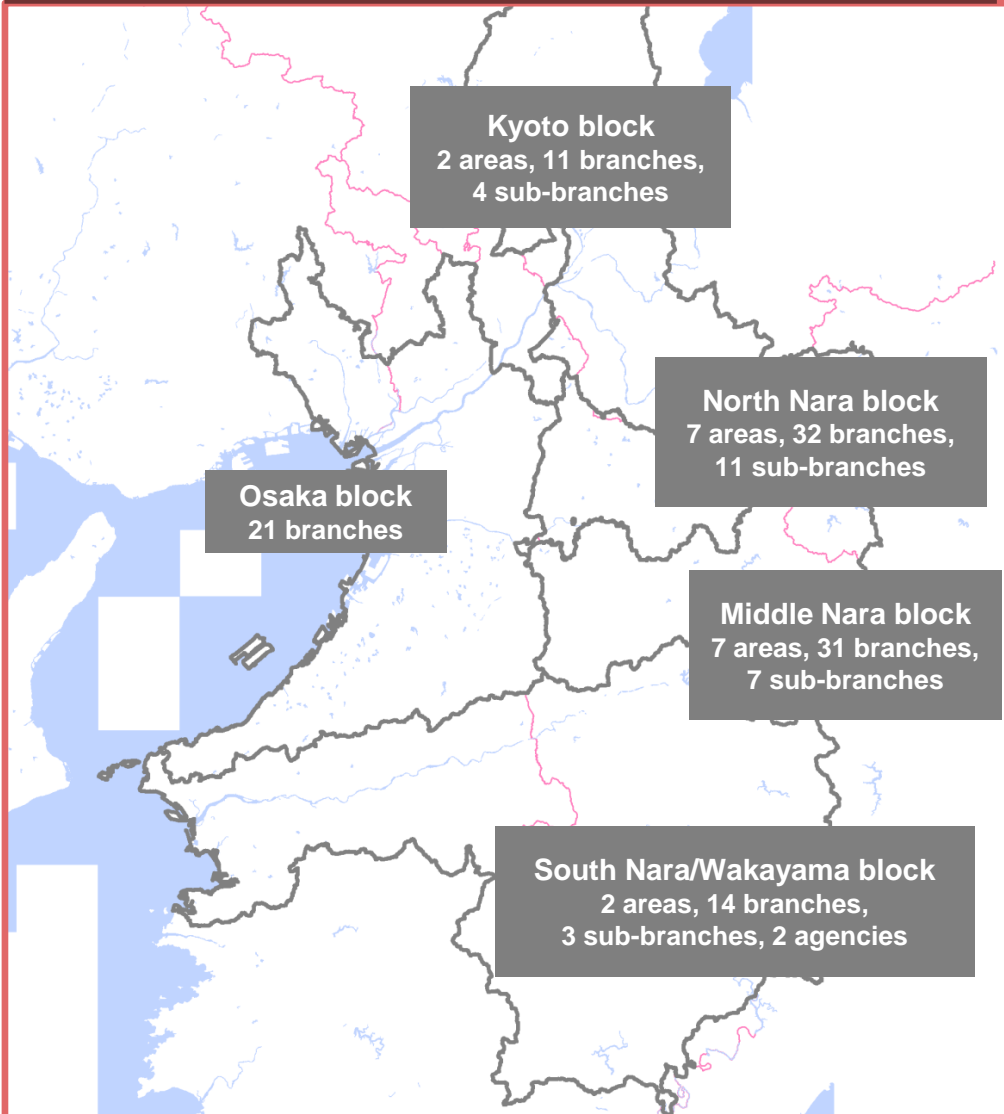
- ◆ Shift to a structure that makes each division’s responsibility and role clear and enables swift and well-controlled business management
- ◆ Acceleration of the reform by appointing an external person as a full-time executive officer for the first time



- ◆ Establishing four headquarters where Managing Executive Officers are appointed as “Director-General” and deployment of divisions corresponding to their roles and functions under each “headquarters”
- ◆ Appointment of an external person as Director-General of the Corporate Planning & Promotion Headquarters who is a professional management reformer and has an intimate knowledge of financial administration

- ◆ Dividing a business area into five blocks and dividing a block into some areas by administrative district and industry under the Block/Area Business System
- ◆ Forefronts of business and organizations near thereto have responsibilities and authority from decision of business strategy and numerical targets to human resource development.

Block/Area Business System (5 blocks, 18 areas)



Achieving Customer-oriented and High-quality Services

- Developing customer-oriented business activities by assigning the decision of business strategy to the forefronts
- Providing high value-added services by putting sales people into one place and developing highly specialized human resources

Low-cost Management by Efficient Office Management

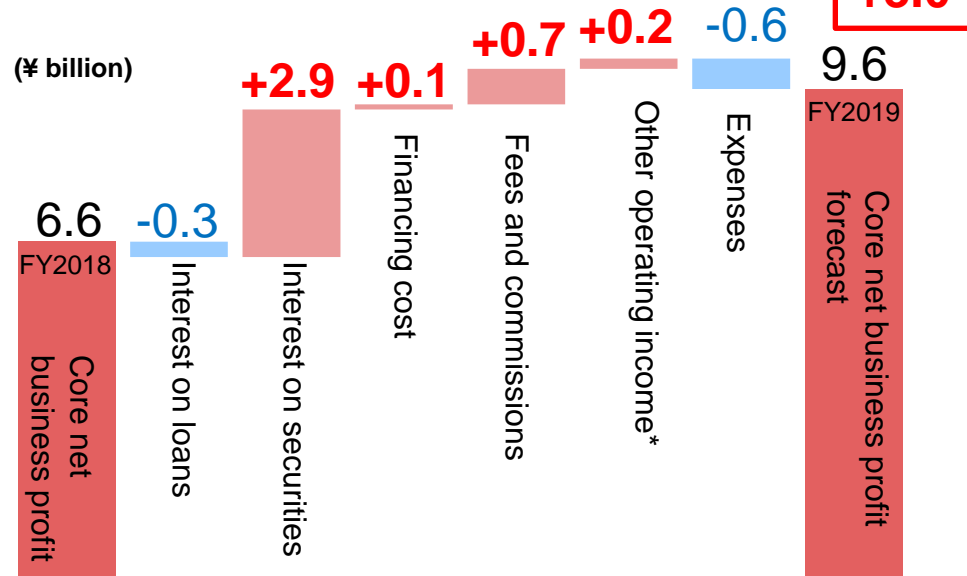
- Integrated management of each branch located in an “Area” based on the concept of provision of full banking service as an “Area”

IV. Business Forecasts and Dividends

- ◆ “Core net business profit” is planned to increase to 9.6 billion yen, up 3.0 billion yen compared to the previous year due to an increase in interest on securities and fees/commissions.
- ◆ Consolidated ordinary profit is planned to increase to 13.3 billion yen, up 2.5 billion yen compared to the previous year.

Business Forecasts for the Full Year of FY2019

<Core net business profit forecast>



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

¥ billion		FY2018 results	FY2019 (forecast)	Y/Y change	Compared to the Medium-Term Management Plan
1	Core net business profit	6.6	9.6	+3.0	-7.2
2	Net business profit	5.8	10.0	+4.2	-6.8
3	Ordinary income	10.2	13.2	+2.9	-6.6
4	Net income	11.1	9.2	-1.8	-5.2
5	Credit cost (*)	1.4	1.6	+0.2	+0.1

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

Consolidated Full-year Business Forecasts for FY2019

¥ billion		FY2018 results	FY2019 (forecast)	Y/Y change
1	Consolidated ordinary profit	10.7	13.3	+2.5
2	Profit attributable to owners of parent	11.1	9.0	-2.1

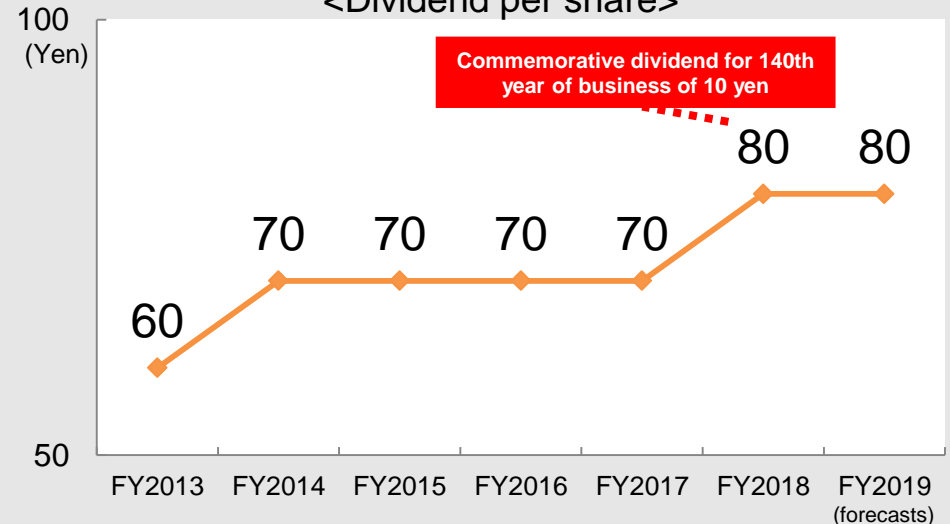
Shareholder Returns

The basic policy is to continue stable dividends.

Execution of a commemorative dividend for our 140th year of business for the year ended March 2019

Planning to continue an ordinary dividend of 80 yen per year for the year ending March 2020

<Dividend per share>



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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