



**The Nanto Bank Group's
“unconventional” human
resources provide
support for issues faced
by customers and the
region.**

President (Representative Director)
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Introduction

The Japanese economy is currently showing signs of recovery, as economic activity returns to normal following the downgrading of the new coronavirus strands to category 5. Consumer spending is recovering steadily, boosted by rising wages and a positive appetite for investment, including capital investment in the corporate sector.

Downside risks to the economy are increasing at the same time, however, due to proliferating geopolitical risks and rising prices of resources and raw materials. In the financial markets, the environment surrounding financial institutions remains uncertain due to financial system instability and prolonged monetary tightening in the United States and Europe.

In Nara prefecture, which forms the primary business base of the Nanto Bank Group, consumer spending and corporate activity are gradually recovering, and demand for tourism, driven largely by foreign visitors to Japan, is picking up. On the other hand, structural social issues, such as contraction of the regional economy due to a declining birthrate and aging population and a shortage of successors to take over private companies, are increasing in severity. As a regional financial institution, we consider it our role and responsibility to continue contributing to regional development by confronting these issues head-on. We are working together with our customers and local communities to resolve them, attaining sustainable growth of the Group as a result.

President's Message

Progress of the Management Plan

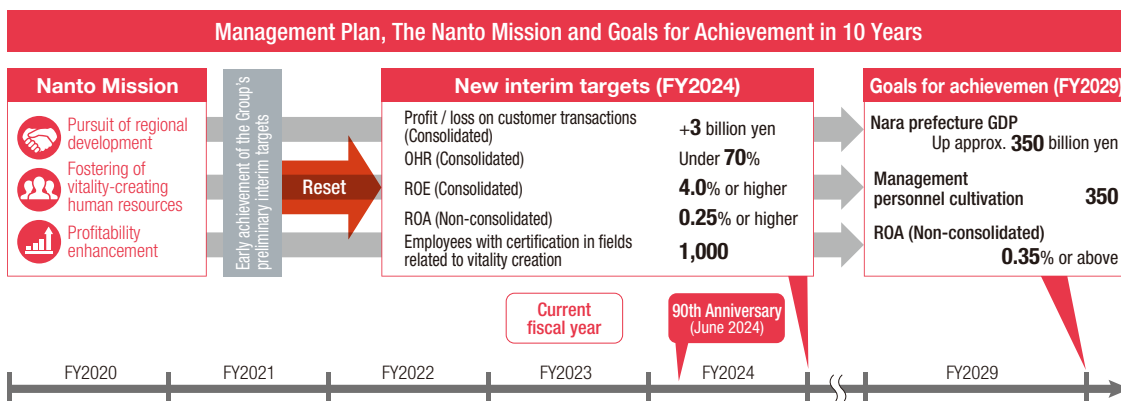
Since April 2020, the Group has been working to implement the Nanto Mission: "Pursuit of regional development, fostering of vitality-creating human resources, and enhancement of profitability," in accordance with our Management Plan, "Nanto Mission and the Group's Goals for Achievement in 10 Years."

In FY2021, we achieved the preliminary interim target stated in our Management Plan for non-consolidated profit from transactions with customers by FY2024, three years ahead of schedule. We then moved in December 2021 to establish a new interim target of 3 billion yen in non-consolidated profit from transactions with customers aimed at achieving a higher level of profitability as a Group.

In the fiscal year ended March 31, 2023, consolidated net profit from transactions with customers exceeded the revised interim target due to increased interest on loans and fees, profits on service transactions, and reduced expenses, results underpinning a steady increase in net business profit. We credit the stable profitability of our customer transactions for facilitating construction of a "muscular" management structure capable of supporting strategic investment in IT fields such as smartphone banking from a medium- to long-term perspective.

At the same time, however, our net income decreased due to lower earnings in the market sector. This reflected the sale of instruments such as fixed-rate foreign bonds, all of which saw their earnings reversed due to rising interest rates in Europe and the United States. Going forward, we will stabilize our market sector earnings by restructuring our portfolio to emphasize yen bonds.

The Nanto Bank Group will celebrate its 90th anniversary in June 2024. We are proud to attribute our long-term market presence to growth together with the regional community we serve, achieved through a commitment to regional development based on the invisible assets of confidence and trust granted us by our stakeholders. In this fiscal year, it will be important for us to finalize achievement of our interim goals for FY2024. All the Group's officers and employees share a commitment to working together to realize the Nanto Mission with the aim of ensuring our ability to remain a bank that grows together with the community.





Fostering human resources to realize sustainable growth for customers and the community

Do customers feel a strong desire to work on their issues with us?

Over the nine decades since its establishment, the Group has steadily built relationships of trust with its customers by providing products and services that ensure their ability to conduct transactions with us safely and securely. With changes in our operating environment, such as a contraction of the working-age population and rapid progress in digitalization, however, the challenges confronting customers are becoming increasingly diverse and complex. Our ability to continue contributing to their sustainable growth under these circumstances will require seeking solutions to their various challenges from the customers' perspective, rather than simply providing products and services generated in our traditional deposit and loan business.

The first step toward achieving this ability will be to realize ourselves as a Group with which customers feel a genuine desire to work closely. We are responding by fostering "unconventional" human resources who meet this standard. When customers want to take on new challenges or solve difficult problems, the Group will be the first institution they turn to for advice, and we will have earned the right to claim that we have established true relationships of trust that enable us to grow together.

Not only in our relationships with customers but also within the Group itself, the presence of many human resources with whom customers express a desire to work and who are recognized by the community as their "go-to experts" to consult with about issues will undoubtedly contribute to increasing the Group's corporate value.

At a time when the concept of human capital management is becoming increasingly prevalent, the Group is investing actively in personnel recruitment based on a recognition that "human resources are our most valuable management capital."

An organization that pursues diversity and cultivates unconventional human resources

Inspiring customers and colleagues with a genuine desire to work in collaboration with us requires our personnel to acquire specialized skills and accumulate a diverse range of experiences. We are responding by providing growth opportunities such as secondment to outside organizations, dispatch of trainees, personnel exchanges among Group companies, and support for acquisition of qualifications that contribute to problem-solving. We are also working to diversify our human resources by expanding our career recruitment program and introducing a system to encourage participation in side jobs.

If every Group employee combines advanced expertise, varying values, and diverse experience with a clear awareness of their personal goals for accomplishment in the Group, the growth direction they wish to follow, and the ways in which they want to give back to the community, and if they consistently draw on these attributes to find the best possible solutions from their own perspective, new financial services and solutions will naturally emerge.

I consider it my most important mission to foster an organizational culture in which every single employee's ideas are respected, and in which each can continue to do what they want to and should do with conviction.



Value created by the Group's human resources

We will deploy our human resources to achieve sustainable management that enables collaborative development of the Group with its local communities by addressing and resolving issues faced by each individual customer, the regional communities and society as a whole.

Resolving customer issues

Since the introduction of the Management Plan, we have been devoting ourselves to maximizing efforts to “know our customers.” Among these efforts, we not only propose financial products or services but also endeavor to further deepen mutual understanding with our customers by tackling the real, underlying problem causing the issues they face together..

Problems uncovered in these “know our customer” efforts involve various matters beyond the need for cash flow support, such as management improvement, securing human resources, and business succession. We not only work together as a Group to resolve such issues, but we also make the utmost use of our external expert network to provide a variety of solutions that go beyond financial activities in furtherance of our customers' sustainable growth.

We continue to help individual customers achieve affluent lives with peace of mind by cooperating closely in their life planning and providing superior services and information in a timely manner to meet their various needs and challenges, especially those emerging in today's “era of 100-year lifetimes.”

Responding to local issues

As concerns fostering the growth of the regional economy, there are challenges facing the region that cannot be addressed merely by solving the issues of individual customers. For example, Nara's agricultural output is among the lowest in Japan, and its farming industry's sustainability is becoming a common concern due to the aging of farmers and increase in the number of abandoned farms.

As concerns tourism, despite Nara's being one of the nation's richest prefectures in terms of tourism resources that include numerous World Heritage sites and national treasures, the majority of tourists are daytime visitors, and spending on tourism is relatively low compared to that in neighboring prefectures.

The Group is responding directly to these various regional issues, not only by meeting customers' needs, but also by taking the initiative proactively in establishing local businesses. Specific examples of these efforts include our founding of Nara Mirai Design Co., Ltd., a regional revitalization company organized to establish a profitable and sustainable agricultural model by using the so-called “smart agriculture” technology, as well as information and communication technologies (ICT). Among its various efforts to promote excursions and longer-





stay tourism, Nara Mirai Design has acquired an old private house in the town of Yoshino, which it plans to renovate as an attractive lodging and tourism facility over the next several years.

Another issue involves Nara prefecture's forests, which account for approximately 77% of the prefectural land area and are recognized as one of Japan's leading sources of high-quality timber. We are seriously considering engagement in a platform project to improve productivity in the forestry and lumber industries.

In October 2022, our specialized investment subsidiary Nanto Capital Partners established a social impact fund, the first of its kind among regional banks, to invest in startup companies that seek solutions to such regional issues as the declining population and aging society of Nara prefecture and the surrounding region.

Confronting issues facing society at large

Attaining sustainable growth of our regional community will also require society to tackle the challenges facing it. These include the falling birthrate and aging and contraction of the population as well as the exacerbation of natural disasters and reduction of biodiversity accompanying climate change that have illuminated the urgency of dealing with environmental issues. In accordance with the TCFD recommendations we endorsed in 2021, the Group has pursued decarbonization efforts aimed at reducing its CO₂ emissions by at least 50% from their fiscal 2013 level by fiscal 2030, while also endeavoring to reduce consumption of paper in its operations.

The Group supports customers' efforts to address climate change and other issues related to the SDGs through funding, including environment-related loans, sustainable finance, and other financial instruments, to help them in organizing their sustainability initiatives. We also offer the Nanto SDGs Introduction Consulting Service to facilitate our customers' commitment to the SDGs.

In conclusion

Operating in this challenging environment surrounding Japan's regional financial institutions today, we will continue our efforts to enhance the corporate value of the Group by sharing our vision for the future with our stakeholders and by deepening our mutual understanding through close communication and dialogue at every opportunity.

Companies with price-to-book (P/B) ratios under 1.0 are recently exhibiting accelerating momentum toward improvement. We realize that Nanto Bank's weak P/B ratio results from both structural problems faced by regional banks and the fact that our return on equity (ROE) is lower than the cost of capital anticipated by investors.

Banks, especially regional banks, bear an important responsibility as the backbone of the local economy. While mindful of our P/B ratio, we are committed to supporting our customers in a manner that aligns with the unique characteristics of our region, and to doing so from a long-term perspective.

We are committed to making further efforts to achieve sustainable growth of the Group and the development of the local community. Your continued support would be much appreciated by every member of our staff, each of whom is willing to respond to innovative ideas and challenging tasks.

