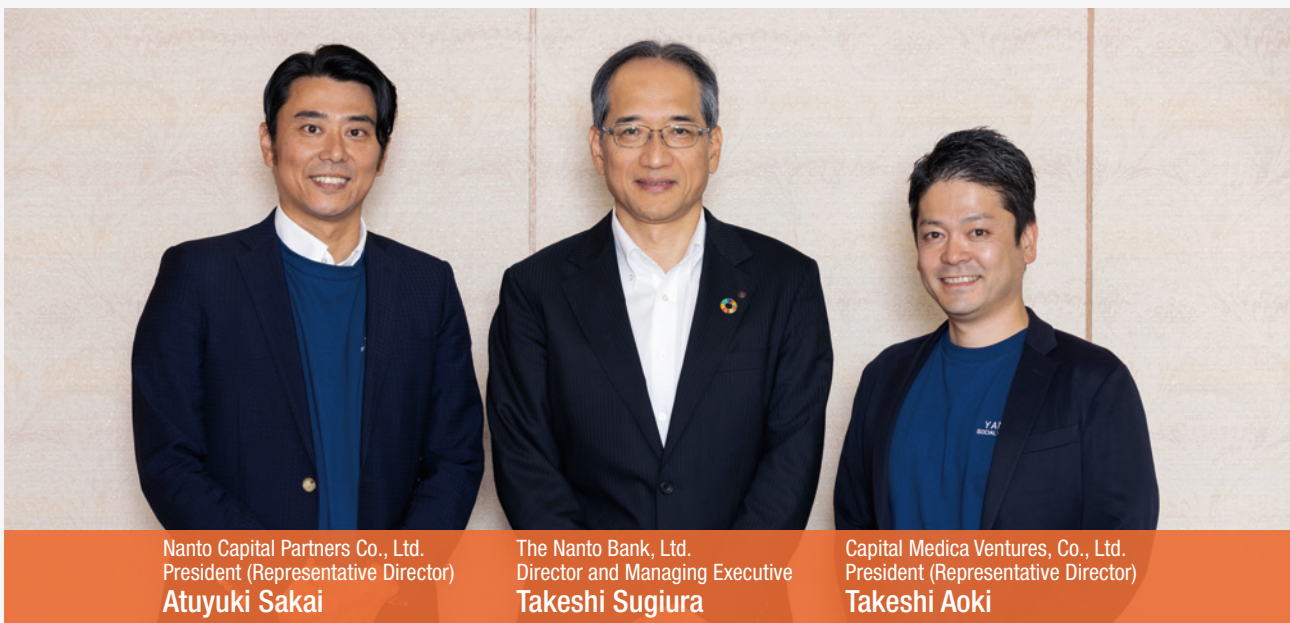


Nanto Bank Group's strategy of creating social value through the "Yamato Social Impact Fund"

In October 2022, the Group established the "Yamato Social Impact Fund" to address social issues in Nara Prefecture and the surrounding region. The following three top executives of the Bank and related companies met recently to discuss their reasons for establishing the Fund, the first by a regional bank, and the effects it has had on efforts to solve issues facing the Yamato region: President Takeshi Aoki of Capital Medica Ventures, Co., Ltd., an investor in the Fund; Nanto Bank Director and Managing Executive Officer Takeshi Sugiura; and President Atuyuki Sakai of Nanto Capital Partners Co., Ltd.



Group's commitment to regional business creation

Sugiura: We introduced our Management Plan in 2020 and set goals for contributing to regional development in accordance with the Nanto Mission by increasing Nara Prefecture's GDP by 10% by 2030. We established Nanto Capital Partners in 2020 and began working to accelerate realization of the Nanto Mission from an investment perspective in accordance with our commitment to developing the region through investment. Furthermore, in recent years, as impact investing aimed at addressing social challenges has garnered significant attention, we established the "Yamato Social Impact Fund" in October 2022 with support from Capital Medica Ventures, which has extensive expertise in impact investment, to pursue further development of the region through investment financing.

Sakai: The Fund invests in companies that can help solve social issues in the Yamato region, the Group's main area of business. This approach is often referred to as "impact investment." Our aim is not only to pursue financial returns, but also to support entrepreneurs who are seeking to solve regional issues, and to make the members of the Fund team, who are expected to work closely with such entrepreneurs, feel more directly engaged in the process of solving the targeted regional issue.

Our mission at Nanto Capital Partners is to "add new value to Nara through investment." An enterprise that applies an investment strategy to realization of the Nanto Mission, we act as a hub connecting our portfolio companies with



Business model



Strategies and resources allocation

various local businesses. To go one step further from investment to working with entrepreneurs to promote commercialization, moreover, we have decided to work with Mr. Aoki to solve local issues. The Fund has been selected for the Regional Impact Fund Establishment and Operation Support Program designated by the Foundation for Social Change, which is an asset-distribution institution organized under the “Law for Utilization of Dormant Deposits, Etc.,” and which is certified as the first fund in Japan to put dormant deposits to use.

Aoki: Impact investment involves investing in potentially profit-making companies that engage in business contributing to society. We focus on the following three steps when making an investment: First, we set a goal to be achieved after clarifying the issues to be solved, an approach referred to as the Theory of Change (ToC). Second, we construct a logic model to organize a logical roadmap (hypothesis) for realization of the ideal results and establish KPIs by setting small successes (outcomes) to be achieved during the course of ToC as milestones. We then annually review the target issues and the logic model along with the achieved KPIs to clarify the created social impact. Third, we announce the status of achievement publicly through an impact report. The Group's fund management team follows these key steps as elements of the management system central to promotion of each project.



What effect will it have on the community and what difference will it make?

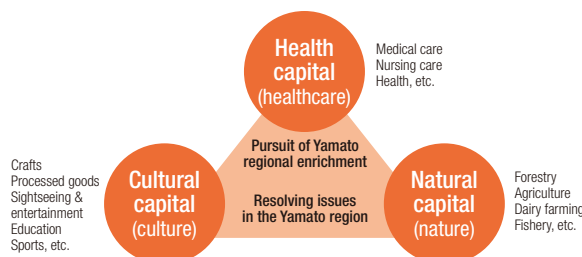
Sakai: The Fund's target areas for investment are specified as health capital, cultural capital, and natural capital. As concerns health capital, with the birthrate declining and the population aging, the field of nursing and medical care has become an important growth industry for Nara prefecture. At the same time, we recognize the need for these services as the most important issue for local residents to solve.

Overview of the Fund

Name	Yamato Social Impact Investment Limited Partnership
Unlimited liability partner	Nanto Capital Partners Co., Ltd.; Capital Medica Ventures Co., Ltd.
Limited liability partners	Nanto Bank, Ltd.
Investment commitment	500 million yen or above
Investment target	Startup companies that can contribute to solving issues facing the Yamato region
Investment period	10 years (possible investment period 5 years)

Investment targets

The targets of the Fund are startup companies that can solve issues facing the Yamato region. Specifically, the project focuses on the following three areas with the aim of enriching the Yamato region: (1) “health capital (healthcare)” in the area of health care; (2) “natural capital (nature),” including agriculture, forestry, and fishing; and (3) “cultural capital (culture),” including education, crafts, cultural assets, tourism, and sports.



Profile of the Fund administrators

Company name	Nanto Capital Partners Co., Ltd.
Establishment	October 2020
Location	16 Hashimoto-cho, Nara City, Nara Prefecture
Capital	100 million yen (wholly owned subsidiary of Nanto Bank)
President (Representative Director)	Atsuyuki Sakai
Field of business	Investment business
Company name	Capital Medica Ventures, Co., Ltd.
Establishment	November 2016
Location	3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo Kasumigaseki Building, 19th Fl.
Capital	100 million yen
President (Representative Director)	Takeshi Aoki
Field of business	Startup investment and development business, study sessions, seminar administration, etc.

Stakeholder Voice ②

When it comes to natural capital, forests cover some 77% of the prefecture's total land area, and we believe that issues related to forests, agriculture, and undeveloped woodlands near populated areas demand steady resolution. As for cultural capital, meanwhile, sightseers who come to Nara are primarily interested in visiting Buddhist temples and Shinto shrines, which is perfectly appropriate to Nara, by the way. If these resources were lost, Nara's regional value would be significantly diminished.

In this region, we want to employ the Impact Fund to identify where the issues lie and where to begin our response, and to use our findings to create concrete initiatives.

Aoki: I find the phrase "business is people" to be deeply meaningful. When planning this project, we first considered the concept that would best suit it. The concept we chose overlaps with the Bank's Management Strategy of "fostering unconventional human resources," and we have incorporated this concept into the Fund to increase the number of qualified staff with problem-solving capabilities.



We need to develop human resources who fill the gap between employees who think of actions and those who actually put such actions into practice. It is certainly vital that we nurture "unconventional human resources." Members of the Fund and Nanto Bank employees accompany and support those who are seeking solutions to issues, which contributes further to finding practical solutions. We are fully aware of the need to increase the number of qualified staff who can tackle the issues the customers we invest in are struggling with and help them determine the direction they want to take with a sense of ownership. That is how our value-creation process works.

Fund scheme



Profile of SIIF

Organization name	Japan Social Innovation and Investment Foundation (SIIF)
Established	September 2018
Location	6F, 1-11-28 Akasaka, Minato-ku, Tokyo
Chairman of the Board of Directors	Shuichi Ohno
Business content	Projects that contribute to realization of major changes in society (social innovation) by building a social and economic resources circulation system to solve social issues

The Yamato Social Impact Fund has been selected by SIIF to conduct a project supporting establishment and operation of a regional impact fund focusing on "social impact evaluation and management" to visualize changes and effects on society and the environment. It has been allocated a subsidy based on the Dormant Deposits Utilization Act.

SIIF comments

The Yamato Social Impact Fund is Japan's first funding project to utilize "dormant deposits." It is a rare initiative in which local financial institutions are collaborating for the first time in this form of investment. We hope that the pioneering Yamato Social Impact Fund project will solve issues in Nara and the surrounding region, and that it will provide a model for regional impact funds nationwide in the future.



Sugiura: Although deposits and loans remain the primary focus of the Bank's business, we feel we can contribute increasingly to local community development by placing new importance on creating social value through investment and taking risks proactively outside the traditional framework of the banking business. I also believe that the awareness of our Group employees will be elevated to new heights by experiencing the process of investment as a financing method, and that this will make them better equipped to take personal responsibility for addressing regional issues.



Objectives of the Nanto Bank Group and the Fund

Sakai: This Regional Impact Fund is a model initiative for solving regional issues. We are conducting crowdfunding for shrines and temples in the region in cooperation with our investment partner READYFOR Corporation, for example, and we implemented a particularly successful project with Horyuji Temple in June 2022, which attracted nationwide attention and raised funds far exceeding the target amount. At Nanto Capital Partners, we have connected various startups to other local businesses, deepening interest and leading to formation of the Impact Fund. We consider it our ultimate goal not only to solve problems, but also to create various businesses in the region. I believe that using the networks we have cultivated to date to collaborate with many people is vital for the sustainable growth of Nanto Bank. It is through such efforts that we hope to establish a framework or scheme to create more business projects in the community.

Aoki: As a matter of fact, I am from Ikaruga Town in Nara Prefecture, and the Horyuji Temple project renewed my pride in my hometown, which drew support from so many people throughout Japan. The mission of the Yamato Social Impact Fund is not only to nurture qualified staff but also to generate solid returns. We would be more than happy if we could contribute to increasing Nara's affluence by pursuing this mission and helping to resolve issues in the Yamato region, even to only a limited degree. I might add that it is the regional banks with the deepest knowledge of the region that will be responsible for revitalizing it through impact investment, and the region would never be revitalized without them playing an active role. If Nanto Bank can take the lead in expanding this model horizontally in the future, I am convinced that the results will be excellent.

Sugiura: We intend to continue providing optimal financial services and solutions to realize sustainable management in cooperation with our local communities. With the entry of other industries into the banking business, however, and the emergence of new payment services, we need to take a hard look at the ways in which we demonstrate our value as a Group. I consider the Yamato Social Impact Fund to be one of the unique strengths we retain as a regional financial institution. I also believe that our Group employees will realize solutions to various issues through deployment of the Fund and engender a new *raison d'être* and new value for the Bank as a regional financial institution, a process that will ultimately lead to human resources development. I feel certain that the Fund will contribute to sustainable growth of the Nanto Bank Group by winning acceptance among customers and the community and by supporting the growth of the regional economy.

