



**“Unconventional Human Resources” nurtured within our Group maximize Its Corporate Value**

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## Introduction

The Nanto Bank Group's business environment continues to confront concerns with such geopolitical risks as the situations in Ukraine and Palestine on the global stage as well as with such challenging developments as the historic depreciation of the yen against the U.S. dollar, rising stock prices, worsening labor shortage, cost of living increase and changes in monetary policy such as the lifting of the negative interest rate policy and removal of yield curve controls in the Japanese market. Accompanying these factors, the normalization of social and economic activities stemming from the end of the coronavirus pandemic are accelerating, and formidable trends such as digitalization and concern with environmental issues are advancing at a faster pace than ever.

It was against this backdrop that Nanto Bank celebrated its 90th anniversary on June 1, 2024. We wish to take this opportunity to express our sincere gratitude to our stakeholders for their warm support and patronage over the years.

Throughout our long, nine-decade history, we have remained committed to our Management Philosophy, which exhorts us to "pursue efforts to promote regional development" and "seek an identity as a trustworthy bank with strong customer appeal." We are responding by working to achieve what we can do, and what we alone can do, step by step. For the Nanto Bank Group to continue to be selected and relied on by local residents over the next 10 to 20 years, however, we must continue to demonstrate the significance of our presence in the community by "exceeding the expectations" of our stakeholders as officers and employees of the Nanto Bank Group.

We have produced this Integrated Report to serve as a tool for deepening dialogue with our stakeholders by illuminating the role the Nanto Bank Group intends to play in the region and the future it seeks to realize.

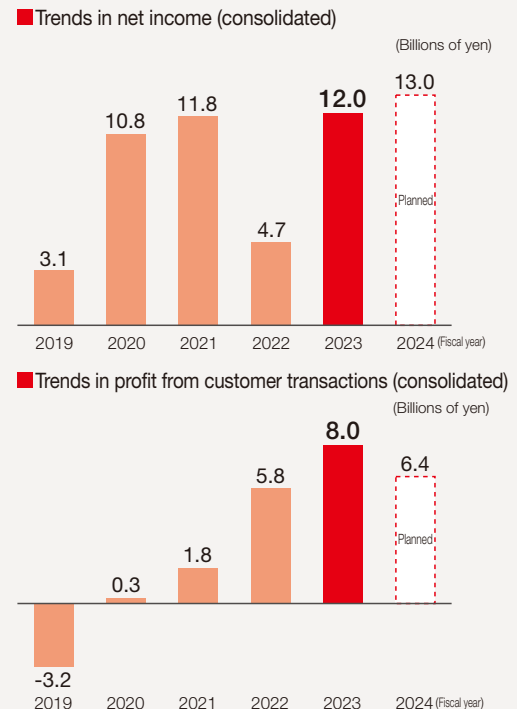
## Progress under the Management Plan

Guided by an awareness that “sustainable Group growth can be achieved only with regional development,” the Nanto Group has been working since April 2020 to realize its Management Plan, “Nanto Mission and Objectives for the Next 10 Years.” The Mission has three guiding objectives: “Pursuit of regional development, cultivation of vitality-creating human resources, and enhancement of profitability,” and three concrete goals: an increase of Nara prefecture’s GDP, development of management talent, and improvement of ROA.

We achieved a return to profitability in our “customer service business,” which had been in the red for many years, three years ahead of schedule in FY2021. In December 2021, we set a new interim target of 3 billion yen in non-consolidated profit from transactions with customers, and we are now working to establish a stable earnings base to achieve this goal.

Consolidated net profit from transactions with customers registered 12.0 billion yen and profit from customer service operations 8.0 billion yen for the fiscal year ended March 31, 2023, a result evidencing steady improvement of the Group’s earnings structure.

This year marks the final fiscal year of the interim targets set by the current 10-year Management Plan, and it is strategically positioned as a year that will serve as the foundation for a revised plan for the second 5-year half. We are responding with continued efforts to enhance the Nanto Bank Group’s corporate value.



## Exceeding Stakeholders' Expectations

The Nanto Bank Group’s Management Plan, “Nanto Mission and Objectives for the Next 10 Years,” calls for an increase in Nara Prefecture’s GDP and adheres to the idea that prefectural development is an appropriate role for the Nanto Bank Group to play as a regional financial institution.

In its efforts to contribute to regional development, the Group maximizes the use of its unconventional human resources and other management capital to provide added value by solving the problems facing our customers and local communities. To ensure customers’ continued selection of the Group in the future, we must “exceed the expectations” of our stakeholders, including our shareholders, customers, regional community residents, and employees.

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## Becoming a corporate group that encourages employees to maximize their abilities and value

Enhancing the corporate value of the Nanto Bank Group will require a “reformation of awareness” among our executives and general employees. For the Group to achieve sustainable development, it will be essential that each of us be prepared to “think and act independently,” which means determining, implementing, and achieving results proactively.

Our responses to this need have included proactively transferring employees outside the Bank to businesses in other categories and recruiting career professionals with the aim of fostering a spirit of challenge in our employees and breaking with the conventional approach of simply following precedents and fearing change. Career employee recruitment has never been a part of the Group’s culture, but 27 employees (as of March 31, 2024), including executives, are currently working actively in this area.



This year, we introduced a new award for “initiatives worthy of unconventional human resources.” Many members of our staff have responded by becoming active in areas beyond the scope of conventional bank employees, which we consider to be one of our accomplishments. We believe that diversification of human resources is an important factor for the development of our region and our Bank that will lead to “changes in the mindsets” of our officers and employees.

In April of this year, moreover, we revised our personnel system with the aim of attracting a diverse workforce without regard to gender or age.

The former personnel system was inflexibly seniority-based and characterized by substantial gender-based wage differences. These wage differences fell into three categories: career-track positions, specified positions, and clerical positions, with most of the first positions held by men and the second and third positions held by women. This issue has now been resolved by integrating the career-track and specified positions.

As concerns the seniority system, a minimum number of years of experience was set for promotion according to employee qualifications. The number of years for promotion to section manager was predetermined, for example, and no promotion was possible until a certain age. This requirement of a minimum period of employment has now been abolished, however, and replaced by a new system in which employees are evaluated according to their abilities rather than their age.

This renovation of our personnel system may seem only natural to other companies, but we see it as a first step toward sustainable development of the Nanto Bank Group by significantly altering perceptions of the roles of its executives and employees.

## Remaining necessary to our customers

To remain necessary to our customers will mean continuing our efforts to know them better and respond to their changing issues and needs. As digitalization spreads to more and more aspects of daily life, we see the attitudes of customers who rely on financial institutions changing markedly as well. Customers are increasingly using smartphones and other digital devices to experience a wide variety of highly

convenient services, and using their experience as a yardstick to judge the quality of services offered and evaluate their benefits.

Since the digital native generation will account for approximately 60% of the working population by 2030, we must change to meet the needs of younger generations in addition to those of our traditional customers.

In April, we released a new banking application we developed to enable customers to access the same services as at the bank counter comfortably with their smartphones from wherever they happen to be. This new app features state-of-the-art security with improved identity verification accuracy and uses biometrics and facial recognition for various services. Since its release, we have received a constant flow of feedback from customers on ways to improve the convenience of our services further. We take these issues seriously and are pursuing efforts to refine our services with maximum speed.

A customer survey on the “Financial Services You Want from Nanto Bank” conducted last year, meanwhile, found that many of our customers who work during the daytime wanted “consultations on holidays” and “online consultations,” which are face-to-face individual consultations reflecting their lifestyles. In order to respond to customers’ requests for consultations on asset formation, in October last year we began offering NISA and iDeCo consultations at “Hoken no Madoguchi @ Nanto Bank” counters located in commercial facilities, and “online consultations” for customers who are unable to visit our branches.

We will continue to provide services that exceed customer expectations by accurately grasping customer needs and thoroughly pursuing CS improvements.

### Remaining necessary to regional community members

To remain necessary to our regional community will require us not only to enhance and improve our services by incorporating feedback from our customers, but also to revitalize our regional economies and contribute to our local communities.

The aging of the region’s farmers, increasing trend toward farmland abandonment, and low level of spending by day-trip tourists compared to neighboring prefectures are just a few examples of the issues facing our region that cannot be resolved simply by solving the problems of individual customers.

For the direct resolution of these issues, we will not only support our customers, but will also strengthen ties with our local communities by working proactively toward the creation of local businesses.

This fiscal year, we are focusing on fostering entrepreneurs who aspire to solving local social issues, in particular, while also working to create new businesses.

Meanwhile, we are working proactively to support and brand businesses that take advantage of



Nara Prefecture’s unique resources and traditional industries, such as its historical heritage, cultural assets, shrines and temples, local sake, Yamato vegetables, and timber.

These efforts to revitalize the region may not be immediately visible in large numbers, but we believe they are an indispensable part of our mission as a regional financial institution.

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## To meet the expectations of our shareholders

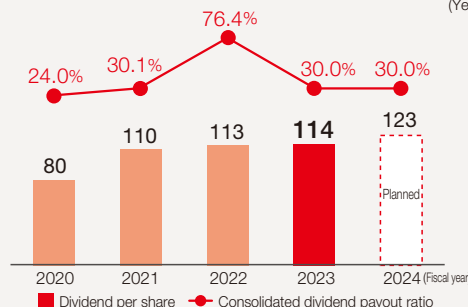
Currently, the Group's P/B ratio is hovering at around 0.4x. We recognize the importance of meeting shareholders' expectations and enhancing the Group's corporate value.

In our efforts to this end, we have formulated an action plan for both ROE and PER for the current fiscal year. We will continue to implement initiatives to raise expectations for the future by practicing sustainable management, which includes transforming the awareness of our executives and employees and resolving local issues.

In addition, the Bank's capital adequacy ratio has increased as a result of a transition of our credit risk measurement from the Standardized Approach (SA) to the Foundation Internal Ratings-based Approach (FIRB) as of March 31, 2024. We will work to maximize returns with appropriate risk-taking applied, as this will enable us to enhance profitability further while maintaining soundness.

As concerns shareholder returns, the annual dividend per share for fiscal 2023 will be 114 yen, an increase of 1 yen from the previous year, and we plan to increase the dividend by 9 yen to 123 yen in fiscal 2024. In addition, as announced this May, we will repurchase 1 billion yen in treasury stock this fiscal year. The planned total return ratio is roughly 38%, and we will continue our efforts to return profits to shareholders and improve our capital efficiency.

■ Trends in dividends and the consolidated dividend payout ratio (Yen)



## Conclusions

In the “world with interest rates” to which the Nanto Bank Group finds itself returning, our operating procedures will necessarily change significantly. Deposits will become increasingly important to funding, requiring us to take more sophisticated approaches to both lending and market operations. After many years of dealing with negative interest rates, interest rate hikes are circumstances that neither we nor our customers have experienced in recent memory years. Hence, we will need to be more attentive to our customers and to engage them actively in dialogue.

We see this as a major turning point that will significantly alter the future of the Nanto Bank Group. Our management has the responsibility of responding to the changes accurately in a timely manner, with a view 10 to 20 years into the future.

We are keenly aware as a regional financial institution of our role in supporting our regional economy, and we are committed to supporting our customers from a long-term perspective tailored to the characteristics of each area of the region, with the importance of increasing shareholder value always in mind. I ask you sincerely for your continued support as we strive to achieve sustainable Group growth and regional development by leveraging the continued efforts of all our officers and employees to take the initiative in implementing change and rising to new challenges.