Progress under the Management Plan

Overview of the Management Plan

In December 2019, the Nanto Bank Group introduced “Nanto Mission and Objectives for the Next 10 Years,” its Management Plan for the planning period from April 2020 to March 2030.

The Nanto Mission focuses on three objectives: “developing the region,” “creating vitality-creating human resources,” and “improving profitability” with the specified short-term goals of increasing Nara Prefecture’s GDP by approximately 350 billion yen, creating 350 management personnel, and achieving ROA (non-consolidated) of 0.35% or higher, respectively.

Having achieved our interim (first-half) targets set in December 2021 ahead of schedule, we introduced new interim targets for fiscal 2024, as follows: “3 billion yen in consolidated business profit from customer service operations,” “OHR under 70%,” “ROE of 4.0% or higher,” “non-consolidated ROA of 0.25% or higher,” and “1,000 employees with qualifications related to vitality creation”.

Progress toward our interim targets

■Interim targets for fiscal 2024 and status of achievement

	FY2022 results	FY2023 results	FY2024 plan	Interim target (FY2024)
Profit from customer transactions (consolidated)	5.8 billion yen	**8.0 billion yen**	6.4 billion yen	3.0 billion yen
ROE (consolidated)	1.72%	**4.28%**	4.51%	Above 4.0%
Number of employees with qualifications related to vitality creation	601	**693**	1,000	1,000
OHR (consolidated)	72.5%	76.8%	74.0%	Below 70%
ROA (non-consolidated)	0.20%	0.16%	0.20%	0.25% or above

Consolidated net business profit from customer service operations for fiscal 2023 increased by 2.1 billion yen from the previous year to 8.0 billion yen, mainly due to increases in interest on loans and fees and commissions, and ROE registered 4.28%, surpassing the interim target. OHR and ROA deteriorated, on the other hand, due to a decrease in core business profit resulting from declines in interest and dividends on securities and increased expenses. In fiscal 2024, we expect to achieve our interim targets for net business profit from customer services, ROE, and the number of qualified employees in positions related to vitality creation. Our progress in OHR and ROA leaves something to be desired, however, since our core business profit is expected to fall below our target due to increased investment in human capital and other factors.

Results for fiscal 2023 and forecast for fiscal 2024

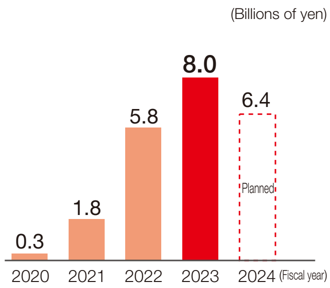
Interest on loans to customers

Interest on loans and bills discounted increased by 2.8 billion yen from the previous fiscal year to 37.1 billion yen in fiscal 2023, boosted by an increase in the average balance of loans and improved loan yields on foreign currency-denominated loans. Net fees and commissions also increased by 0.3 billion yen year-on-year to 7.3 billion yen due to higher income from corporate solutions and other factors.

In the expenses’ column, moreover, personnel expenses grew by 200 million yen year-on-year in the wake of increases in starting salaries and the salary base, while property and equipment expenses grew by 500 million yen due mainly to an upturn in IT investment.

As a result, with the improvement in non-consolidated business profit from customer service operations, consolidated business profit from customer service operations increased as well by 2.1 billion yen from the previous fiscal year to 8.0 billion yen.

■Trends in profit from customer transactions (consolidated)



As concerns revenue in fiscal 2024, we plan to increase interest income on loans and bills discounted to 37.7 billion yen, up 0.6 billion yen from the previous year, by expanding the volume of loans outstanding, and by raising net fees and commissions to 8.0 billion yen, up 0.6 billion yen from the previous fiscal year, due to an expected increase in corporate solutions revenue.

In the area of expenses, meanwhile, we are projecting an increase in personnel expenses of 0.8 billion yen to 21.9 billion yen due to higher investment in human capital, including base salaries, and a rise in property expenses of 1.4 billion yen to 15.8 billion yen due to the construction of a new Main Building and IT investment, among other factors.

We consequently anticipate a decrease in profit from consolidated customer services for fiscal 2024 by 1.5 billion yen from the previous fiscal year to 6.4 billion yen.

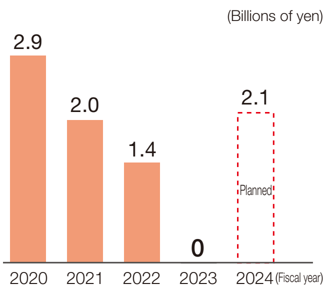
Credit-related expenses

Our credit-related expenses were 0.06 billion yen, a decrease of 1.4 billion yen from the previous fiscal year resulting from a reversal of allowances for loan losses by large customers owing to their efforts to support their core businesses during the coronavirus pandemic.

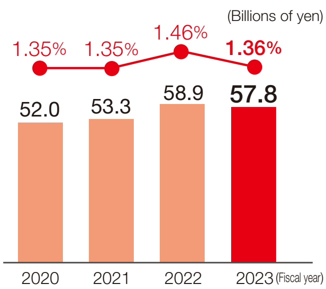
The Bank’s non-performing loan balance fell by 1.0 billion yen from the end of the previous fiscal year to 57.8 billion yen as of fiscal 2023, with a resulting non-performing loan ratio of 1.36%.

In fiscal 2024, we plan to raise new accruals by 2.0 billion yen from the previous year to 2.1 billion yen in response to higher prices and the start of full-scale repayment of pandemic-related loans, among other factors.

■Trends in credit-related expenses (non-consolidated)



■Trends in non-performing loans outstanding and the NPL ratio

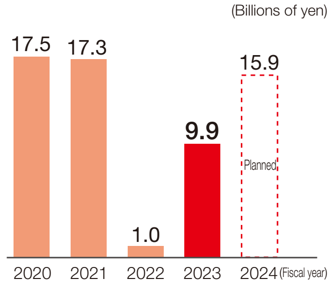


Market division earnings

In fiscal 2023, market segment income increased by 8.9 billion yen from the previous year to 9.9 billion yen due to an improvement in gains/losses on bond sales as a result of portfolio restructuring through sales of foreign bonds, which had been the inverse in fiscal 2022, despite a decrease in gains/losses on mutual fund redemptions. The breakdown is income of 10.5 billion yen and capital income of -0.5 billion yen.

In fiscal 2024, we plan to increase market segment income by 5.9 billion yen year-on-year to 15.9 billion yen due to improved capital gains and increased income.

■Market sector revenue trends (non-consolidated)

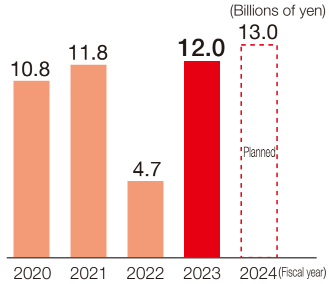


Net income

Consolidated net income for fiscal 2023 was 12.0 billion yen, up 7.3 billion yen from the previous year, due to an increase in net interest income from customer service operations, a decrease in credit-related expenses, and an improvement in market sector earnings.

Consolidated net income in fiscal 2024 is expected to register 13.0 billion yen, an increase of 0.9 billion yen from the previous year, due to a projected improvement in market sector earnings and despite a decrease in customer service business profit and an increase in credit-related expenses.

■Trends in net income (consolidated)



Capital policy

Basic policy

We aim to enhance the medium- to long-term corporate value of the Nanto Bank Group by maintaining financial soundness and achieving a balance between strategic investments for sustainable growth and shareholder returns.

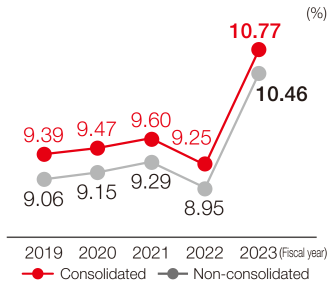
Capital adequacy ratio

The Group's capital adequacy ratio was 10.77% on a consolidated basis and 10.46% on a non-consolidated basis.

We will continue to strive to maintain an appropriate capital adequacy ratio and to manage capital efficiently.

*Our approach to credit risk measurement was changed from the Standard Approach to the Basic Internal Rating Approach as of March 31, 2024.

■Trends in the capital adequacy ratio (consolidated and non-consolidated)



Shareholder return policy

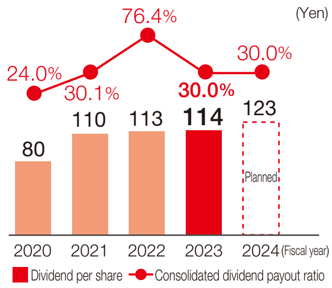
The year-end dividend for the fiscal year ended March 31, 2024 was 74 yen, which together with the interim dividend of 40 yen, brought the annual dividend per share to 114 yen, an increase of 1 yen over the previous year's results.

The annual dividend planned for fiscal 2024 is 123 yen per share, meanwhile, as determined in accordance with the shareholder return policy.

Shareholder return policy (announced February 2022)
Maintain a stable dividend of ¥80 per share, while targeting a dividend payout ratio of 30% of net income attributable to shareholders of the parent company

Details of a share buyback conducted in May 2024
The total return ratio is expected to be approximately 38% as a result of both our acquisition of treasury stock for the purpose of returning profit to our shareholders and our enhancement of corporate value through improved capital efficiency achieved by executing flexible capital policies in response to changes in the business environment. ● Total share acquisition cost: **1 billion yen** (maximum) ● Total number of share acquisitions permitted: **450,000** (maximum) ● Period of acquisition: May 13, 2024 - July 31, 2024

■Trends in dividends and the consolidated dividend payout ratio



Cross-shareholdings

Cross-shareholdings are held when they contribute to the sustainable growth and maintenance/enhancement of the corporate value of both the company generating the stocks and the Nanto Bank Group, and when holding them is judged necessary to the Group's business strategy.

The ratio of the Bank's market value-based cross-shareholdings to consolidated net assets declined from 38.3% at March 31, 2015 to 27.5% at March 31, 2024. The Bank is targeting a reduction of this ratio to around 20% by end March 2025 as part of efforts to reinforce awareness of capital efficiency in the Bank's management.

■Trends in the market value of cross-shareholdings and the ratio of cross-shareholdings to net assets