

Contribution of Consulting Sales to the Group's Earning Power and Corporate Value

We leverage the many strengths of our Group companies to provide consulting and solutions to the various management issues facing our customers, strengthen regional sustainability, and, at the same time, raise the Group's profitability and corporate value.

To facilitate these efforts, Tsuyoshi Sugiura, Director and Senior Managing Executive Officer responsible for the Group's overall sales operations, met with four of the Group companies' representative directors to exchange opinions on the roles of their respective companies in consulting sales to customers and the contribution of each to enhancing the Group's corporate value. The four directors were Yuichi Sugawara of Nanto Consulting, Kazuomi Nakamuro of Nanto Lease, Hidetoshi Nishioka of Nanto Computer Service, and Yuji Matsuura of Nanto Mahoroba Securities.



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Nanto Lease Co., Ltd.
President and
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The Nanto Bank, Ltd.
Director, Senior Managing
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Tsuyoshi Sugiura

Nanto Computer Service Co., Ltd.
President and
Representative Director
Hidetoshi Nishioka

Nanto Mahoroba Securities Co., Ltd.
President and
Representative Director
Yuji Matsuura

Group companies' roles in consulting sales

Sugiura: In its efforts to meet the diverse needs of its customers, the Group provides highly specialized services through its member companies, including Nanto Consulting for general consulting and placement, Nanto Lease for various types of leasing, Nanto Computer Service for IT support, and Nanto Mahoroba Securities for asset management.

The companies are working together as an integrated unit to resolve issues through "Know your customers" activities that involve repeated dialogues with management and other means. With the Management Plan scheduled to enter its fifth year when the current fiscal year draws to a close, we feel it behooves us to strengthen our contacts with customers and improve our consulting capabilities further in preparation for the second half of our 10-year Plan.

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With this in mind, please share your insights with us regarding roles, future initiatives, and directions for our Group companies using their strong synergies with our corporate clients.

Sugawara: Some of our regional corporate clients perceive a gap between their current circumstances and the identity they aspire to. Others have not yet drawn a clear path to realizing their future vision. Nanto Consulting's role is to support and accompany these customers as they seek solutions by helping them to realize their ideal image and to chart a path to their envisioned futures. Specifically, we seek to raise clients' corporate value by acquiring an in-depth understanding of their challenges, identifying the true causes of their problems, and proposing the most appropriate solutions.

Many managers do not feel their business is performing as well as they would like but are unable to clarify the problems. Since their management resources are limited, we consider it important to focus on the most important, most pressing issues, prioritize them, and then proceed in close cooperation with the customer after asking, "Why don't we work on solving this issue?"



Nakamuro: Nanto Lease will celebrate its 40th anniversary this December when Nanto Bank celebrates its 90th Anniversary, making us the oldest subsidiary in the Nanto Bank Group. In accordance with the Group's efforts to provide comprehensive financial services, Nanto Lease plays the role of providing leasing services to corporate customers to support their capital investment aimed at improving their productivity.

Our leasing business centers on machinery and equipment leases as well as auto leases, but we have also begun handling building leases in recent years. We are expanding our product lineup further with the addition of instruments such as leaseback agreements to meet customers' diverse needs and help them overcome their various challenges.

Nishioka: Nanto Computer Service formerly did over half of its business on consignment from the Bank, but our focus in recent years has been on providing solutions directly to corporate clients, gradually increasing the weight of this part of our business.



We are also collaborating with outside partner companies in working closely with customers as a familiar IT consultant, while at the same time striving to strengthen our own sales force and improve our ability to provide solutions. Our aim is to reinforce our sales capabilities by constructing a system capable of providing consistent services from upstream to downstream in order to address customers' IT issues rather than relying on system sales alone, starting with consulting and extending to specialized services and other products. We will continue to play a role in the Group by leveraging our knowledge, expertise, and specialization in the IT field to help customers improve their operating efficiency, productivity, and corporate value.

Matsuura: Mahoroba Securities initiated operations in 2019 and celebrated its fifth anniversary this year. The Nanto Bank Group as a whole is working to enhance the sophistication of its consulting sales. Monetary consulting can be broadly divided into four categories: "borrowing," "protecting," "saving," and "increasing. Among these, we are primarily concerned with "increasing" customers' liquid assets. Since the economy has been in deflation for a long time, there has been little difference between the results of the "saving" and "increasing" functions. During the current shift to a world with interest rates, however, we want to assist in the "protecting" aspect as well,

including creation of portfolios capable of coping with rising interest rates and inflation. We are also striving to support corporate owners on two fronts, as managers and as individuals. This involves developing highly specialized staff to respond to a wide range of needs, such as by making provisions for the maintenance and survival of client companies and for their retirement needs.

A particular specialty of our company is domestic and foreign stocks and bonds, which banks cannot offer. We accompany them with the highly specialized investment know-how of a securities firm in hopes of earning the kind of affection they feel for Nanto Bank over the medium to long term, not just the short term.



Reinforcing autonomous management of the Group companies to strengthen their revenue-generating capabilities independent of the parent Bank.

Sugiura: Improving the profitability of the Nanto Bank Group will require the Bank itself to enhance its earning power. The Group companies need to increase the difference between their consolidated and non-consolidated earnings, meanwhile, which means increasing their earnings from outside the Bank's business sphere.

Although the Bank and its Group companies need to work together in a strong, organic manner, the Group companies must also strengthen their autonomous management to free themselves from overdependence on the policies and strategies of their parent.

Sugawara: Unlike institutions in the banking business, Nanto Consulting's business model focuses on the assets themselves, as shown on the left side of the balance sheet, in order to increase clients' corporate value, thereby providing customer satisfaction in exchange for a certain level of compensation for our contribution. Another unique feature of our firm is that we employ a mixed team of professionals who are seconded from banks and hired externally. I myself have a varied history of experience in lending operations at megabanks as well as in risk management, medium-term management planning, governance, investor relations, and other areas at securities companies and operations companies. I am supported by a team of people with diverse experiences, including professionals who have worked for consulting firms for more than 20 years. We will continue to promote autonomous management by drawing on our power to perceive customer needs that finance alone cannot solve and to provide value that banks cannot offer on their own.

Nakamuro: Nanto Lease maintains a particular focus on the field of environmental, social, and governance (ESG) leasing in order to solve our customers' issues and increase our earnings. With demand growing for businesses to combat climate change, customers want to renew their facilities in the most environmentally friendly way possible. We work as a team to support their decarbonization efforts by stressing provision of ESG leasing.



In our collaboration with the Bank, we believe that human resources development and speed are key factors.

Leasing offers various advantages, including lower initial costs, labor-saving in office management, and flexible responsiveness to the risk of equipment obsolescence. Our job is to leverage these

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advantages to provide solutions smoothly, as the banker who referred us has trusted us to do. I believe this is true not only for our company but also for other companies in the Group. As part of our efforts to strengthen cooperation within the Group, we would like to see more exchanges of human resources between the Bank and the Group companies.

Nishioka: Nanto Computer Service is currently shifting its business focus from Bank service outsourcing to external sales to customers. In the past fiscal year, our external sales division achieved record highs in terms of percentage of sales and actual sales and revenue amounts, and we are seeking to increase these figures further in the current fiscal year. Besides expanding the scope of the solutions we offer, we are reinforcing and upgrading our responsiveness, technological capabilities, and sales force to help customers solve their various IT and DX issues. In terms of collaboration with the Bank, the number of referrals from the sales branches doubled year-on-year in the past fiscal year, and the entire Nanto Bank Group is becoming increasingly aware of the need to address our local customers' IT issues and to provide solutions and means of resolving them. Going forward, we intend to deepen our collaboration with the Bank's IT team further by sharing functions and roles, and to enhance our own profitability through IT consulting and support. We will enhance our presence as a company that undertakes a wide range of customers' IT-related issues and provides solutions.

Matsuura: The regions in which the Group operates are enormously rich in business opportunities. Nara prefecture, for example, is among the top five prefectures in Japan in terms of personal financial assets and home to many cash-rich corporations. The fact that major securities companies are pursuing sales activities in the prefecture shows what an excellent market it is. In this environment, we have an overwhelming share of the credit business, but we have not yet fully exploited the opportunities available in the fields of asset formation and surplus fund management, even though we have had a fairly healthy number of opportunities to do so. Nanto Mahoroba Securities sees this as a business opportunity and hopes to turn it into a profitable business. We do not believe that we are different from the major securities companies and financial institutions in terms of ability to respond to customers' investment needs. I am convinced that the Nanto Bank Group enjoys a particular advantage in terms of knowledge of the proposal contents best suited to customers stemming from its closeness to them, and we intend to leverage the potential this gives us to seize business opportunities and meet the customers' actual needs.

Sugiura: The representatives of the Group companies have spoken about their respective roles, future initiatives, and directions for improving profitability. We believe that if each company leverages its expertise to meet our customers' varied needs and enhance their corporate value, the customers will reap the fruits of our growth, and this will, in turn, enhance our own profitability.

While cooperation between the Bank and its Group companies is itself unchanged from the past, further strengthening of the Group companies' autonomous management will lead directly to an increase in consolidated ROE by expanding the gap between our consolidated and non-consolidated results. We encourage the Bank and its Group companies to play their respective roles with the intention of dramatically improving the corporate value and ROE of the Group 5 or 10 years down the road.

