

Business Support for Regional Economic Development

■ Basic policy

The various challenges our customers face range from a shrinking working-age population to the need to cope with post-pandemic pricing and high resources costs. We delve into the actual challenges facing them and work in unity as a Group to support their management improvement and business revitalization that goes beyond support for cash management.



Director and Managing Executive Officer
(Officer in Charge, Examination Department)
Ryuichiro Funaki

We maintain close relationships with business owners as if we ourselves were a party to their struggles.

We recognize the needs to support local industries and businesses and contribute to the recovery and growth of the regional economy as critical issues for retention of the Nanto Bank Group's business foundation. This is why we included "promoting regional development" as an objective of the Nanto Mission stated in our Management Plan. Over the past few years, the coronavirus pandemic forced us to focus on providing financial support to shore up customers' available cash flows, including the execution and rescheduling of pandemic-related loans at the request of the government. With the normalization of socioeconomic activities and the termination of government support measures for cash management in June 2024, we recognize that regional financial

institutions will be called upon to provide support for management enhancement and business restructuring that goes beyond cash management—and that this is precisely the time to test the true value of the Nanto Bank Group's consulting capabilities.

In the current fiscal year, we have strengthened our client support systems further by establishing the Management Issue Resolution Project Meeting to enable the Business Revitalization Support Office, a specialized department with expertise in management improvement and business revitalization, and our branch offices to work together to provide "push" support for clients' management improvement and business revitalization at the earliest possible date.

Efforts to achieve management improvement and business revitalization require us to start at an early stage, when the options for improvement are most numerous. When we work on business improvement early, our ability as a financial institution to use such instruments as financial statements and account histories to grasp business conditions at any time enables us to play an important role. We engage in dialogue with business owners proactively by identifying changes in their business situations and discussing the causes of any deterioration with them.

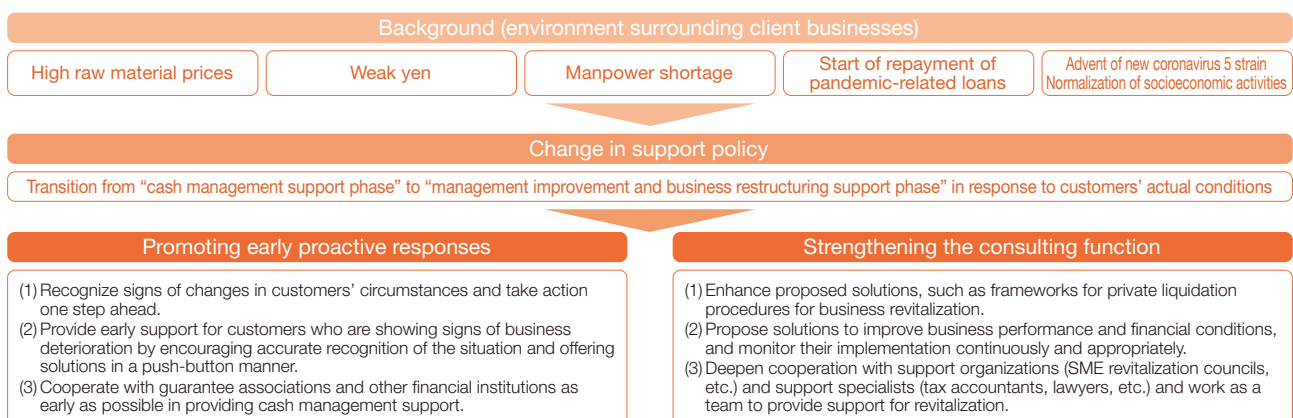
As the future unfolds, we will contribute to the sustainable development of our customers and our regional economy by maintaining close relationships with our business owners, with a shared sense of ownership and a willingness to think about the future of their businesses together.

■ Improvement of customers' businesses — efforts toward business revitalization

With socioeconomic activities normalizing since the coronavirus pandemic, the environment surrounding small- and medium-sized businesses remains challenging due to rising material prices, a weak yen, labor shortages, and the start of repayment of pandemic-related loans. Against this backdrop, regional financial institutions are required to shift their focus from emergency support centered on cash management to support for management improvement and business revitalization tailored to the actual conditions of individual customers.

Early commencement and prompt revitalization are important for management improvement and business revitalization. Many of our customers are aware of the need for management improvement and business revitalization but are unable to take concrete action.

At Nanto Bank, the Business Revitalization Support Office, a division specializing in management improvement and business renewal, engages in proactive activities by sharing issues and providing solutions for businesses that are showing signs of business deterioration.



Business
modelStrategies
and resources
allocation

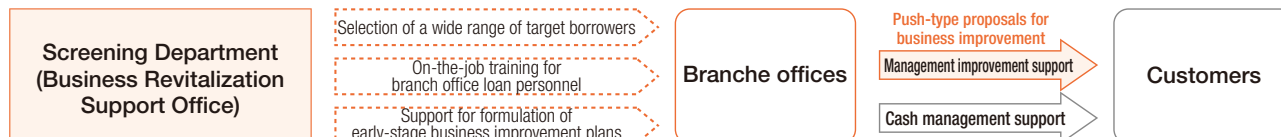
Performance

■ Proactive proposals aimed at business improvement

In April 2024, we established the “Project Meeting for Solving Management Issues” to provide a wide range of support for our business partners.

At the Meeting, we share the management issues faced by our business partners and proactively generate push proposals to solve them.

Management Problem-solving Project Meeting



■ Efforts related to the Guidelines for Management Guarantees

The Nanto Bank Group’s policy on personal guarantees for loans to customers is that “no personal guarantee is required, in principle, except when recommended on a case-by-case basis considering the individual circumstances or when judged necessary for some other reason.” We do not rely on personal guarantees, and we do not require double guarantees from a former manager or successor at the time of business succession.

<Percentage of new loans that do not rely on management guarantees>

April 2021 - September 2021	October 2021 - March 31, 2022	April 2022 - September 30, 2022	October 2022 - March 31, 2023	April 2023 - September 30, 2023	October 2023 - March 31, 2024
66.08%	67.76%	69.15%	70.64%	75.23%	75.60%

Nanto Bank ranked **7th** among regional banks (out of 100 banks / as of end-September 2023): FSA

■ Implementation of the Credit Rating & Self-assessment Trainee Program

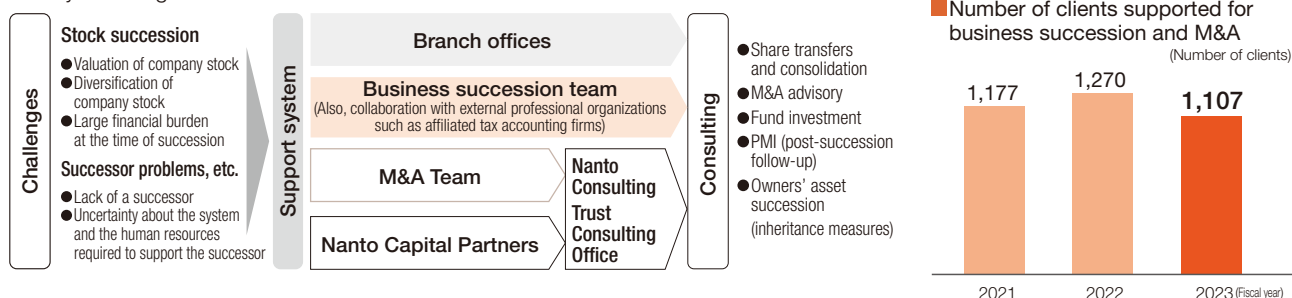
Since April 2023, we have been conducting a Credit Rating & Self-Assessment Trainee Program aimed at early development of young employees. Every half year, about 10 employees in their first or second year with the Bank are dispatched to the Credit Department, where they work intensively at the branches to acquire skills in rating and self-assessment under the supervision of veteran instructors. Through the trainee program, young employees acquire basic skills in corporate screening and business loans, while the sales branches improve their operational efficiency and sophistication. The system is now firmly established.

Results from April 2023 to
March 2024

19 participants (including 9 who
joined the Bank in 2023)

■ Support for customer growth strategies, business succession for business continuity, and M&A

Business continuity is among the most important issues for our corporate clients. The Nanto Bank Group works in close cooperation with owners to provide comprehensive proposals to resolve their business succession issues, while also considering M&A as an option for business succession. M&A is widely used as a management and growth strategy as well as a means of resolving corporate issues. In addition, the Group works in unison to support customers’ smooth asset succession by acquiring an in-depth understanding, not only of their corporate concerns but also of the asset profiles of individual owners, including their own shares, and by resolving issues related to inheritance.



<Nanto> TSUNAGU Fund for business succession

In November 2022, Nanto Bank and Nanto Capital Partners jointly established the Nanto TSUNAGU Fund with specialization in business succession to solve regional issues. We are using the Fund to pursue further efforts to revitalize the regional economy and create a sustainable society by facilitating the succession of businesses in the region, maintaining employment, and supporting initiatives for further growth triggered by business successions.