Advanced Risk-Return Management

■Enhancing the Bank's risk-return management

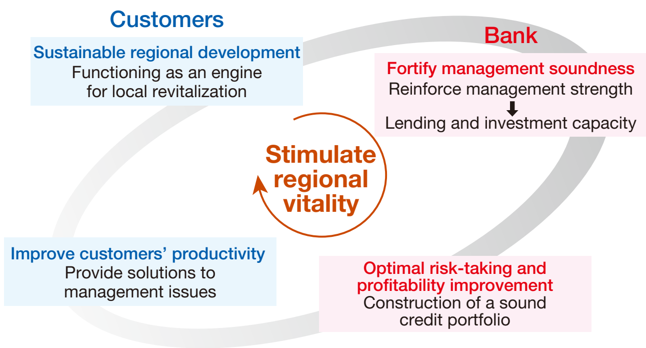
Nanto Bank's capital adequacy ratio has improved with its transition to the Fundamental Internal Ratings Based Approach (FIRB). Going forward, it will strive to enhance both its financials and its soundness by increasing profitability while engaging in appropriate risk-taking.

Acquisition of Fundamental Internal Ratings Based Approach (FIRB)

In March 2024, the Bank changed its capital adequacy ratio calculation method from the Standardized Approach (SA) to the FIRB approach.

FIRB is a method of calculating capital adequacy ratios more appropriately by measuring the credit risk associated with loans and other assets using a bank's internal rating system.

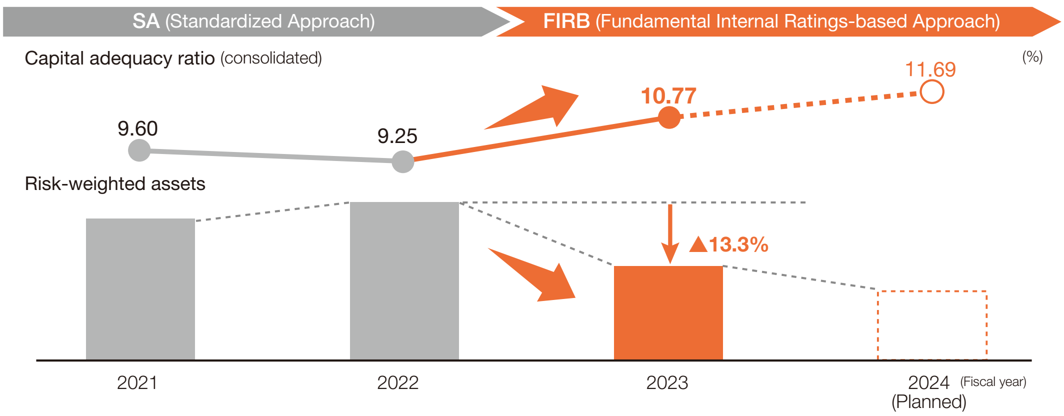
Building up a sound credit portfolio through optimal FIRB-based risk-taking will enable us to reinforce our internal control systems and contribute to sustainable regional development.



Blancing profitability and soundness

The capital adequacy ratio (consolidated) for FY2023 increased to 10.77% due to a decrease in risk-weighted assets of approximately 13% following the transition to the FIRB approach. Furthermore, we expect the ratio to rise to the 11% level, which we consider a reasonable level, in FY2024.

Going forward, we will work to improve RORA (Risk vs. Return on Assets) as we advance the sophistication of our risk/return management with the goal of improving both our profitability and our soundness.



Advanced risk/return management

RORA	=	ROE (Profitability)	×	Capital adequacy ratio (Soundness)
Profitability / Risk assets	=	Profitability / Capital adequacy	×	Capital adequacy / Risk assets

Improvement of RORA (Risk vs. Profitability)

- Deepen understanding of business conditions and actual status of business partners
- Ensure appropriate pricing in light of rising interest rates
- Improve credit ratings by enhancing corporate value and supporting business improvement
- Raise service revenues through expansion of comprehensive transactions

Reduction of cross-shareholding and implementation of shareholder returns

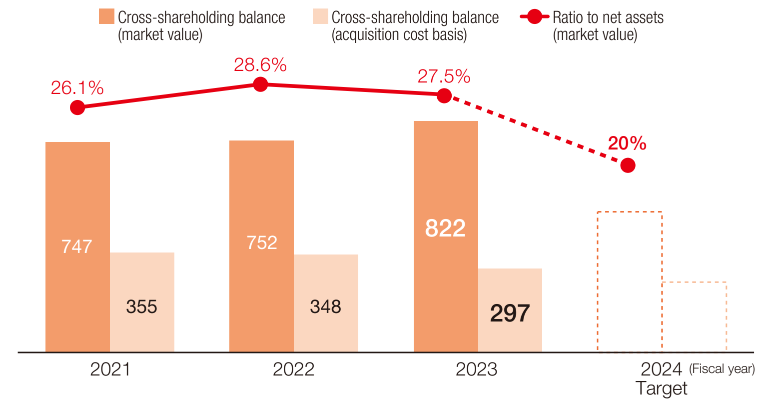
Reducing cross-shareholding

As a regional financial institution, the Bank will hold only a limited number of shares in companies whose shares it has a policy of holding in order to contribute to the sustainable growth and maintenance and improvement of the corporate value of the client company and the Bank itself. We will sell these shares only after sufficient dialogue with the client company from the perspectives of such factors as controlling stock-holding risk and capital efficiency.

Although their market value balance increased last year in an environment of rising stock prices, the number of stocks held and the balance based on acquisition cost have decreased steadily, and the ratio to net assets has declined to 27.5%.

We are well aware of the market's demand for a reduction in cross-shareholding and will reduce the ratio to net assets to around 20% this fiscal year.

Cross-shareholding (balance & ratio)



Policy on reduction of cross-shareholding	Reduce the ratio to net assets (consolidated) to about 20% by the end of March 2025.

Q Questions from investors

- Do you think it is possible to achieve the target for reducing cross-shareholding?
- How do you plan to use the cash generated by the sale of your cross-shareholding?

A Nanto Bank responses

- We have reached an agreement to reduce the value of our cross-shareholding by approximately 90% of the amount required to lower it to 20%, a goal we expect to reach by the end of FY2024. Meanwhile, we are negotiating an agreement regarding the remaining 10% with our investee companies.
- The funds generated from the sale will be allocated for use in forward-looking strategic investments, such as the construction of the new Main Building and investments in IT.

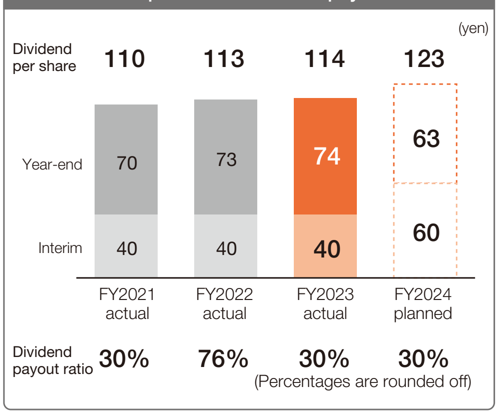
Shareholders' returns

As concerns returns to shareholders, the annual dividend per share for the last fiscal year was 114 yen, up 1 yen from the previous year, and we plan to increase the dividend per share by 9 yen to 123 yen for this fiscal year.

As announced in May 2024, moreover, we will repurchase a total of 1 billion yen of our own shares in the current fiscal year.

As a result, the total planned return ratio is about 38%, and we will continue our efforts to return profits to shareholders and improve our capital efficiency.

Dividend per share / dividend payout ratio



Total return ratio	FY2021 actual	FY2022 actual	FY2023 actual	FY2024 planned
	31%	110%	30%	38%

Share buyback (announced May 10, 2024)

Total repurchase price
1 billion yen (maximum)

Total number of shares to be repurchased
450 thousand shares (maximum)

Repurchase period
May 13 to July 31, 2024

Method of acquisition
Purchase on the Tokyo Stock Exchange

Shareholders' return policy	Maintain a stable dividend of 80 yen per share, while aiming for a dividend payout ratio of 30% of net income attributable to shareholders of the parent institution.

Q Questions from investors

- Companies are working in growing numbers to strengthen their returns to shareholders. What are your thoughts on returns to shareholders going forward?

A Nanto Bank responses

- We plan to increase our returns to shareholders to reflect our growth in profitability when we introduce our revised Management Plan in fiscal 2025, and we are now considering the appropriate level of returns to set at that time. We will disclose our new policy as soon as it is finalized.