

Building an Open Culture to Maximize the Value of Our Human Capital—Our Most Important Management Asset

Introduction

At the outset, I would like to express my sincere gratitude for your continued support. I am Satoshi Ishida, and I assumed the position of President of Nanto Bank in April of this year. I am proud and deeply honored to find myself at the helm of this historic banking group, which has grown in step with our local community, centered in Nara prefecture.

Our mission remains unchanged amidst the structural changes occurring in Japan's regional economies driven by population aging and declining birthrates: to evolve beyond being a mere provider of funds and become a driving force for regional vitality.

Last year, the Nanto Bank Group celebrated its 90th anniversary. Looking ahead to our centennial, we will not rest on our laurels and will strive to become a banking group that is chosen by all our stakeholders, including our community and traditional customers.

We have prepared this Integrated Report to clarify the issues identified by management and the policies we have established, with the aim of deepening dialogue with our stakeholders. We ask that you take the time to read through it and get to know us better.



President (Representative Director)
Satoshi Ishida

Aims of the Medium-Term Management Plan

The Nanto Bank Group has introduced a new three-year Medium-Term Management Plan for the 2025 fiscal year titled “Creating Regional Vitality Through Human Capital.” This plan rests on two pillars: “developing talent” and “pursuing sound management,” with the aim of “creating regional vitality.”

Our employees are responsible for “creating regional vitality.” If they are not recognized by our regional customers and other stakeholders as reliable, vibrant human resources, we will be unable to create vitality, however much we try, since we will be unable to provide the value-added services that are a prerequisite to this goal.

It is essential that we share a vision for the future with our stakeholders. We must explore how fully we can envision, surface, and discuss the future our community members aspire to. We bring our own vision for tomorrow to the table, of course, but it is by exchanging ideas, integrating our respective visions, and ultimately sharing them that I believe we can create the greatest added value. If we can build these kinds of relationships with the community, I am confident that our employees will serve as catalysts to realize “regional vitality creation.”

To cultivate the talent we need to meet our goals, the Group is creating many opportunities for employees to acquire new insights. These range from secondments to local governments and regional businesses to secondments to banks in Japan and overseas, as well as to mid-career and alumni hiring. By actively incorporating perspectives, ideas, and values that we may not have considered before—even some that may seem difficult to accept at first—we will foster the flexibility we need to adapt to our rapidly changing business environment.

In this way, I believe our Group will generate ideas that could not have emerged in the past, and that our people will be recognized by stakeholders as reliable and engaging.

We recognize that we still have a long road ahead, but we will continue to advance steadily toward our desired future.

At the same time, our efforts will amount to little if they do not produce results. This is where “sound management” becomes critical.

In this connection, we have set targets of increasing consolidated net income to 18 billion yen and ROE to over 5.5% by the final year of the Medium-Term Management Plan in fiscal 2027. As concerns ROE, moreover, while we cannot yet provide a timeline for its achievement, we intend to raise it to 8% over time.

I view the current changes in the interest-rate environment as an opportunity for our Group to take on new challenges and achieve further growth. Eschewing complacency, we will invest actively in human capital, digital transformation, governance, and regional revitalization to improve not only our ROE, but also our PER, with the ultimate goal of achieving a PBR above 1.

Our Medium-Term Management Plan is thus a blueprint for realizing the future we want to share with our stakeholders, and the phrase “creating regional vitality through human capital” expresses our Group’s strong commitment—including my own—to this goal.

Three Areas of Engagement

Engagement with Employees

Banking products are difficult to differentiate, and with the rapid advances in AI, I believe that the value created by human capital can be a differentiating factor in creating a competitive advantage.

Our Group's current emphasis is on developing outstanding talent, and on building an organization in which these human resources can continue to create value in the future.

This year, I plan to place a particular focus on the latter, with the aim of fostering an open culture across the Group.

By "open culture," I mean an environment where people can speak up, acknowledge challenges and failures, share issues openly, and work together on improvements.

Creating a culture of this kind will require us not only to evaluate accomplishments but also to recognize progress—especially turning what we could not do into what we can. My hope is that these efforts will lead to creation of an organization where all employees feel fortunate to work.

In this way, the development of attractive human capital will enable us to provide our community and our customers with higher value-added activities and proposals. I am also confident that our Group's performance will improve as engagement with both employees and customers increases.

One of the new systems introduced to initiate this virtuous cycle is the Employee Stock Ownership Plan (ESOP) announced in May. This reflects our belief that, to meet stakeholders' expectations, employees must take ownership of the Bank's management.

From the perspective of improving governance, we believe that reflecting the perspectives of our employees in management will lead to more transparent and credible corporate management. Every employee will act as an owner, with responsibility for regional development and enhancing the Group's corporate value, working together with management to address challenges and measure progress using the "Employee Engagement Score," one of the KPIs set in our Medium-Term Management Plan.



President's Message

Engagement with Customers

Last year, Japan's economy reached a major turning point when the Bank of Japan ended its nearly eight-year negative-interest-rate policy. With the ensuing return to a positive-interest-rate environment, customer needs and values are also diversifying.

When interest rates rise, customers become even more discerning when choosing a bank. In addition to rates and services, brand recognition also becomes a key factor.

In Nara prefecture, where our bank is based, many people still associate the word "bank" most strongly with Nanto Bank. However, I am concerned that the younger generations, who will comprise our main customer base in 20 or 30 years, may not associate the word "bank" with Nanto Bank.

If we are to secure our position with customers, it will first be necessary to make them aware of Nanto Bank's existence, and then to clarify our service offering and, finally, to establish a feeling of connection, expressed by such phrases as, "It's convenient to do business with them" or "I want to use their services." To create more contact points with customers, we have opened new branches in a number of large commercial facilities with high foot traffic.

At the same time, the Nanto Bank app now has approximately 180,000 users since its launch last year; about 80% are younger, asset-building customers (20s–50s). However, opening branches and developing an app alone will not be enough to secure a lasting competitive advantage.

If the Group is to continue to exist in this region 20 or 30 years from now, we must give customers a clear reason to choose and use our services. One effective measure may be to create a system that makes customers feel that depositing funds with us is a contribution to Nara's development and an investment in the resolution of its issues. We are also considering systems that encourage people with a strong attachment to their region or hometown to deposit their money in our Bank.

We are convinced, moreover, that it is impossible to establish the "basic trust and security" customers require when choosing a bank overnight. The "trust and sense of security" our

predecessors cultivated over long years are valuable asset that can be lost in an instant if we let our guard down.

If we are to sustain customer engagement, I believe it will be essential to clearly define the reasons why customers should choose our Group and to continuously maintain and enhance the "foundation of trust and peace of mind" they feel.



Engagement with Regional Society

Nara prefecture boasts the largest number of World Heritage sites in Japan, as well as numerous historical and cultural properties designated as National Treasures and Important Cultural Properties. Accordingly, urban planning is subject to rules that limit the degree of development possible. Against this backdrop, our Group has identified real estate as one of the region's key issues in our Medium-Term Management Plan.

I envision our Bank Group collaborating with local governments in Nara prefecture to proactively discuss and shape future urban planning. To achieve this, we must first consolidate real-estate information, analyze how it can contribute to regional revitalization, and establish a framework for consultation with relevant local governments.

Assessment of real estate information in Nara prefecture can provide insights into property owners' asset circumstances, transactions, inheritances, and funding needs associated with development.

Consolidating real estate information in this way will enable us to provide information, not only to customers in Nara prefecture, but also to customers outside the prefecture as well as to real estate-matching services. Grounded in our Group's foundation of trust and peace of mind, we can add value to all this consolidated information and make high-quality proposals to our customers. Rather than shying away from regional issues that have been difficult to resolve in the past, we will tackle them proactively from new and diverse perspectives to further enhance our engagement with the community.

Meeting Shareholders' Expectations

By implementing these initiatives, we expect to achieve record net income of 15 billion yen in fiscal 2025, along with steady improvement in ROE.

In March 2025, moreover, we revised our shareholder return policy—increasing the dividend payout ratio from 30% to 40%, among other measures—to strengthen returns to shareholders. As a result, the annual dividend per share for the previous fiscal year increased by 56 yen to 170 yen. What is more, for fiscal 2025, we plan to increase the dividend by 20 yen to 190 yen, a record high.

Our Group's PBR remains at around 0.5, however, and we recognize this as an important challenge for us in meeting the expectations of our shareholders and raising our Group's corporate value. Improving not only ROE but also the price-earnings ratio (PER) is essential to enhancing PBR. We will strive to improve PBR by raising ROE and clearly communicating our growth scenario to shareholders to strengthen expectations.

Finally, the Nanto Bank Group will continue to fulfill its role of "protecting the regional economy" under any circumstances—supporting our stakeholders' futures through financing and assistance tailored to their management challenges. We will strive to grow together with our stakeholders, and to do our utmost to maintain business relationships for generations to come. We ask for your continued support as we move forward.