

Enhancing the Nanto Bank Group's Corporate Value

Enhancing Corporate Value through Sound Management

Message from the Executive in Charge of Management Planning and Finance

Managing Director and
Executive Officer
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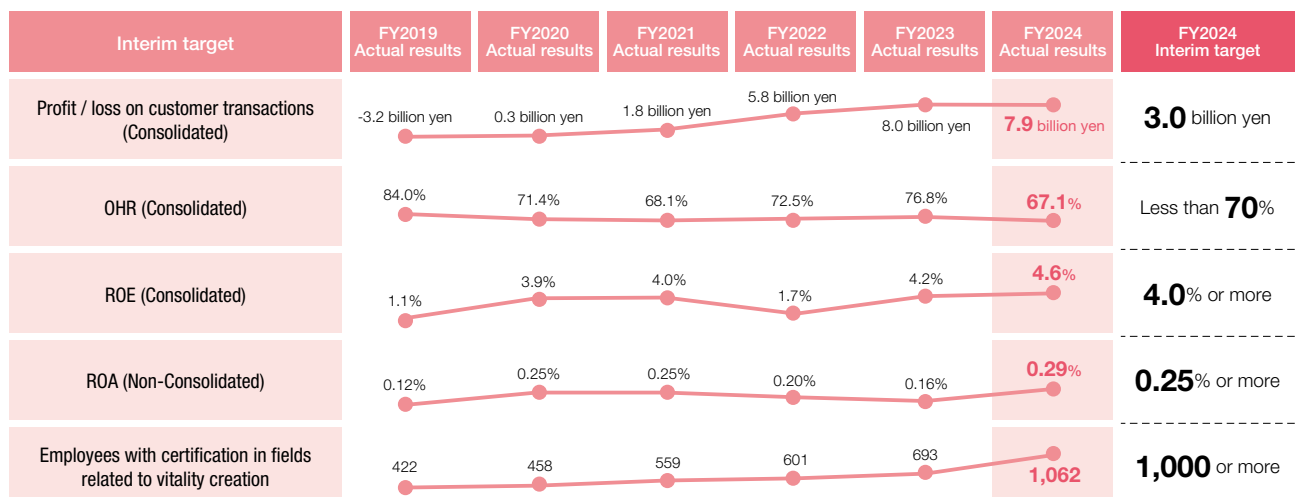
■ Review of Business Performance

Review of the Management Plan (Phase I)

The Nanto Bank Group set the following targets in its 10-year management plan for fiscal 2020 to fiscal 2029 titled “Our Mission and Goals for the Next 10 Years”: “Increase Nara Prefecture’s GDP by approximately 350 billion yen,” “Create 350 management personnel,” and “Achieve a standalone ROA of 0.35% or higher.”

In the first five years of the business plan (Phase I), we aimed to strengthen our core business, which had ceased to be profitable due to the introduction of negative interest rates and other factors. As interim targets for the final year of Phase I (fiscal year 2024), we set the following goals: “3 billion yen in consolidated customer service business profits,” “consolidated OHR below 70%,” “consolidated ROE of 4.0% or higher,” “standalone ROA of 0.25% or higher,” and “1,000 employees holding qualifications related to vitality creation.”

Despite challenging external conditions such as negative interest rates and the COVID-19 pandemic, the results of our efforts to strengthen the revenue base and reorganize our office network were steadily realized, leading to improvements in the Group’s financial structure. This enabled us to achieve our highest-ever net profit and meet all our interim targets in the 2024 fiscal year.



Review of 2024 fiscal year performance

In addition to strengthening our foundation in our home prefecture of Nara in fiscal 2024, we also reinforced our sales strategy in Osaka prefecture, which led to an increase in our loan balances. Our introduction of policy interest rate hikes enabled interest rates to rise, moreover, resulting in an increase in loan interest income. Interest income from securities increased as well due to investments in yen-denominated bonds in response to rising interest rates, among other factors. As a result, the Bank's core gross operating profit increased by 12.9 billion yen year-on-year to 61.8 billion yen.

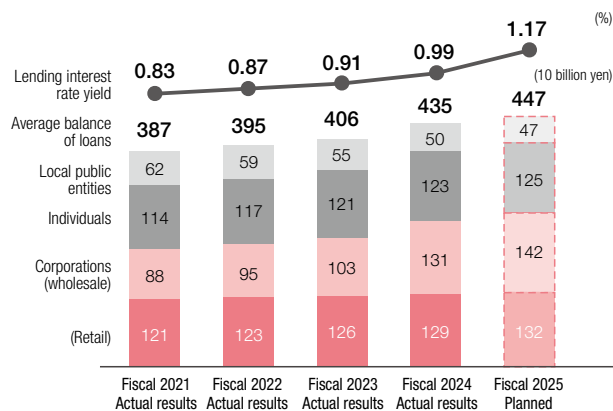
As concerns expenses, meanwhile, although costs such as property and personnel expenses rose due to the construction of our new Head Office building and base salary increases, an increase in our core gross operating profit led to net profit of 13.3 billion yen, which combined with our consolidated net profit of 13.5 billion yen to set a new record high.

We believe that steady implementation of reforms and a continued transformation into a robust financial foundation, even under negative interest rate conditions, combined with external factors such as the return to a "world with interest rates," contributed to this achievement of our record-high profit.

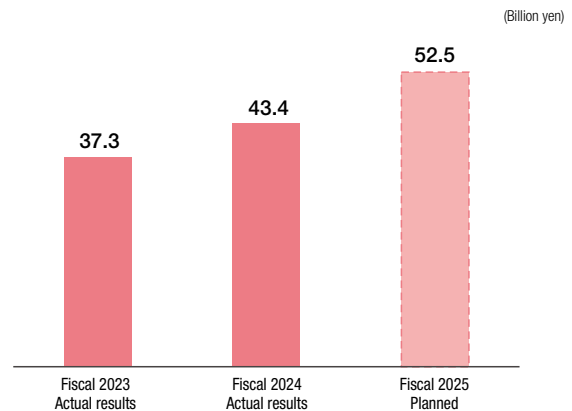
(Billion yen)

	FY2023 Actual results	FY2024 Actual results	Year-on-year comparison
Consolidated			
Ordinary income	166	196	+30
Net income	120	135	+14
Bank only			
Core business gross profit	489	618	+129
Funding income	434	563	+128
Interest on loans	373	434	+61
Interest on securities	107	197	+90
Of which, gains/losses on redemption of investment trusts	-48	15	+63
Interest on deposits	2	37	+34
Fee and commission income	73	73	+0
Other operating income (excluding gains/losses on government bonds and other bonds)	-19	-17	+1
Expenses	379	416	+37
Personnel expenses	210	223	+12
Property expenses	144	160	+15
Core business net profit	109	201	+91
Gains/losses on government bonds and other bonds	9	-21	-30
Gains/losses on stocks and other securities	33	39	+6
Ordinary profit	158	190	+31
Net profit	118	133	+15
Credit-related expenses	0	27	+26

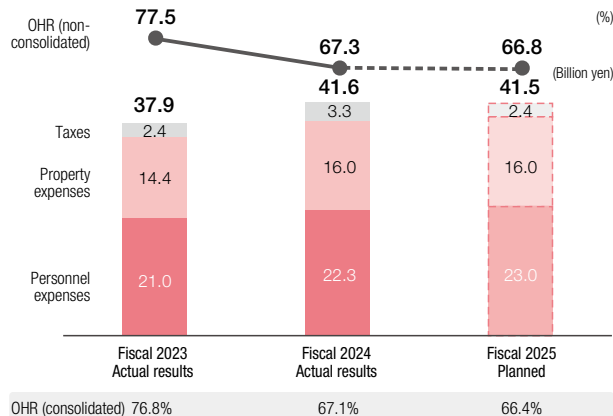
Lending interest rate yield and average balance



Interest on loans



Actual expenses



Factors affecting increase/decrease in expenses

	Fiscal 2024		Fiscal 2025 Plan	
	Year-on-year comparisons	Main factors	Year-on-year comparisons	Main factors
Taxes	+0.9	Consumption tax related to the construction of the new Head Office +0.8 billion yen	-0.8	Temporary expenses in the previous fiscal year -0.8 billion yen
Property expenses	+1.5	Temporary expenses related to the relocation of the Head Office, etc. +1.0 billion yen IT investment, etc. +0.8 billion yen	+0	Temporary expenses in the previous fiscal year -1.0 billion yen Depreciation expenses for the new Head Office +0.5 billion yen IT investment, etc. +0.5 billion yen
Personnel expenses	+1.2	Base salary increases, etc. +1.2 billion yen	+0.7	Base salary increases, etc. +0.5 billion yen Introduction of an employee stock compensation plan +0.2 billion yen

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■ Initiatives to enhance corporate value

► Numerical targets of the New Medium-Term Management Plan

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Sound management targeted by the updated Medium-Term Management Plan

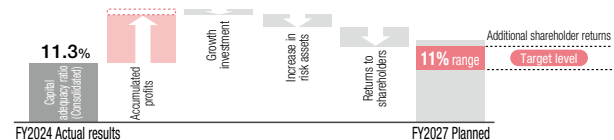
To put “sound management,” one of the two pillars of the updated Medium-Term Management Plan introduced in April 2025, into practice, we have set the following targets to improve profitability further: “ROE of 5.5% or higher,” “capital adequacy ratio of 11–12%,” “net income of 18 billion yen or higher,” and “OHR below 65%.”

Through the steady execution of our business strategy, we intend to increase loan interest income and secure stable income revenue in the Market Division. Meanwhile, we will control expenses appropriately, including increases in personnel costs due to base pay adjustments, and IT investments aimed at further enhancing customer convenience, with the intention of increasing our core business profit and achieving net profit of 18 billion yen and an OHR below 65%. Meanwhile, we are targeting a capital adequacy ratio of 11–12% through flexible share buybacks, with a target ROE of 5.5% or higher now and 8.0% or higher in the future.

We recognize the current situation in which our PBR is below 1x as a serious concern. We will respond with efforts to enhance our corporate value by presenting our stakeholders with a sustainable strategy for growth through improved profitability and capital efficiency.

Capital adequacy ratio

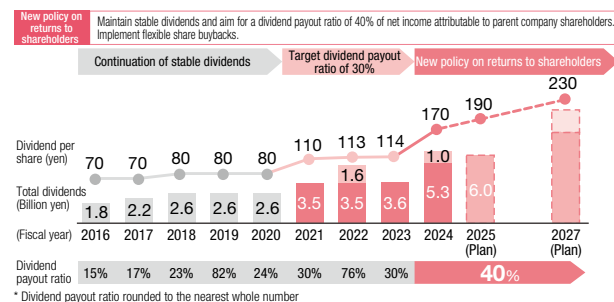
Our Group's capital adequacy ratio was 11.31% on a consolidated basis and 10.93% on a non-consolidated basis as of end March 2025. We will continue our efforts to maintain an appropriate capital adequacy ratio and allocate our capital efficiently, targeting a range of 11% in fiscal 2027.



Returns to shareholders

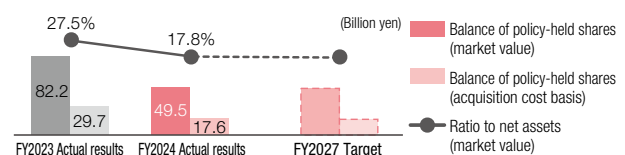
We will aim for continuous profit growth through the steady implementation of appropriate measures, including the flexible acquisition of treasury stocks, while reviewing our policy on returns to shareholders and seeking to maximize our corporate value by further strengthening these shareholder returns.

Under the revised policy, the dividend per share for fiscal 2025 is expected to be 190 yen. If we achieve our net income target for the final year of the medium-term plan (18 billion yen), moreover, the dividend per share is expected to be 230 yen.



Reduction of policy-held shares

We also consider it important to reduce the number of policy-held shares in order to improve our capital efficiency. We set a target of reducing the ratio of policy-held shares to consolidated net assets to 20% or below, and we had already achieved this target as of end March 2025 with a ratio of 17.8%. We will, however, continue to reduce our policy-held shares going forward.



■ Performance forecast for fiscal 2025

In fiscal 2025, we plan to increase our interest income on loans and Market Division revenue, with consolidated ordinary income of 21.5 billion yen and net income of 15 billion yen. This plan assumes that the policy interest rate will remain unchanged at 0.5%.

As concerns loan interest income, we plan to increase our loan balance, as well as to benefit from the two interest rate hikes implemented in the previous fiscal year, to increase our yield for the full year. In the Market Division, we aim to achieve our plans by constructing a portfolio that ensures stable revenue through flexible portfolio restructuring and diversified investments centered on yen-denominated bonds.

(Billion yen)		FY2025 Plan	Year-on-year comparison
Consolidated	Ordinary income	215	+18
	Net income	150	+14
Bank only	Core business gross profit	620	+1
	Funding income	578	+15
	Interest on loans	525	+90
	Interest on securities	174	-23
	Of which, gains/losses on redemption of investment trusts	0	-15
	Interest on deposits	109	+72
	Fee and commission income	71	-1
	Other operating income (excluding gains/losses on government bonds and other bonds)	-27	-9
	Expenses	415	-1
	Personnel expenses	230	+7
	Property expenses	160	+0
	Core business net profit	205	+3
	Gains/losses on government bonds and other bonds	-10	+11
	Gains/losses on stocks and other securities	28	-11
	Ordinary profit	210	+19
	Net profit	150	+16
	Credit-related expenses	22	-5