Leveraging the Power of Our Human Capital to Pave the Way to the Future

Remaining Our Customers' Banking Group of Choice: Combining Close Customer Engagement with Forward-Looking Investment

Let me begin by expressing our heartfelt gratitude for your continued support.

The Nanto Bank Group's operating environment is undergoing more far-reaching change than at any time in its history. These include not only structural changes in the regional economy—such as a declining population, low birthrate, and aging population, accompanied by a resulting decrease in the number of businesses—but also accelerated advances in digital technologies, including AI, and an end to the prolonged low-interest-rate environment.

These changes notwithstanding, our Group Mission remains unchanged: To maximize the value we provide our stakeholders—especially our regional customers—and foster regional vitality.

That said, we can expect it to be increasingly difficult to remain our customers' banking group of choice if we rely too heavily on the convenience provided by such physical infrastructure as branch offices and ATMs, the traditional strength of regional financial institutions, in an era characterized by advances in cashless and digital transactions in which AI consultation can often provide accurate answers. Our Group must respond by not only offering convenience, but also by remaining an institution that customers rely on as their "first point of contact in times of need."

This Integrated Report has been prepared to communicate clearly to our stakeholders all the ways in which we are working as a Group to enhance our corporate value sustainably, and to realize our vision of "Remaining our Customers' Banking Group of Choice." We hope you will take the time to read through it.



President (Representative Director)
Satoshi Ishida

Progress under the Medium-Term Management Plan and our direction toward enhancing corporate value

The Group launched its Medium-Term Management Plan, "Create Regional Vitality with the Power of Human Capital," in FY2025.

Core operating income remained robust in fiscal year 2025 due to factors such as an increase in loans. This combined with an improved earnings environment resulting from policy interest rate hikes and the Group's ongoing efforts to strengthen profitability to produce record-high profits for the second consecutive fiscal year.

Encouraged by these results, we have revised the numerical targets of our Medium-Term Management Plan upward to a consolidated net income of at least 30 billion yen and a return on equity (ROE) of at least 8.5% in fiscal year 2027. While acknowledging the steady strengthening of our earning power, we are also aware that external factors played a role in these results. To achieve further growth, we will accelerate our expansion into high-value-added businesses under appropriate risk management, with the long-term goal of achieving an ROE of 10% or higher.

We also recognize improvement of our Price-to-Book Ratio (PBR) as a key priority. By deploying carefully crafted strategies and initiatives to enhance the quality of our portfolio, we aim to achieve an ROE that consistently exceeds our cost of capital, thereby realizing a PBR of 1x while striving for further improvement.



For fiscal year 2026, we have identified two key priorities for achieving these goals: first, we must transition to area-based sales activities; and, second, we must seize new investment opportunities. These initiatives are more than mere business strategies; they also serve as practical opportunities for our employees to tackle the challenges facing our customers and our local communities, envision the future, and cultivate an ability to act toward finding solutions. Deploying these two initiatives to reinforce the capabilities of our human capital and organization as a whole, and channeling these strengths into new value creation, will assure our Group's sustainable growth in corporate value.

A shift to sales activities that deeply engage with the community

Our first initiative—a shift in sales activities—originated from my conviction that we have reached a critical juncture that requires us to reexamine the value we provide as a regional financial institution. To date, our Group has established a large market share and enjoyed strong support from regional customers in and around Nara Prefecture based on our infrastructure of branches and ATMs. With the ongoing advances in cashless and digital transactions, however, simply maintaining a network of convenient nearby branches and ATMs is no longer adequate to ensure continuing customer loyalty. Going forward, we believe that the value offered by a regional financial institution will lie not only in the convenience of its digital services, but also in its role as a financial institution customers can turn to for advice, backed up by an ability to provide prompt, accurate solutions.

In the prolonged negative interest rate environment that recently ended, financial institutions' perceived need to grasp limited revenue opportunities efficiently led to a tendency to focus sales efforts on customers with clearly defined needs. The resulting diminished contact with local customers led to new challenges. Among these, we recognize a weakening of our Group's presence in the community, accompanied by a diminishment of our opportunities to grasp customers' true sentiments and regional changes. Reversing this situation and re-

establishing our presence in the community is serving as the starting point for our shift in sales activities.

This shift began with moving away from our traditional segmented sales structure, in which staff were assigned separately to corporate or individual clients, to a regional assignment system. Sales staff assigned to each area will build a comprehensive understanding of every local stakeholder, from businesses and individuals to local governments. By engaging closely with the community and expanding their points of contact, they will seek to become trusted partners whom customers turn to first, thinking, "If something comes up, I'll talk to Nanto Bank."

As they broaden these contacts and work through the wide range of challenges and concerns that customers bring to them, our area representatives will strengthen their problem-solving skills and be able to offer more relevant, well-targeted proposals. This virtuous cycle will enable us to further deepen customer trust, expand deposit, loan and service transactions across each relationship, and improve the quality and profitability of our portfolio. This virtuous cycle will enable us to deepen our relationships of trust with customers further, expand our deposit, loan, and service transactions holistically, and improve the quality and profitability of our portfolio.

At the same time, sincerely engaging various customers in repeated conversations and working to resolve their challenges will also provide vital opportunities for employee growth. As they build relationships with a diversified assortment of local stakeholders ranging from individuals to corporations and local governments by engaging closely with them, both at the Bank and elsewhere in the community, they will enhance their ability to elicit customers' true feelings through dialog, identify the root causes of their issues, and guide them to solutions. Precisely because we are living in an era of advancing digitalization and AI, we will strengthen our focus on developing human capital who can provide unique value no one else can create, and who are capable of engaging with all kinds of customer on a personal level.

We are also strengthening our sales activities in Osaka, moreover—a region with which Nara Prefecture enjoys historically deep ties—in an effort to expand our business in the metropolis. We have long regarded Osaka as our "second home," and we have built a strong sales foundation there over the years. There remains, however, significant room for growth in our Group's market share. We are pursuing a policy of further deepening our relationships with existing customers and increasing the number of Osaka clients who choose us as their main bank. We are successfully capturing Osaka's robust demand for funds, as evidenced by growing loan volumes and a steady increase in corporate deposits. In the future, we will not simply seek to expand our new business. Instead, we will acquire a deep understanding of the roles our customers play in the local business flows and supply chains, and further strengthen our relationships with core customers who are vital to the regional economy. Building on this foundation, we will focus on partners operating in the supply chain and related challenges to extend our reach to grasp new funding needs and investment opportunities. While continuing to incorporate the community-focused sales approach we are advancing in Nara Prefecture, we will also take the specific characteristics of the Osaka market into account.

Taking on challenges in the investment sector with an eye to the future

In connection with our second focus initiative—seize new investment opportunities—our Group established a new Investment Business Department in April 2026. Traditionally, the banking business has primarily supported customers through lending based on past financial results and creditworthiness. In this time of increasing uncertainty, however, decisions based solely on past performance cannot fully capture customers' future value. The era to come will require a financing function that collaborates with clients to envision their future, assesses the growth potential of their businesses, and contributes to enhancing corporate value—including through capital

participation when necessary.

For our employees, these initiatives also provide an opportunity to hone their ability to view businesses, not only through the lens of past performance, but also from a future-oriented perspective, to assess growth potential and risks, and to take responsibility for their own judgments while supporting clients' decision-making. They will cultivate the ability to devise solutions by bringing together expertise from both within and outside the Bank and combining different perspectives. Developing as a team of professionals equipped with these mindsets and skill sets, we will work to help local companies expand their scale and improve their productivity by combining direct investment, fund investment, structured finance, and other approaches.

Our aim is to establish a new business model that engages proactively in restructuring the regional economy. We will position investment not merely as a means of providing capital, but also as an approach to enhancing corporate value by grasping our clients' future visions and analyzing the fundamental strengths of their businesses and evaluating their growth potential. We believe that by promoting these initiatives as a unified Banking Group, we can safeguard our regional employment, technologies, and commercial networks, and pass them on to the next generation.

Our Group's ability to engage actively in various investment activities is underpinned by the sound financial foundation and robust capital base we have built up over the years. It is precisely because of this foundation that we are able to provide funding actively to support the future value of local companies and the restructuring of regional industries—all while maintaining our own financial soundness—and thereby sustain their growth.

Reinforcing our investment capabilities also contributes to building a forward-looking portfolio. Operating in an environment with a declining population, it may become difficult to maintain deposits at their current level. This makes it important not to rely solely on a traditional business model that uses deposits as the source of funds for loans and securities investments, but rather to build a portfolio capable of generating stable returns, even within a diverse funding environment that includes market-based funding. Taking on new challenges in the investment sector not only contributes to the regional economy, but it can also lead to development of a business portfolio with diverse revenue streams that can adapt flexibly to future changes in the funding environment.

Strengthening human capital and organizations that support value creation

The force we are drawing on to power both of these key initiatives—shifting our sales activities and seizing new investment opportunities—is the formidable strength of our human capital. Both these initiatives are serving as practical training grounds for human capital development facilitating cultivation of attractive, capable individuals that goes beyond simply enhancing their financial knowledge and specialized skills to providing support for the future of our Banking Group.

The first qualification for recruitment is "interpersonal skills"—the ability to elicit customers' true feelings, identify the root causes of challenges, collaborate in envisioning a shared future, pool the necessary expertise, and lead the way to solutions by thinking independently and engaging others—combined with the "individuality" necessary to leverage their unique strengths and characteristics to the full.

The second qualification recognizes the importance of value that only human beings can provide in a world facing the ongoing advance of AI and digitalization. We seek talented employees who will do more than simply provide information, backed by experience and a sense of responsibility, to support the decision-making of customers who are making major investment or financing decisions. This includes encouraging them to act when appropriate and counseling them to pause when advisable. We believe that ongoing human resource development focusing on these talents will provide regional financial institutions with a competitive advantage in the future.

Our Group will leverage digital technologies to boost productivity and redirect the time saved toward high-value-added assignments, such as engaging in dialogue with customers and solving their challenges. Sharing information acquired through this dialog across our organization, and accumulating the insights obtained, will equip us to form future proposals and solutions. Creating this virtuous cycle will enhance our various employees' competencies and raise the organization's overall sales and problem-solving capabilities, thereby strengthening the structures supporting our sustainable value creation.

Flexible collaboration and transformation enhancing value for the community

The environment surrounding regional financial institutions is expected to remain uncertain for the foreseeable future. In addition to the contraction of regional economies as the population declines, a growing number of other emerging challenges—such as the needs to adapt to digitalization, advance system investments (including in cybersecurity), and secure specialized human capital—will be difficult for any single financial institution to address on its own.

Operating in this environment, we consider it critical that we carefully discern which areas the Group should tackle independently and which will require the adoption of external expertise and capabilities, while making the most value-added choices for all our stakeholders, including our customers, regional community, employees, and shareholders.

While continuing to cultivate our unique strengths—such as our community-rooted customer base, information sources, and human capital—we will construct a framework that enables us to provide even greater value to our customers by flexibly incorporating external expertise and capabilities in areas such as systems, cybersecurity, and investment.

Remaining Our Customers' Banking Group of Choice

The Nanto Bank Group's pursuit of growth is not conducted with a narrow focus on expansion of our scale alone. On the contrary, we seek growth that enhances value for both the local community and the Group through deep involvement with our customers and the local community. We work closely with them to address their challenges, envision future scenarios for joint achievements, and engage actively in their decision-making processes.

This requires that we view the community—including its corporations, residents, and local governments—as a unified area. We will create close bonds with our customers, engage them in conversation, and think things through together. Going beyond the limits of mere lending, we will participate proactively in our customers' futures by incorporating an investment perspective as well. Deploying all these initiatives, we will maximize our human capital's capabilities and weave their growth into the powerful structure of our organization.

In an era of momentous change, the role expected of regional financial institutions is becoming even more crucial. Building on the deep fund of trust we have cultivated over the years, our Group will transform itself to achieve continuous growth in company with our community. Our executives and employees will continue to work together and take on new challenges to remain the banking group of choice for all our stakeholders. We ask for your continued support toward our endeavors.

