

Information Meeting

The First Half Ended September 2016



THE NANTO BANK, LTD.

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I. About the Nanto Bank, Ltd.

1. Profile of the Nanto Bank

Profile of the Nanto Bank (as of September 30, 2016)

1. Founded	June 1, 1934
2. Location of head office	16 Hashimoto-cho, Nara City
3. Capital	¥29,249 million
4. Number of employees	2,719
5. Number of offices	138 (Japan), 2 (representative offices in Hong Kong and Shanghai)
6. Total assets	¥5,826.5 billion
7. Deposits outstanding	¥4,762.3 billion
8. Outstanding loans	¥3,240.9 billion
9. Capital adequacy ratio	Non-consolidated: 9.12% Consolidated: 9.35%
10. Market share in Nara Prefecture	Loans 49.0% Deposits: 49.0%
11. External credit rating	"A" (Stable) from JCR "A-" (Stable) from R&I

Corporate Philosophy

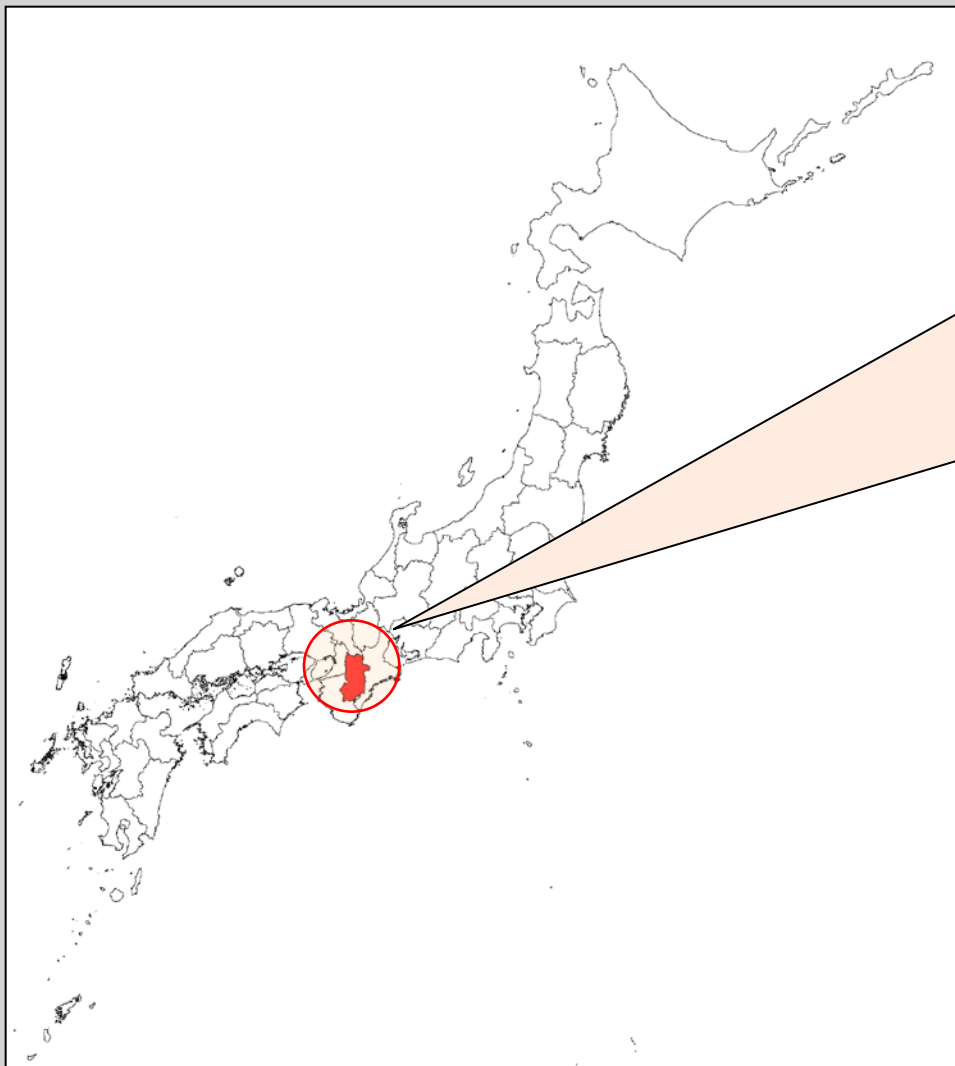
- (i) Pursue sound and efficient management
- (ii) Provide superior comprehensive financial services
- (iii) Contribute to regional prosperity
- (iv) Strive to become a highly reliable, friendly and attractive bank



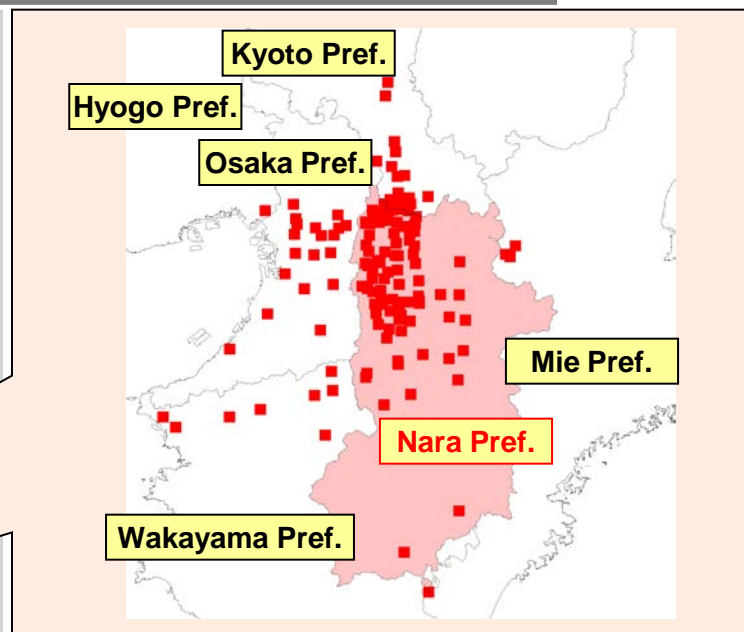
(Head Office)

Operating Areas of the Bank

Map of Japan



Our network of branches



Number of branches (as of October 31, 2016)

	Headquarters and branches	Sub-branches	Agencies	Total
Nara Pref.	71	19	3	93
Wakayama Pref.	6	2	-	8
Kyoto Pref.	12	3	-	15
Mie Pref.	1	2	-	3
Osaka Pref.	18	-	-	18
Hyogo Pref.	1	-	-	1
Tokyo	1	-	-	1
Total	110	26	3	139

Characteristics of Nara Prefecture

★ History

- Nara Prefecture was home to the nation's capital for most of the Asuka Period (from 592 to 710) and the Nara Period (from 710 to 794), during which time a significant number of important present-day cultural heritages, such as Buddhist buildings, were created.
 - * During one part of the Nara Period (from 784 to 794), Japan's capital was located in the southwest area of Kyoto Prefecture.

★ Abundant tourism resources

- Three World Heritage sites → Ranked top in Japan for the number of such sites
 - * Buddhist Monuments in the Horyu-ji Area, Historic Monuments of Ancient Nara and Sacred Sites and Pilgrimage Routes in the Kii Mountain Range
 - A total of 1,320 National Treasure and Important Cultural Property certifications (as of January 1, 2016)
 - * Nara Prefecture, accounting for 10.1% of the nation's total, is ranked 3rd in Japan, trailing only Tokyo and Kyoto Prefecture in this respect.
- In 2015, the annual number of foreign tourists visiting Nara Prefecture exceeded the 1 million mark.



(Nara Park)

★ Neighbors Osaka Prefecture

- Nara Prefecture has excellent traffic access to the neighboring Osaka Prefecture, the second biggest economy among the nation's prefectures.
 - * The distance between Nara Prefecture and Osaka Prefecture is about 30 km → 30 to 40 minutes via expressway or rail.
- These two prefectures are quite close to each other in terms of human and local connections. It is common for Nara residents to work in Osaka Prefecture.
- * Nara Prefecture is ranked top among the nation's prefectures for the ratio of local residents being employed outside the prefecture.

4. Market Characteristics

Market characteristics

- ★ Nara Prefecture: A substantial retail business market
- ★ Osaka Prefecture: Second largest economy among all the country's prefectures, substantial retail and corporate business markets

<Key indicators>

* Ranking is among the 47 prefectures of Japan

Item	(Unit)	Nara Pref.		Osaka Pref.		Source	Survey period
		Value	Rank	Value	Rank		
Total population	(Thousand of people)	1,365	30th	8,838	3rd	Ministry of Internal Affairs and Communications, <i>Preliminary Counts of Population Census of Japan</i>	October 2015
Number of private enterprises (offices)	(Thousand of entities)	49	38th	440	2nd	Ministry of Internal Affairs and Communications, <i>2014 Economic Census for Business Frame</i>	July 2014
Nominal prefectural GDP	(¥ trillion)	3	39th	37	2nd	Cabinet Office, <i>Annual Report on Prefectural Accounts</i>	FY2013
Housing starts	(Thousand of units)	6	36th	69	3rd	Ministry of Land, Infrastructure, Transport and Tourism	2016
Deposits balance	(¥ trillion)	11	24th	90	2nd	Kinyu Journal, <i>Regional Financial Map 2016</i>	March 2016
Loan balance	(¥ trillion)	3	31st	45	2nd	Kinyu Journal, <i>Regional Financial Map 2016</i>	March 2016
Personal savings (per household)	(¥ thousand)	17,816	1st	14,801	18th	Ministry of Internal Affairs and Communications, <i>National Survey of Family Income and Expenditure</i>	November 2014
Personal deposits balance (per capita)	(¥ thousand)	3,836	4th	4,258	2nd	Bank of Japan	March 2015

II. Financial Results for the First Half of FY2016

1. Summary of Profit and Loss

(¥ billion)		1H FY2015	1H FY2016	Y/Y change
1	Core gross business profit	28.1	27.3	-0.8
2	Interest income	25.4	25.0	-0.4
3	Fees and commissions	3.2	2.8	-0.3
4	Other operating income (*1)	(0.5)	(0.5)	-0.0
5	Cost of derivative financial products	0.6	0.6	+0.0
6	Expenses	21.7	19.6	-2.1
7	Personnel expenses	12.9	10.9	-1.9
8	Non-personnel expenses	7.8	7.5	-0.3
9	Core net business profit	6.3	7.6	+1.2
10	Gains/Losses on bonds (JGBs, etc.)	0.1	3.4	+3.2
11	Net transfer to general provision for possible loan losses	(0.9)	2.1	+3.1
12	Net business profit	7.5	8.9	+1.4
13	Non-recurrent gains/losses	0.1	(0.1)	-0.3
14	Gains/Losses on stocks	0.7	0.0	-0.7
15	Disposal of non-performing loans	1.4	0.1	-1.3
16	Retirement benefit expenses	0.3	1.0	+0.7
17	Ordinary income	7.6	8.7	+1.1
18	Extraordinary gains/losses	(0.0)	(0.0)	-0.0
19	Income before taxes	7.6	8.6	+1.0
20	Income taxes	2.3	1.7	-0.5
21	Net income	5.2	6.9	+1.6
22	Credit cost (*2)	0.2	1.9	+1.6

Analysis of Change Factors in Core Net Business Profit

(¥ billion)

Core net business profit for 1H FY2015		6.35
1) Average balance of loans (Y/Y change +¥147.5 billion)		+0.84
2) Interest rate on loans (1.01%, Y/Y change -0.12pp)		-2.04
3) Average balance of deposits (Y/Y change -¥58.5 billion)		+0.01
4) Interest rate on deposits (0.02%, Y/Y change -0.02pp)		+0.56
Lending/deposit sector total		-0.62
5) Average balance of securities (Y/Y change +¥101.0 billion)		+0.57
6) Yield on securities (1.15%, Y/Y change +0.01pp)		+0.16
7) Interest on fund management		-0.07
8) Interest on fund procurement (including cost of derivative financial products)		-0.51
Market sector total		+0.14
9) Fees and commissions (investment trust revenues: Y/Y change -¥0.31 billion life insurance revenues: Y/Y change -¥0.12 billion)		-0.38
10) Others		+0.04
11) Expenses		+2.10
Core net business profit for 1H FY2016		7.64

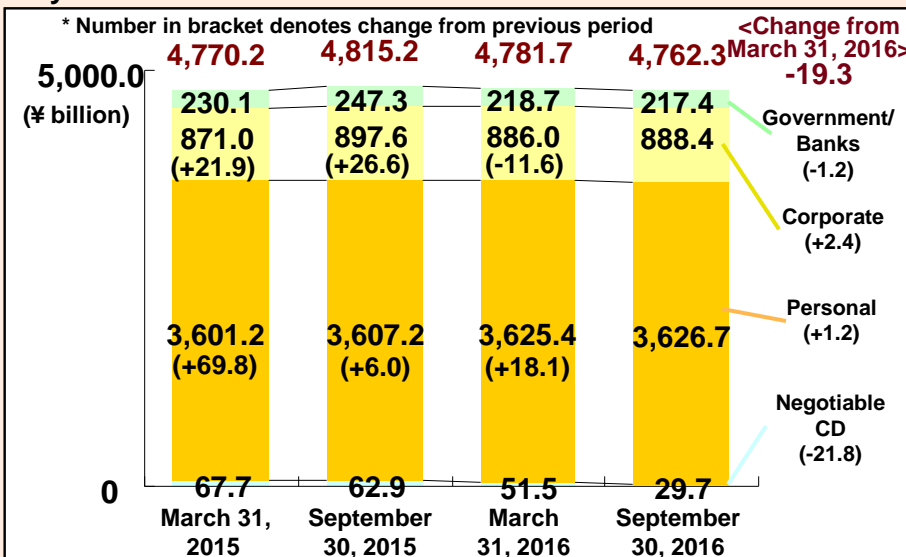
* 1 Excludes gains/losses on bonds (JGBs, etc.)

* 2 (Net transfer to general provision for possible loan losses + Disposal of non-performing loans) - (Bad debt recovered)

2. Summary of Deposits and Loans

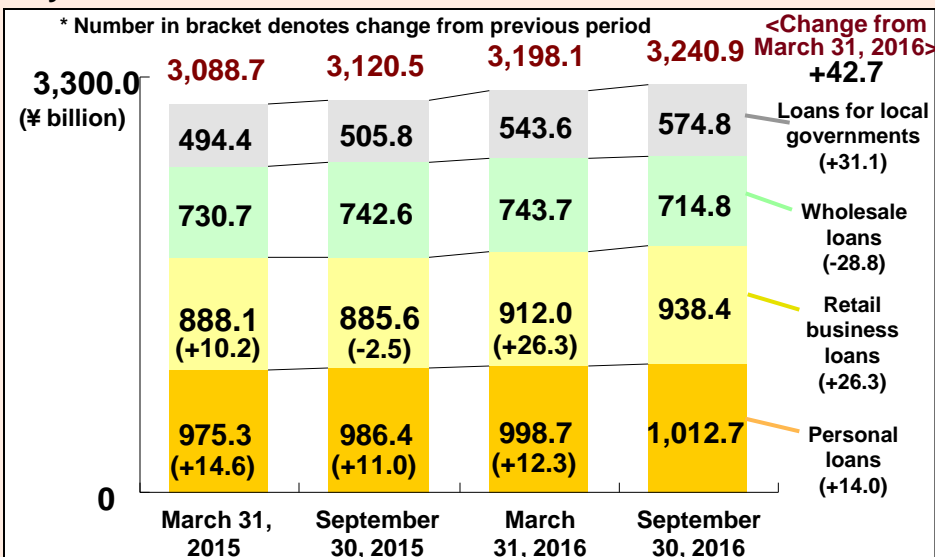
Balance of deposits

<By sector>

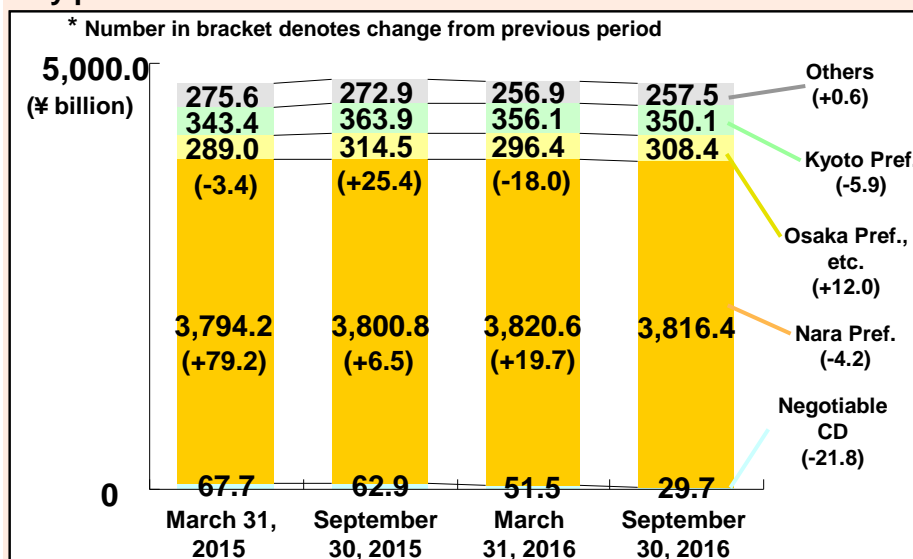


Balance of loans

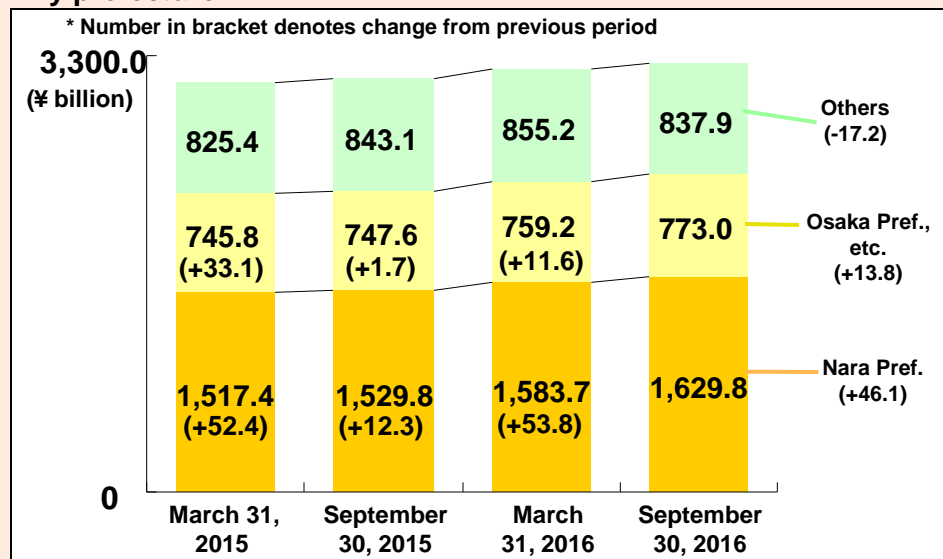
<By sector>



<By prefecture>

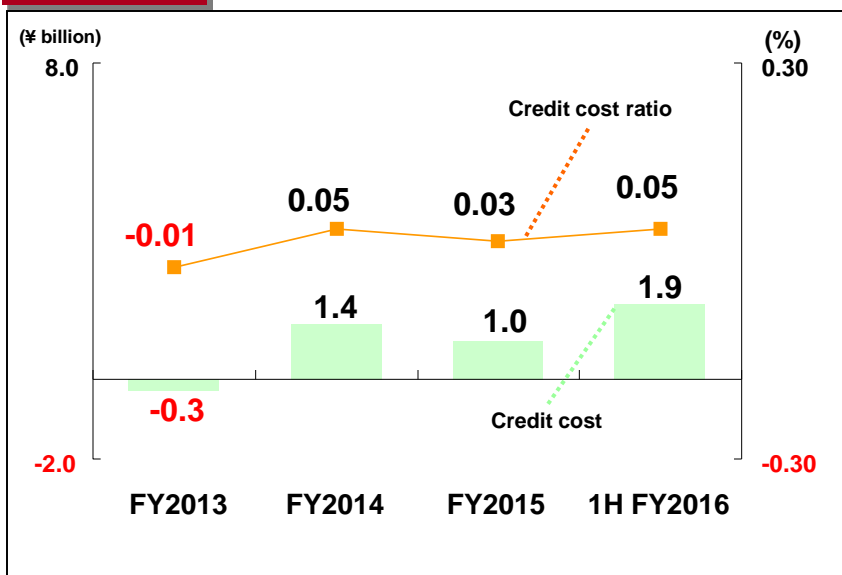


<By prefecture>



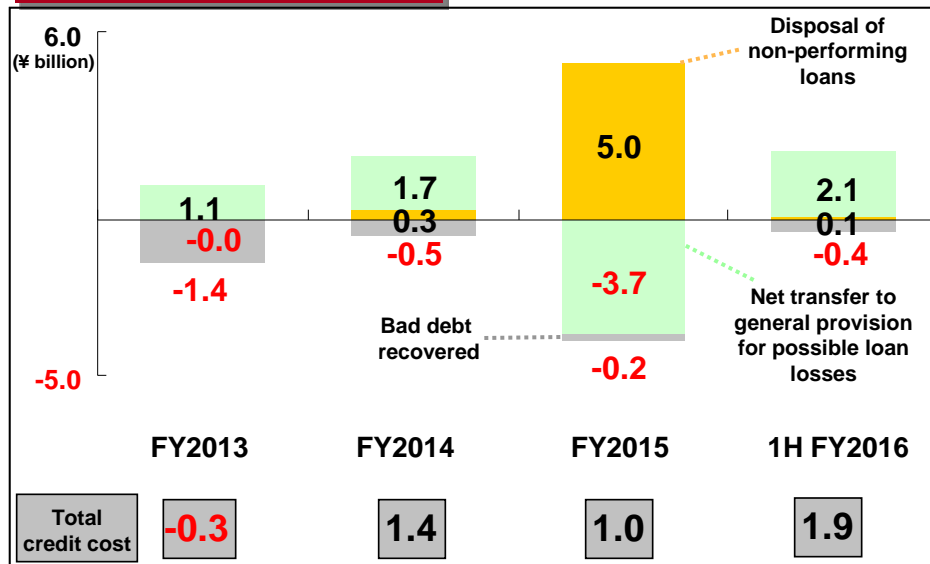
3. Summary of Non-Performing Loans

Credit Cost

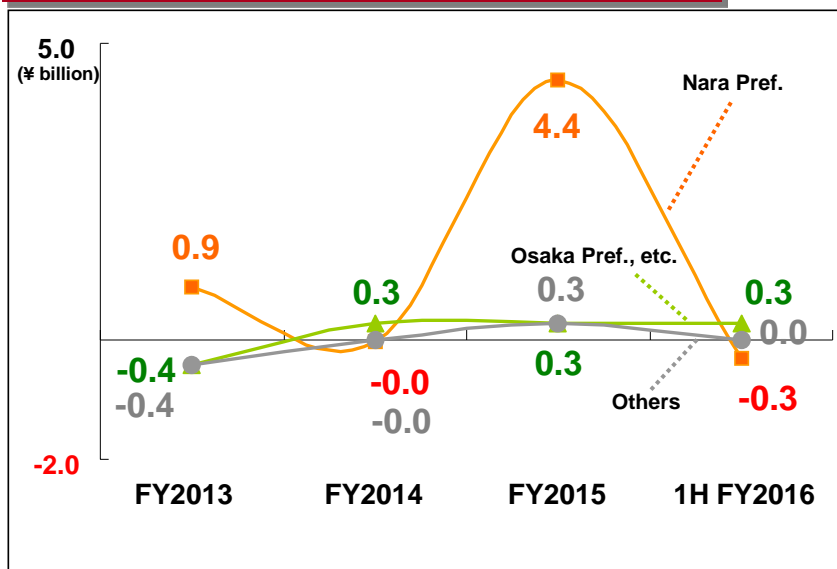


* Credit cost ratio = Credit cost / Average balance of loans

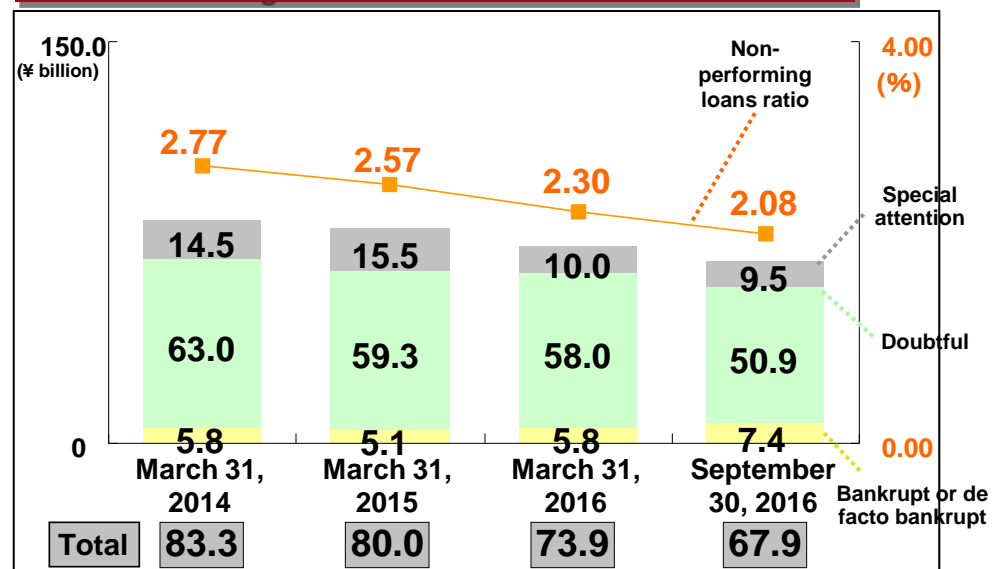
Breakdown of Credit Cost



Disposal of Non-Performing Loans by Region



Loans Based on the Financial Reconstruction Law / Non-Performing Loans Ratio



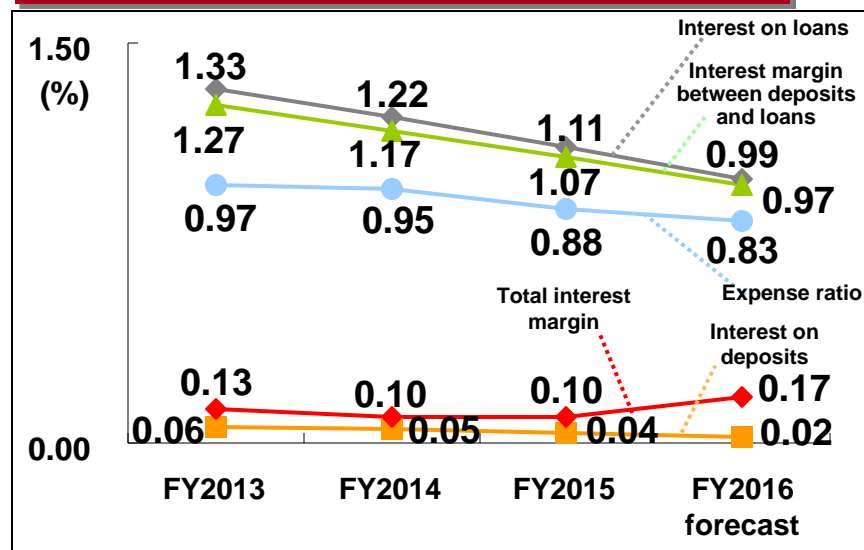
4. Business Forecast for FY2016

Business Forecasts for FY2016

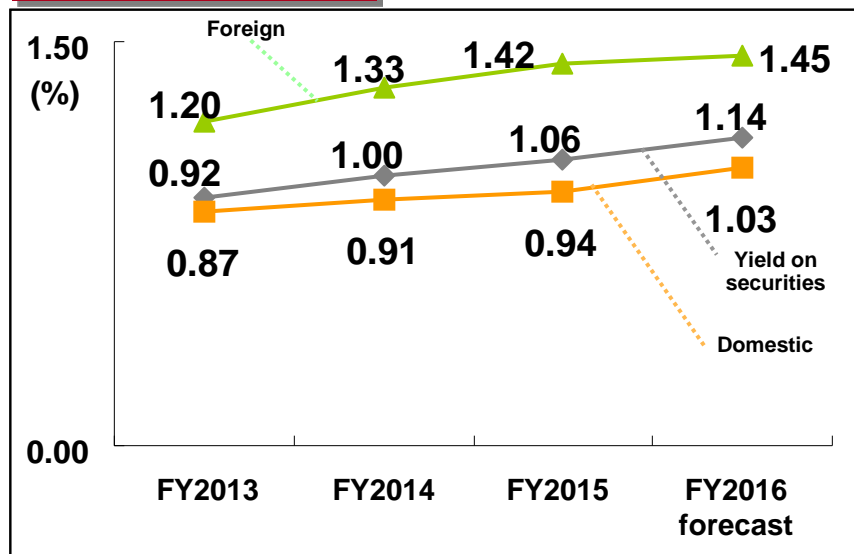
(¥ billion)		FY2015	FY2016 forecast	Y/Y change
1	Core net business profit	11.2	13.5	+2.2
2	Interest income	49.6	49.2	-0.3
3	Interest on loans	34.7	32.1	-2.6
4	Interest on securities	17.9	19.8	+1.9
5	Fees and commissions	6.1	5.9	-0.1
6	Expenses	43.2	40.4	-2.8
7	Personnel expenses	25.5	22.3	-3.1
8	Net business profit	15.8	15.1	-0.6
9	Ordinary income	13.1	15.3	+2.2
10	Net income	11.7	11.5	-0.1
11	Credit cost (*)	1.0	3.0	+1.9

* (Net transfer to general provision for possible loan losses + Disposal of non-performing loans)
 – (Bad debt recovered)

Interest on Deposit and Loan, Interest Margin

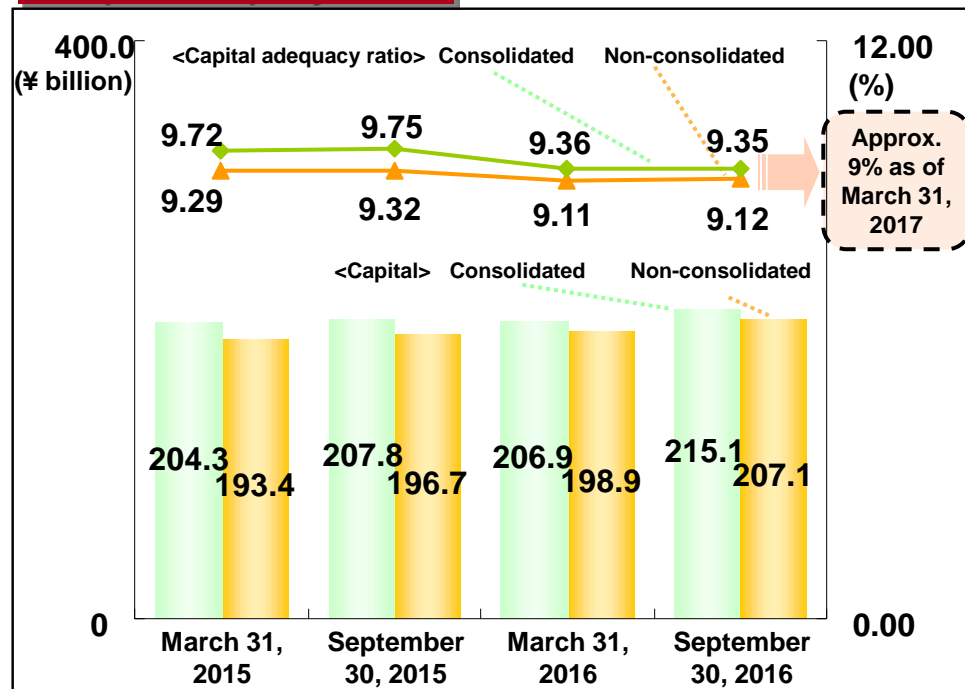


Yield on Securities



5. Capital Adequacy Ratio and Shareholder Returns

Capital Adequacy Ratio



<Non-consolidated> (¥ billion)

	March 31, 2015	September 30, 2015	March 31, 2016	September 30, 2016
1) Capital adequacy ratio	9.29%	9.32%	9.11%	9.12%
2) Capital	193.4	196.7	198.9	207.1
Subordinated loans	-	-	-	-
3) Risk assets	2,080.8	2,111.3	2,181.1	2,271.1

<Consolidated> (¥ billion)

	March 31, 2015	September 30, 2015	March 31, 2016	September 30, 2016
1) Capital adequacy ratio	9.72%	9.75%	9.36%	9.35%
2) Capital	204.3	207.8	206.9	215.1
Subordinated loans	-	-	-	-
3) Risk assets	2,101.7	2,130.7	2,209.7	2,299.5

Shareholder Returns

			FY2014	FY2015	FY2016	
					1H	Full fiscal year (forecast)
1)	Consolidated (1H) net income	¥ billion	9.8	12.1	6.7	(11.6)
2)	Dividend per share	Yen	7	7	3.5	(70)
3)	Total dividends	¥ billion	1.8	1.8	0.9	(1.8)
4)	Payout ratio (3) / 1)	%	19.0%	15.4%	14.0%	(16.1%)
5)	Amount of treasury stock acquired	¥ billion	0.01	0.00	0.00	—
6)	Total ratio of return ((3) + 5) / 1)	%	19.1%	15.5%	14.0%	—

Share consolidation
(10 shares → 1 share)

III. Management Strategy

Outline of the Current Medium-Term Management Plan "Vitality Creation Plan"
(from April 2014 to March 2017)

Basic philosophy

- Aim to enhance top-line profit through practicing customer-centricity and effective investment of funds
- Strive to realize management efficiency through optimum deployment of corporate resources
- Build-up an organization enabling self-fulfillment through human resource development and revitalization

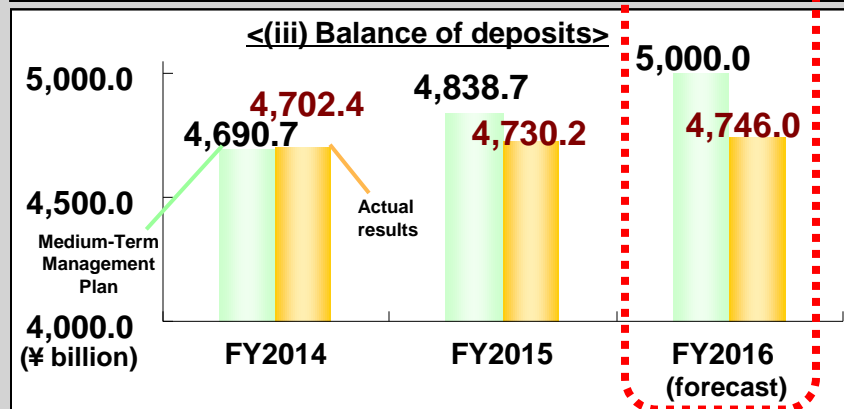
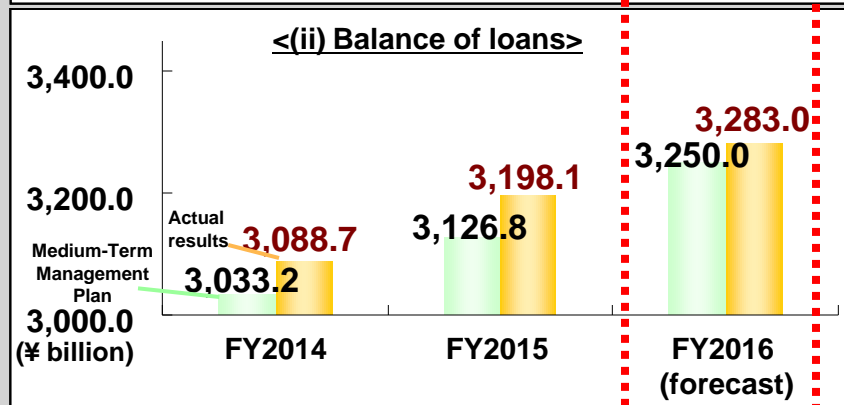
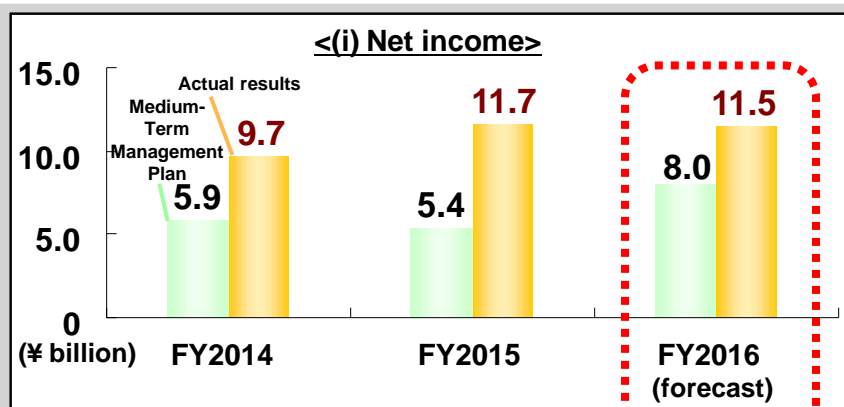
Key strategies

- I. Vitalizing the community
- II. Establishing a revenue base
- III. Strengthening human resources and the organization
- IV. Improving productivity
- V. Strengthening the internal management system

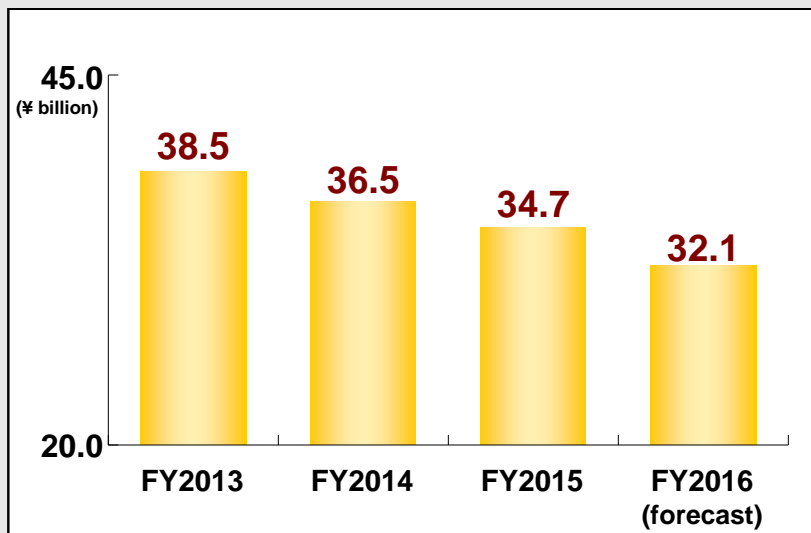
Numerical targets

- | | |
|----------------------------|-------------------------|
| | <FY2016> |
| (i) Net income: | ¥8 billion or above |
| (ii) Balance of loans: | ¥3.25 trillion or above |
| (iii) Balance of deposits: | ¥5 trillion or above |

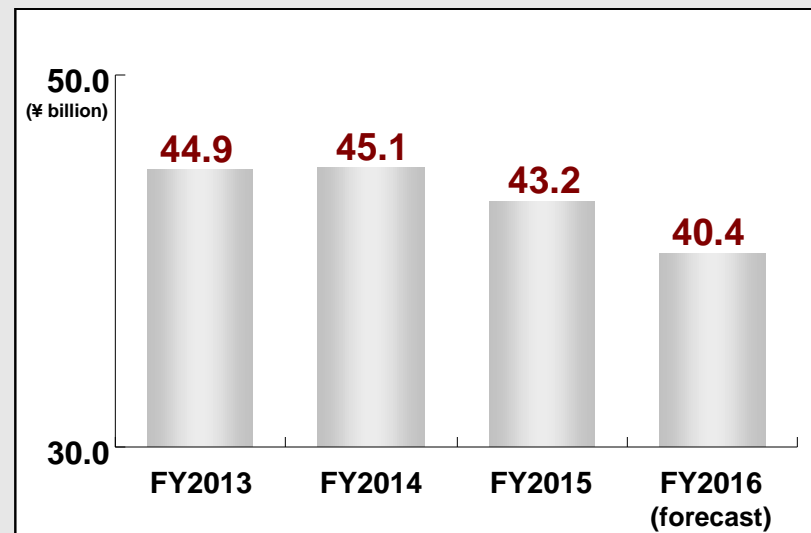
<Numerical targets: Actual and forecasted results>



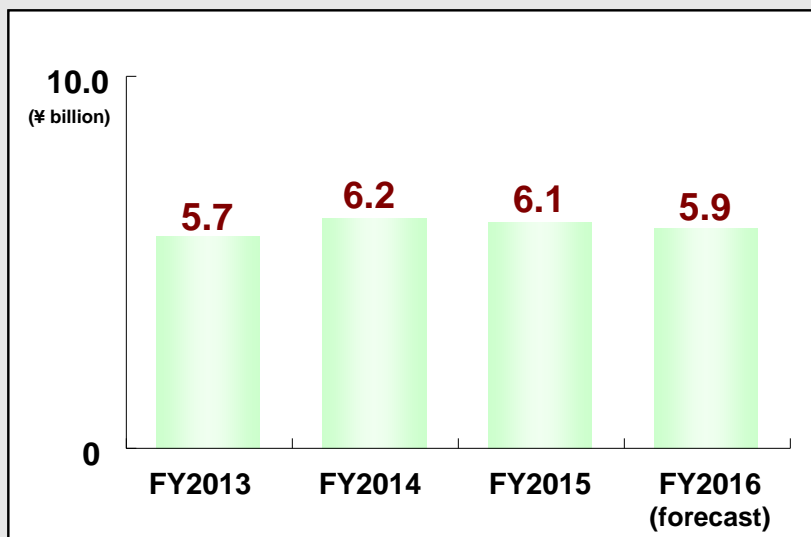
<Interest on loans>



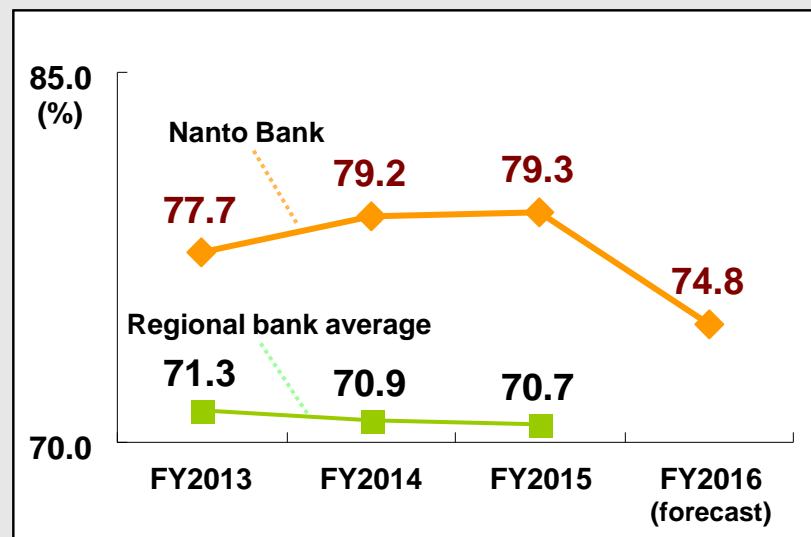
<Expenses>



<Fees and commissions>



<OHR>



* Core gross business profit basis

Management Environment

Policy aspects

- ◆ Continued quantitative and qualitative monetary easing
- ◆ Negative interest rate policy
- ◆ Corporate governance code
- ◆ Changes in financial regulations

Social and economic aspects

- ◆ Declining population and shrinking economies in rural regions
- ◆ Falling birth rate and an aging society
- ◆ Empowerment of women

Technology aspects

- ◆ Rise of FinTech

Competitive environment

- ◆ Raising of maximum amount of deposits with Japan Post Bank
- ◆ Intensifying competition with rival banks and non-bank competitors
- ◆ Accelerating realignment of regional financial institutions

Management Challenges

Management metrics

- Decreasing interest income due to falling interest on loans
- Improvement in management metrics (OHR and ROE, among others), etc.

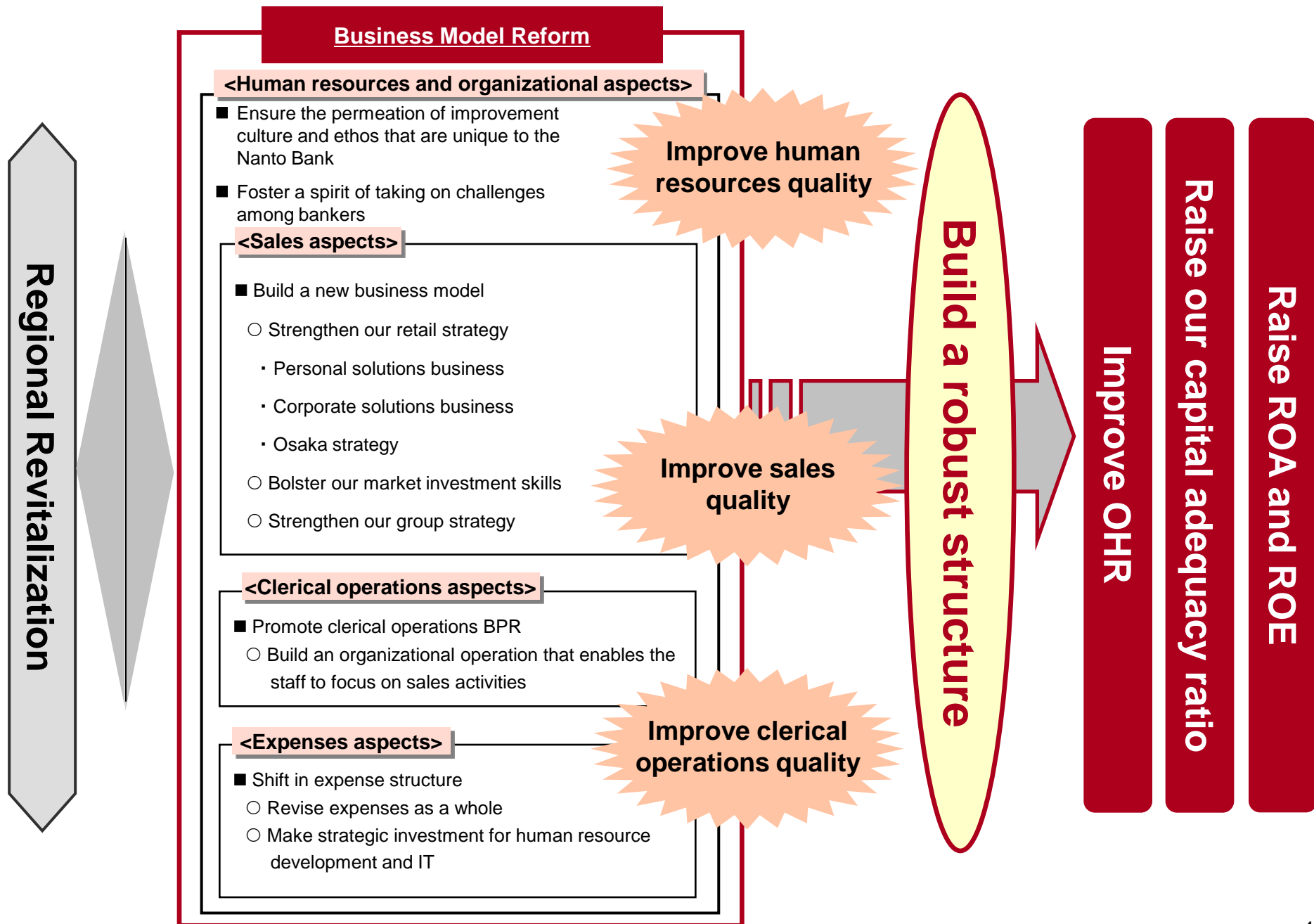
Organization and system

- Build a more productive organizational system
- Upgrade our management and controls framework
- Enhance human resource development
- Promote diversity, etc.

Sales

- Vitalize the Nara Prefecture economy
- Maintain our deposits and loans market shares in Nara Prefecture
- Build a sales platform suitable for the markets
- Consider new sales channels and services
- Improve our solution skills, etc.

It is essential to reform our business model.



Management Vision

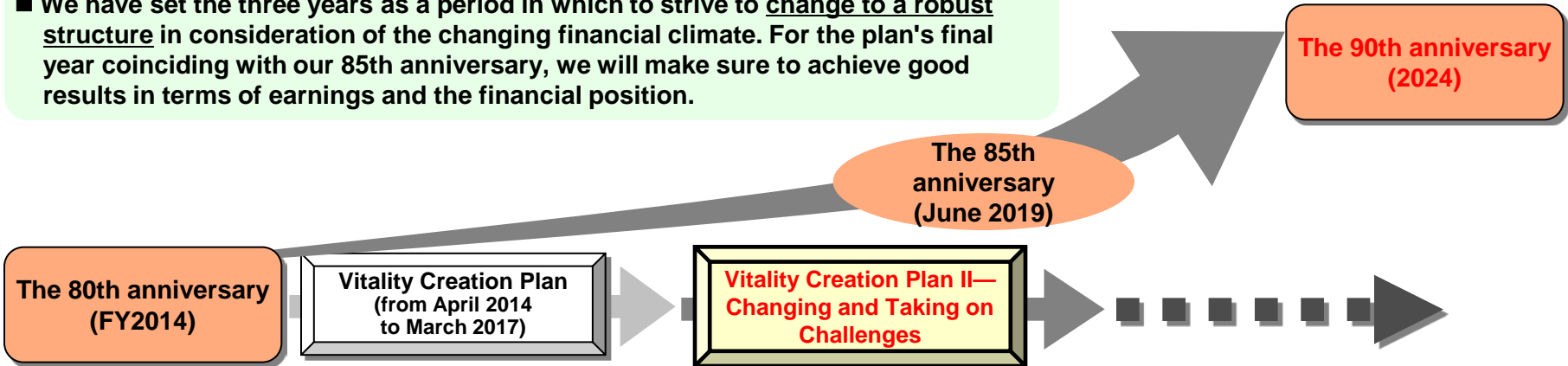
"A Vitality Creating Bank"
(from 2014 to 2024)

- We aim to become a bank that creates vitality for itself and for its local communities through i) delivering high-quality financial and consultation functions as a regional financial institution and ii) cultivating a corporate culture full of dreams and pride.

Significance of the Next Management Plan

"Vitality Creation Plan II—Changing and Taking on Challenges"
(from April 2017 to March 2020)

- We have set the three years as a period in which to strive to change to a robust structure in consideration of the changing financial climate. For the plan's final year coinciding with our 85th anniversary, we will make sure to achieve good results in terms of earnings and the financial position.



Basic Philosophy

Create regional economic vitality

- Make utmost efforts to revitalize our sales-target areas in pursuit of co-creation with local communities

Deliver customer-centric services

- Deliver optimum and sophisticated services by promptly meeting the increasingly diverse needs of customers

Improve productivity and profitability through reviewing operations

- Improve productivity and profitability through enhancing the quality of sales, clerical operations, and human resources, based on the Four Reforms (to awareness, sales, clerical operations and expenses)

Upgrade the management and controls framework

- Bolster risk control and earnings management, thus building a management and controls framework capable of responding to the changing environment in a flexible manner

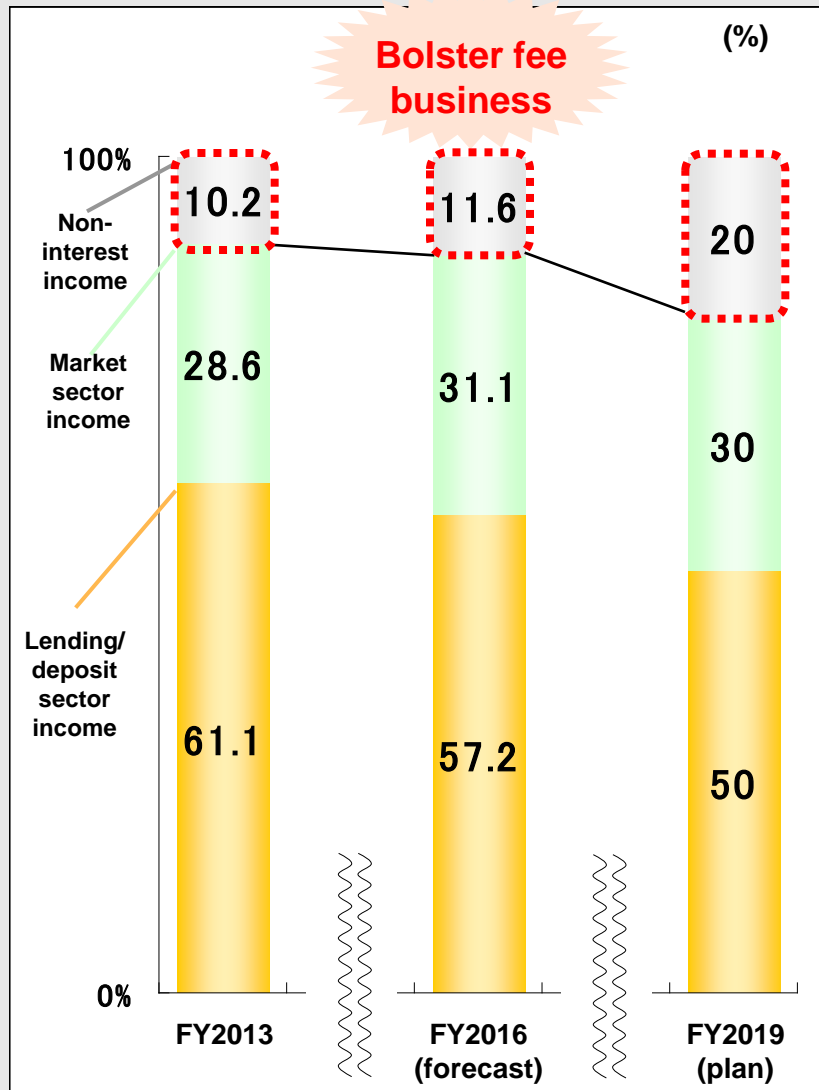
Priority Strategies

(Initiatives policy)

(1) Regional Revitalization	<ul style="list-style-type: none"> ■ Create regional vitality by playing a leading role in local community, people and job areas 		
(2) Pursuit of the Four Reforms	Awareness reform	Human resource and organizational strategy	<ul style="list-style-type: none"> ■ Vitalize our human resources and organization by i) fostering the spirit of taking on challenges among the bankers, ii) bolstering the human resource development system and iii) realizing a work-life balance
	Sales reform	Platform and market strategy	<ul style="list-style-type: none"> ■ Revise the framework of our branches and sales, bolster points-of-contact with customers, and deliver high-quality services
		Retail business strategy	<ul style="list-style-type: none"> ■ Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages
		Corporate business strategy	<ul style="list-style-type: none"> ■ Aim to become the true main bank for the customer through exercising the consultation function and delivering solutions according to the company's growth stage
		Osaka strategy	<ul style="list-style-type: none"> ■ Raise the Bank's presence by actively allocating or reallocating our corporate resources, based on branch continuity
		Municipality strategy	<ul style="list-style-type: none"> ■ Seek to develop relationships with individual municipalities by delivering financing and consulting functions to them
		Market investment strategy	<ul style="list-style-type: none"> ■ Expand profits by diversifying our investment methods while taking risks appropriately
		Group strategy	<ul style="list-style-type: none"> ■ Grow consolidated profits through delivering comprehensive financial services by tapping into our Group's capabilities
	Clerical operations reform	Clerical operations strategy	<ul style="list-style-type: none"> ■ Fundamentally overhaul the clerical operations of branches and the headquarters, thus transforming the organization into a more efficient one
	Expenses reform	Expenses strategy	<ul style="list-style-type: none"> ■ Revise expenses as a whole to transform our expenses structure
(3) Upgrading of Management and Controls	<ul style="list-style-type: none"> ■ Upgrade our management and controls to firmly support the business model and to obtain even greater trust from customers 		

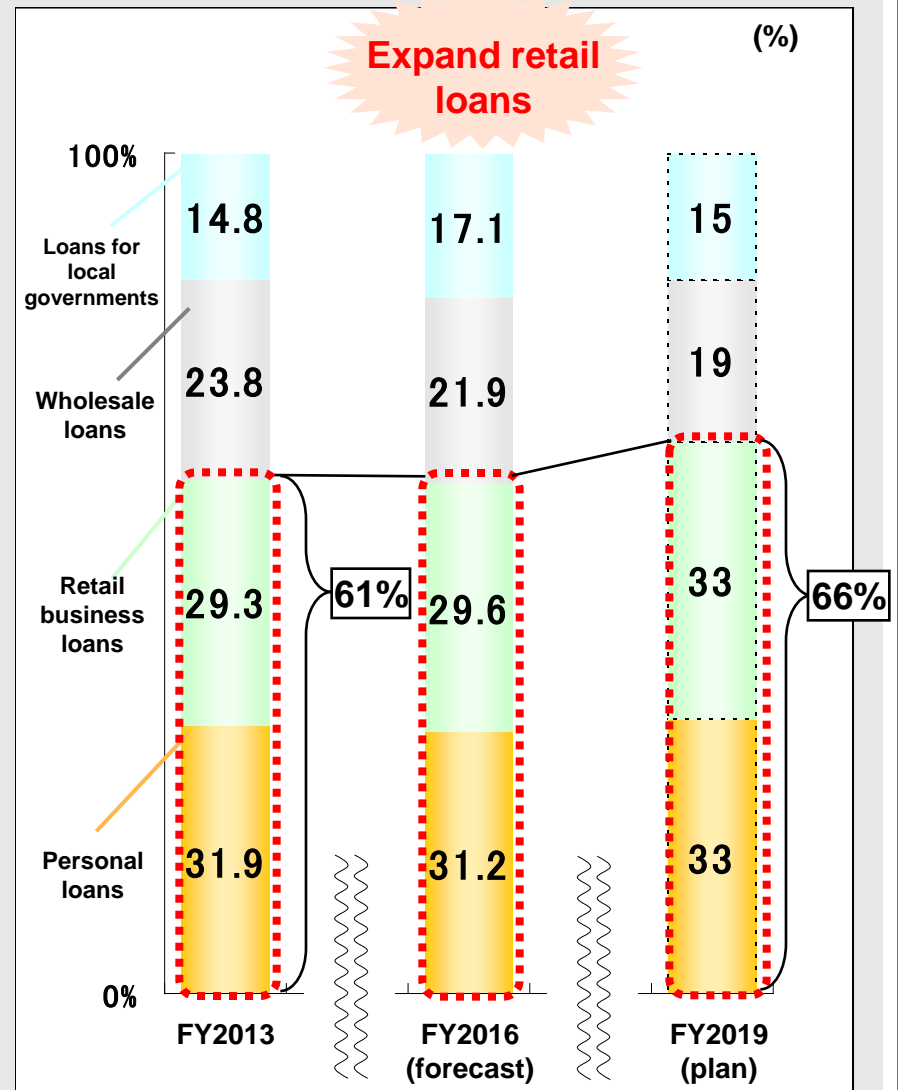
1. Outline of the Next Management Plan (8) Transforming Our Earnings Structure and Loans Portfolio

Earnings Structure (core gross business profit basis)



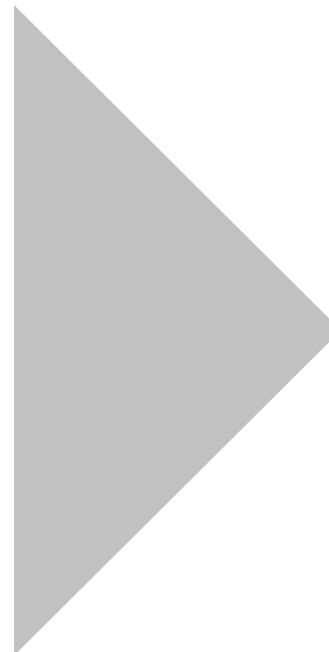
* Non-interest income = Fees and commissions + Other operating income (excluding gains/losses on bonds (JGBs, etc.))

Loans Portfolio



Target Metrics

	FY2015 Result
OHR	79.32%
Non-interest income ratio	11.73%
Capital adequacy ratio	9.11%
ROA	0.20%
ROE	4.76%



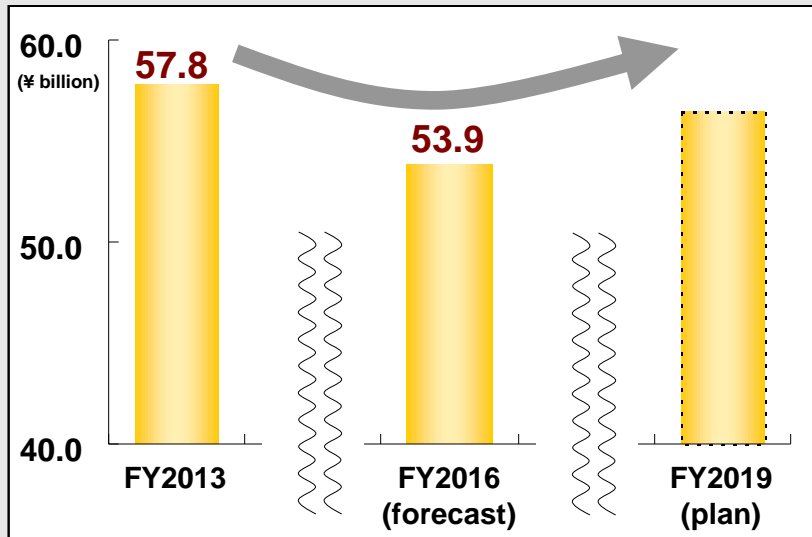
<u>FY2019 target</u>
Less than 70%
20 to 29%
Approx. 10%
At least 0.3%
At least 5%

* Calculation formulae for the metrics

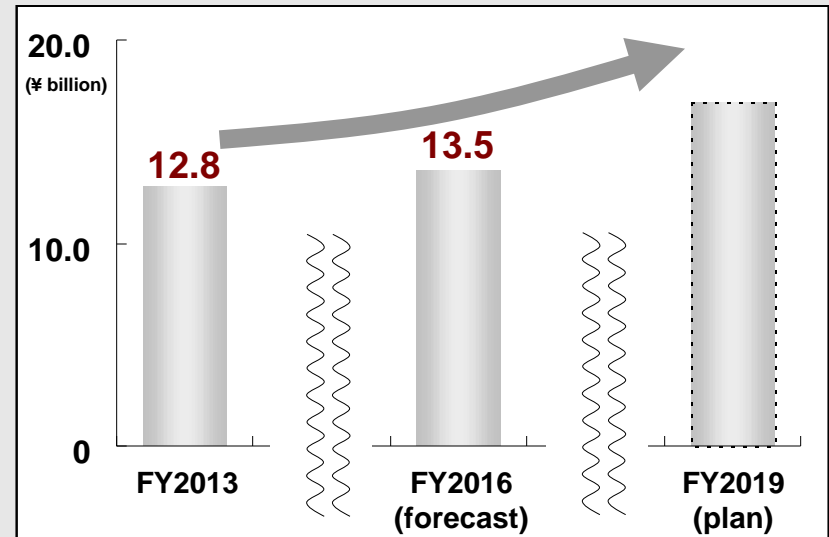
- OHR: Expenses/Core gross business profit
- Non-interest income ratio: (Fees and commissions + Other operating income (excluding gains/losses on bonds (JGBs, etc.)))/Core gross business profit
- Capital adequacy ratio: Core capital/Risk assets
- ROA: Core net business profit/Total assets
- ROE: Net income/Net assets

Profit and Loss Plan

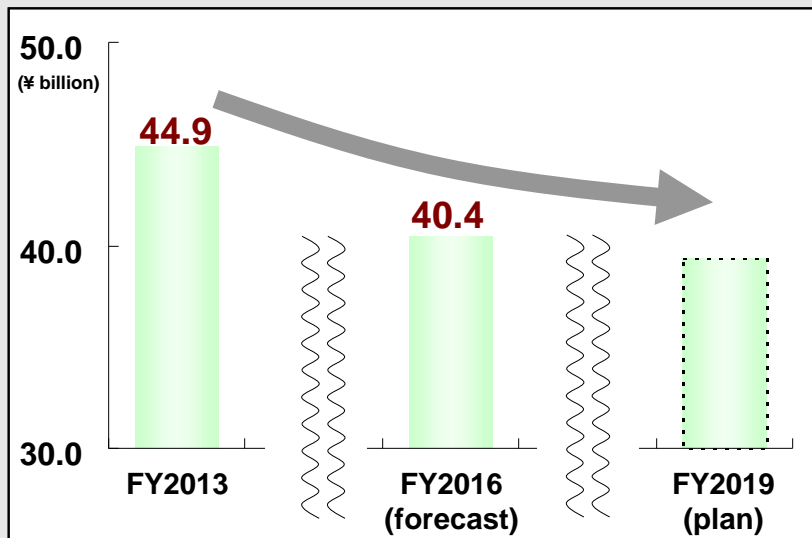
<Core gross business profit>



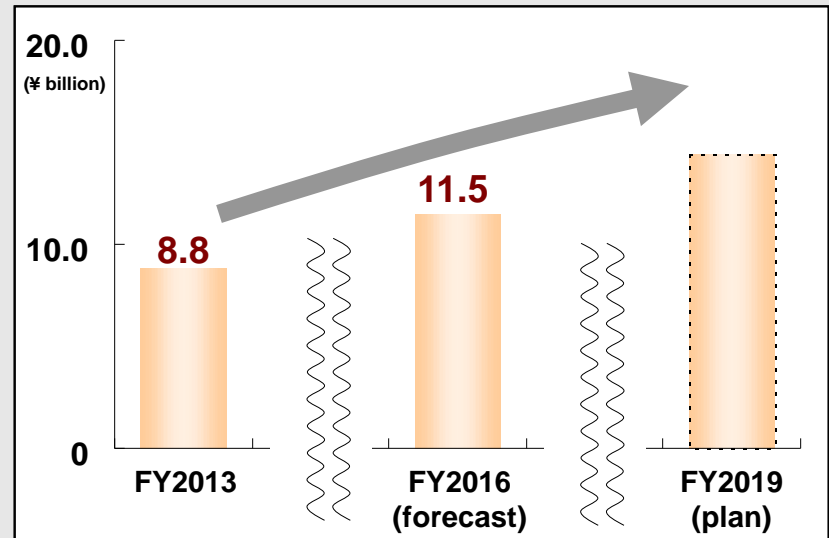
<Core net business profit>



<Expenses>



<Net income>



Staffing Plan

Aiming to build a 2,300-strong platform

<March 31, 2016>

<March 31, 2020>
At the end of the
next management plan

<March 31, 2022>

* Figures in brackets are the percentage shares

	<March 31, 2016>		<March 31, 2020> At the end of the next management plan	<March 31, 2022>
Total no. of staff	2,669 (100%)	Build a 2,300-strong platform (down by 369 staff)	2,460 (100%)	<u>2,300</u> (100%)
Branch	1,942 (72%)	<ul style="list-style-type: none"> ◆ Increase the number of sales staff ◆ Reduce the number of clerical operations staff by about 30% ◆ Close branches and revise the formats 	1,780 (72%)	1,670 (72%)
★ Sales staff	553 (28%)		610 (34%)	610 (36%)
★ Clerical operations staff	349 (17%)		230 (12%)	230 (13%)
Headquarters	620 (23%)	<ul style="list-style-type: none"> ◆ Reduce the number of non-sales side staff by about 20% ◆ Employ part-timer for about 30% of the Operation-focused Division staff 	580 (23%)	540 (23%)
Part-timer, etc.	886	Increase part-timer ratio (up 184 persons)		1,070
★ Ratio of part-timer to full-time staff	24%			31%
(Total no. of employees)	(3,555)			(3,370)

■ Create regional vitality by playing a leading role in local community, people and job areas

Regional Revitalization Initiative

Build a platform to collaborate and cooperate with municipalities

- ★ Conclude a collaboration agreement

- * Results: conclusion with the Nara Prefecture and 10 local municipalities in the prefecture



- ★ Bolster relationships with municipalities

- Municipality strategy: Seek to develop relationships with individual municipalities by delivering financing and consulting functions to them

Get involved in the Japanese government's Regional Comprehensive Strategy in an aggressive and proactive manner

Community building

- ★ Participate in community-building projects
- ★ Bolster PPP/PFI initiatives, etc.

Creation of regional vitality

Generate flows of people

- ★ Tourism promotion, etc.

Create jobs

- ★ Strive to attract companies
- ★ Strengthen assistance for start-ups and new business deployment
- ★ Revitalize the forest product business
- ★ Provide assistance on herbal medicine and agricultural vitalization, etc.

Tourism Promotion

★ **Inbound tourists to Nara Prefecture**
 38.11 million (2014)
 ⇒ 42.00 million (2019 target)

Utilized tourism revitalization fund

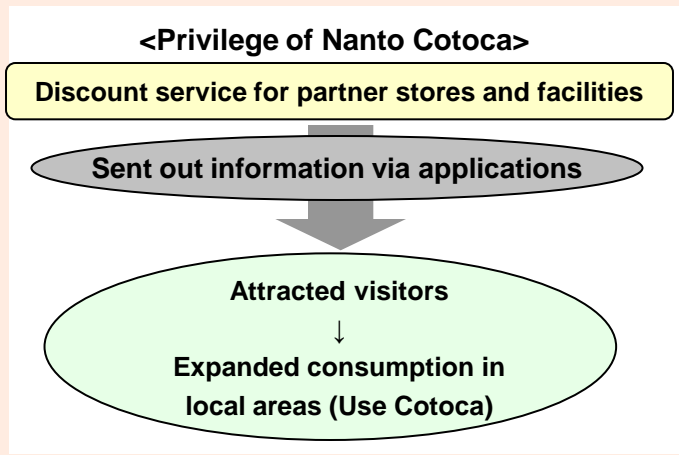
- ★ Developed the accommodation and tour environment, tapping into local resources

Stimulated tours and excursions

- ★ Ran tours in collaboration with a major travel agency (November and December 2016)

Encouraged use of Nanto Cotoca, a credit card doubling as an IC cash card

- ★ Attracted tourists to partner stores and facilities



**Increase the number of inbound tourists
 Grow tourism-based consumption**

Revitalization of Forestry Business

Collaborated with forestry business associations

- ★ Entered into a comprehensive collaboration agreement with Yoshino Kawakami Shachu (February 2016)
 ⇒ Collaboration and cooperation for product creation, information dissemination, matching with non-forestry businesses, and development of market

Encouraged and publicized the use of Nara-made forest products

- ★ Engaged in public relations activities at business matching fair events
- ★ Organized seminars and learning courses with the cooperation of Narano-ki Marketing Council

Assistance in Pharmaceutical and Herbal Medicine Sectors

Collaborated with the Nara Prefecture and unions

- ★ Organized an opinion exchange meeting with the Nara Prefecture Pharmaceutical Association (August 2016)
- ★ Participated in a Nara Prefecture Herbal Medicine Mecca Promotion Council event
- ★ Engaged in public relations activities at a business matching fair event

Expand the market for local industries

- Vitalize our human resources and organization by i) fostering the spirit of taking on challenges among the bankers, ii) bolstering the human resource development system and iii) realizing a work-life balance

Foster the spirit of taking on challenges among the bankers

Bolster Organizational Skills

Develop the framework for awareness reform

- ★ Set up the Nanto Improvement Committee
 - Chair: President
 - Introduce consulting from a major manufacturer-affiliated entity

Optimize staff numbers

- ★ Improve productivity through clerical operations BPR and sales BPR and branch consolidation and closures

Enhance Human Resource Capabilities

Enhance and enrich the human resource development system

Foster specialists in different sectors

- ★ Foster specialists through defining the roles of retail and corporate sales staff

Improve CS and ES

Deliver products and services from a customer perspective

Enrich work-life balance

Promote efforts for diversity

- Set up the Work Style Reform Office (October 2016)

Revise personnel affairs systems

- ★ Amend the systems into ones that are more impartial and convincing
 - ⇒ Improve employees' motivation and productivity and empower female and senior-age employees, etc.

◆ Improve human resource quality ◆ Improve organization productivity

■ Revise the framework of our branches and sales, bolster points-of-contact with customers, and deliver high-quality services

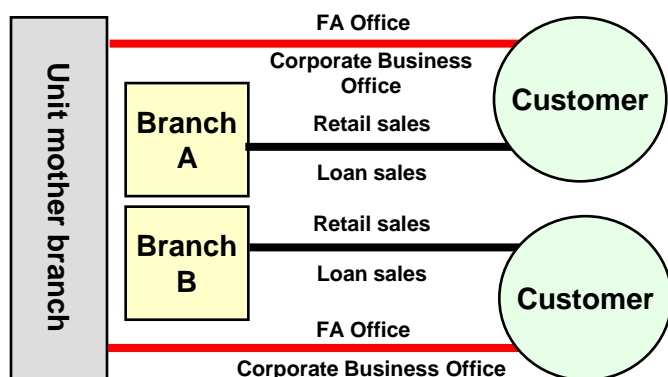
Bolster Our Sales Structure

Expand our sales staff

- ★ Build a 600-strong sales team

Enhance our unit-based sales structure

- ★ Improve specialisms while remaining friendly
- ★ Deliver high-quality service through challenge-solution sales activities



* Currently in place at 5 units comprising 20 branches in Nara Prefecture

Revise our over-the-counter sales structure

Rebuild Our Existing Branch Network

Consolidate and close branches

- ★ Branch closures and format change: around 30 branches (staff reduction effect: about 90 staff)
- * Includes the number based on implementation in FY2016

Consider New Sales Channels and Services

Bolster non-face-to-face channels

- ★ Consider introducing a new settlement service application

FinTech initiative

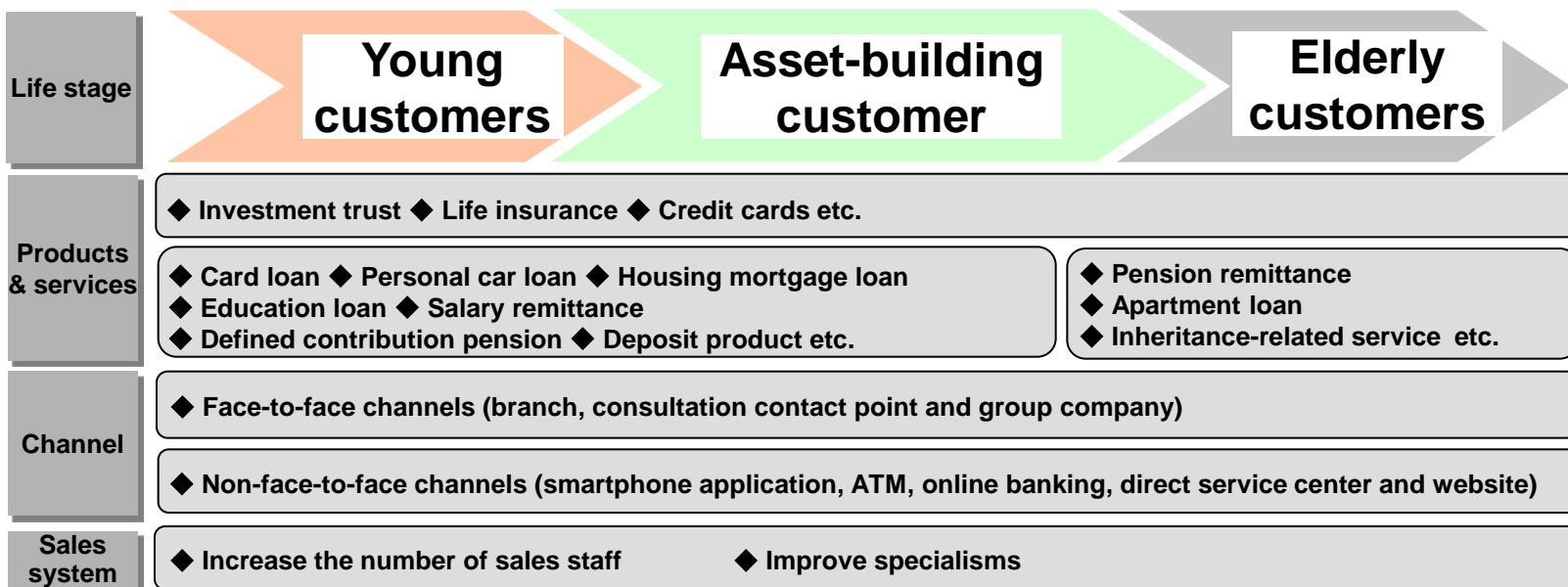
- ★ Set up the FinTech Promotion Office (July 2016)
- ★ Considered delivering new financial services that leverage artificial intelligence (AI), block chains, and biometrics
- ⇒ Set up a FinTech Joint Research Group (November 2016)
 - Name: *Chance FinTech Lab*
 - Participants are *Chance* partner regional banks, Bank of Tokyo-Mitsubishi UFJ and IBM Japan.

◆ Operate branches according to the market ◆ Improve customer convenience
◆ Acquire new customer segments

■ Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages

<Products and services>

★ Shift to one-stop solutions



<Sales system>

★ Improve specialisms

<Channel>

★ Shift to an omni-channel format

Nara Prefecture Market

Abundant personal assets

- ★ Balance of savings per household: Ranked top in Japan
- ★ Securities ratio: Ranked 6th in Japan

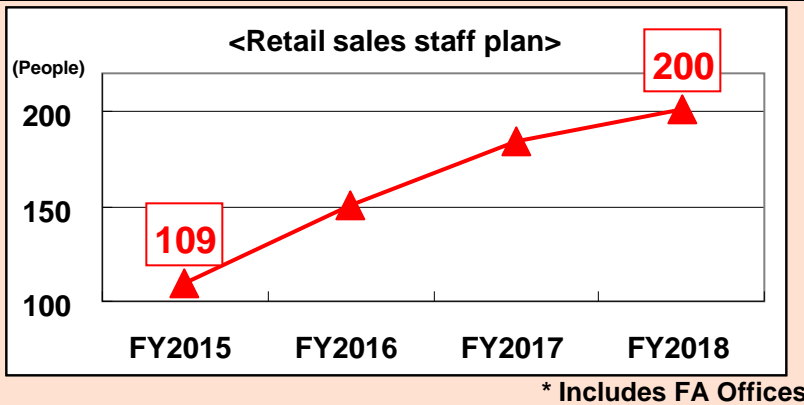
* Statistics Bureau, Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure* (as of November 2014)

* Securities ratio = Securities / Balance of savings

Our current situation

- ★ Share in deposits in Nara Prefecture
⇒ Approx. 50% (excl. Japan Post Bank and JA)
- ★ Share in securities in Nara Prefecture
⇒ Approx. 10% (estimate)

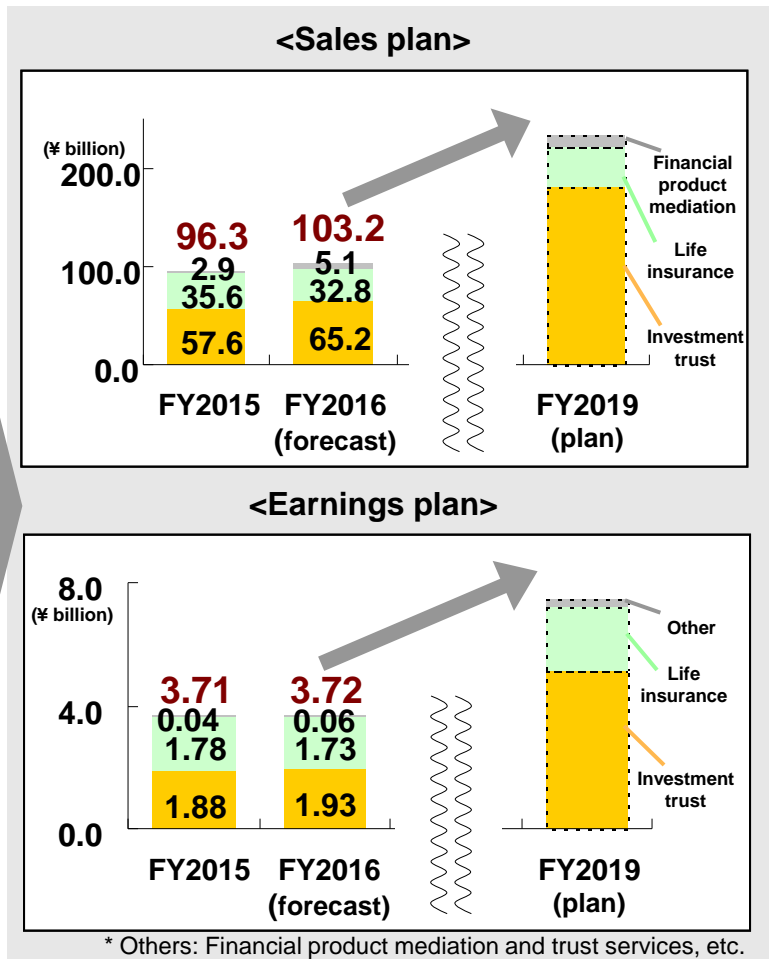
Bolster Securities Business and Inheritance Business



- November 2015: Used tablet devices
- April 2016: Launched the investment trust doubling project (IDP)
- October 2016: Established the Private Banking Office
 - Arranged for the help desk to support branches
 - Pursued activities to assist branches in marketing
- November 2016: Arranged for 62 low counter tellers to specialize in asset investment consultation services
- December 2016: Widened the scope of financial product mediation services to cover all of our branches

Bolster efforts on inheritance-related service

- ★ Number of mediation transactions: 14 in FY2015 ⇒ 36 in the 1H FY2016



Bolster Consumer Loans**Revise card loan product**

- ★ Raise maximum loan amounts and add guarantee service companies, etc.

Continue to utilize direct channels

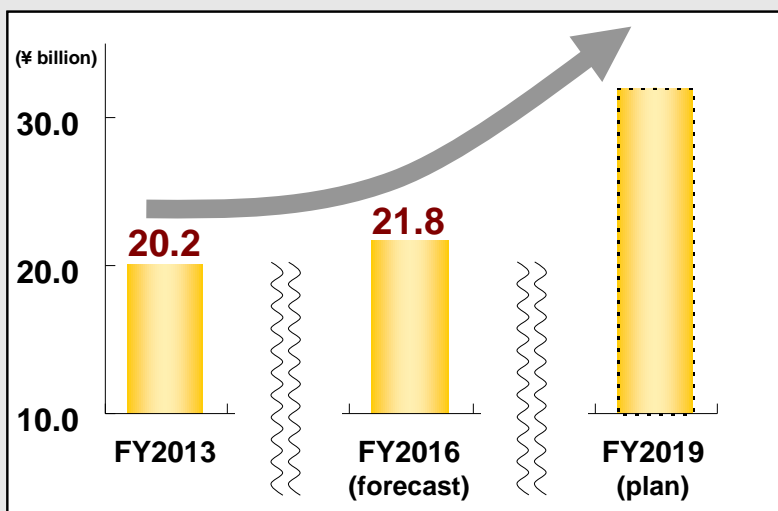
- ★ Expand the scope of direct service center operations (loan service concentration)
- ★ Step up online advertising and promotion-call services

Advance purpose-specific loan products

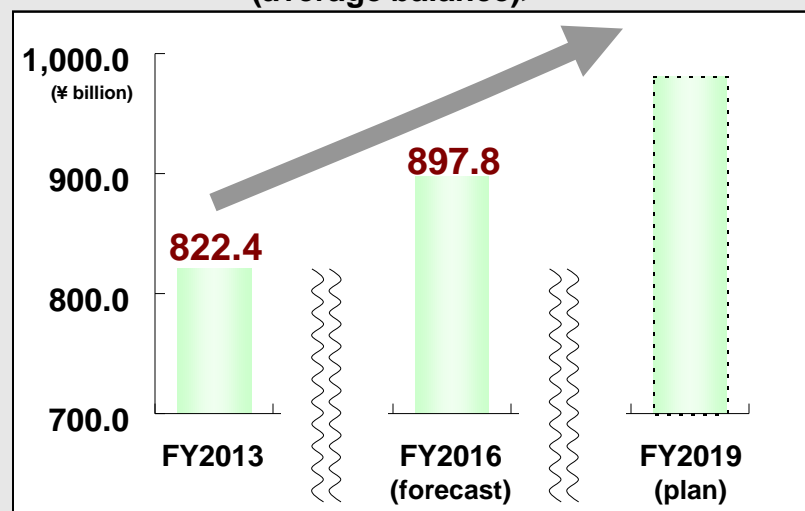
- ★ Launched the Female-Only Loan service (August 2016)
- ★ Carried out an Education Loan campaign (November 2016)

Bolster Housing Mortgage Loans**Step up promotion via L Plaza**

- ★ 12 outposts staffed by 70 staff (September 30, 2016)
- ★ Enhancement of our holiday sales system
- ★ Pursuit of activities targeting mainly leading housing business operators and major local players
- ★ Pursuit of collaborations with branches in the form of housing sales projects, etc.

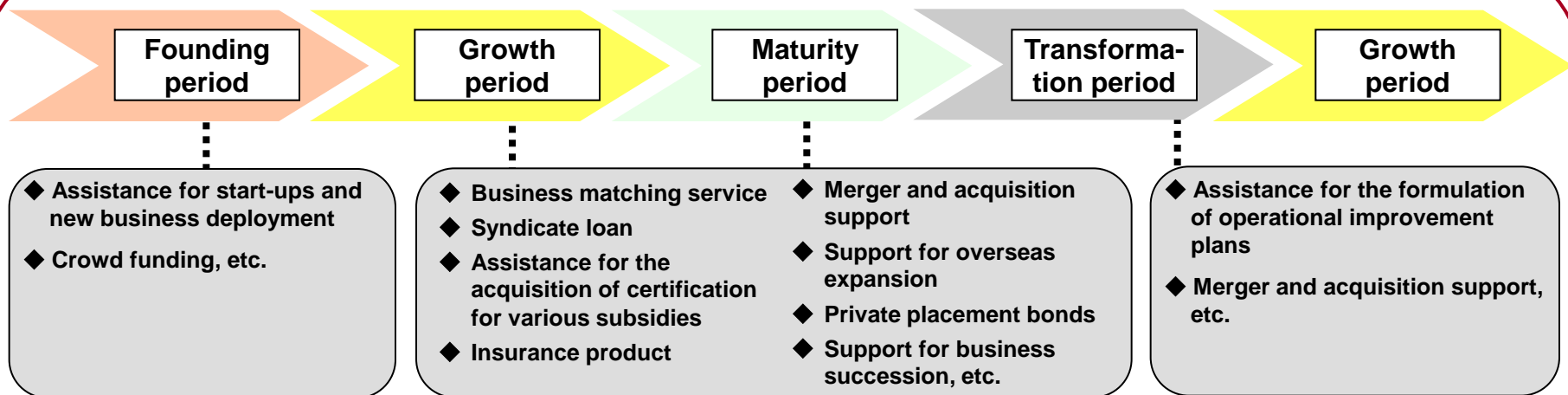
<Consumer loans balance plan (average balance)>

* Excludes real estate utilization loans

<Housing mortgage loans balance plan (average balance)>

- Aim to become the true main bank for the customer through exercising the consultation function and delivering solutions according to the company's growth stage

Deliver Solutions according to the Growth Stage



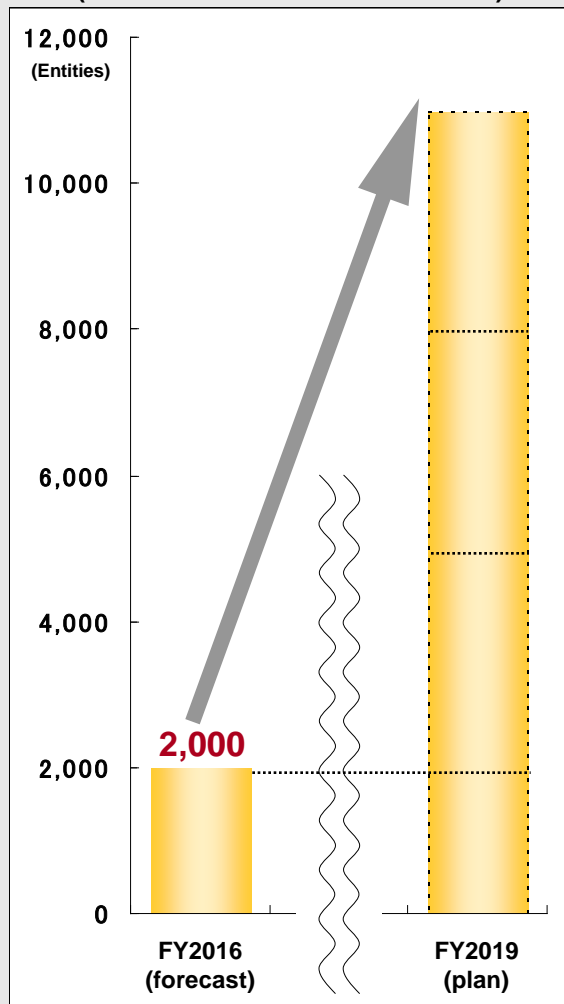
Provide solutions as a true main bank

Bolster relationships by utilizing business practicality assessments and local benchmarks

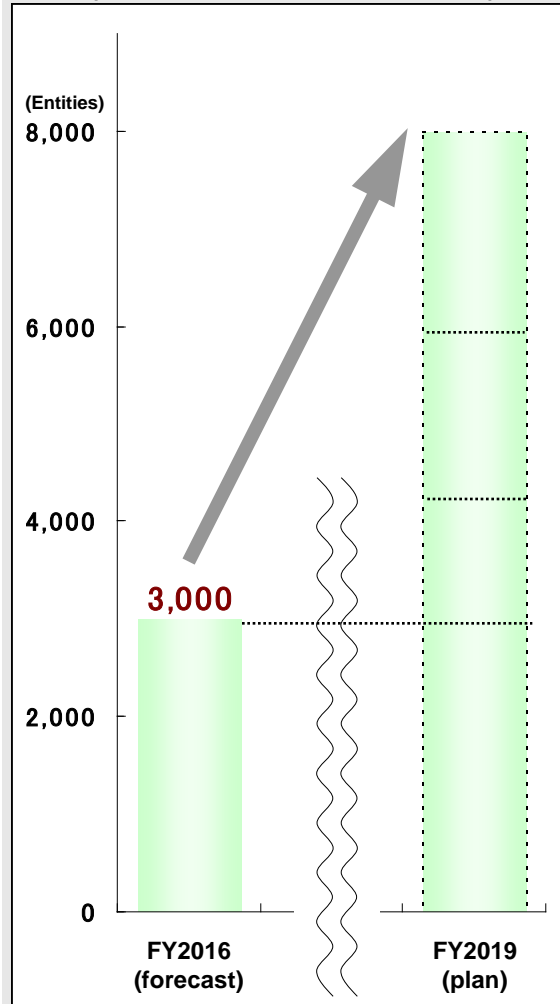
- ◆ Improve the specialisms of sales staff
 - Enhance the unit-based sales structure
- ◆ Set up the Business Revitalization Support Office
 - Established in July 2016
 - Bolster the functions of the Credit Analysis Division
- ◆ Strengthen activities toward top 100 companies in Nara Prefecture
 - Collaboration between the headquarters and branches

Corporate Numerical Targets

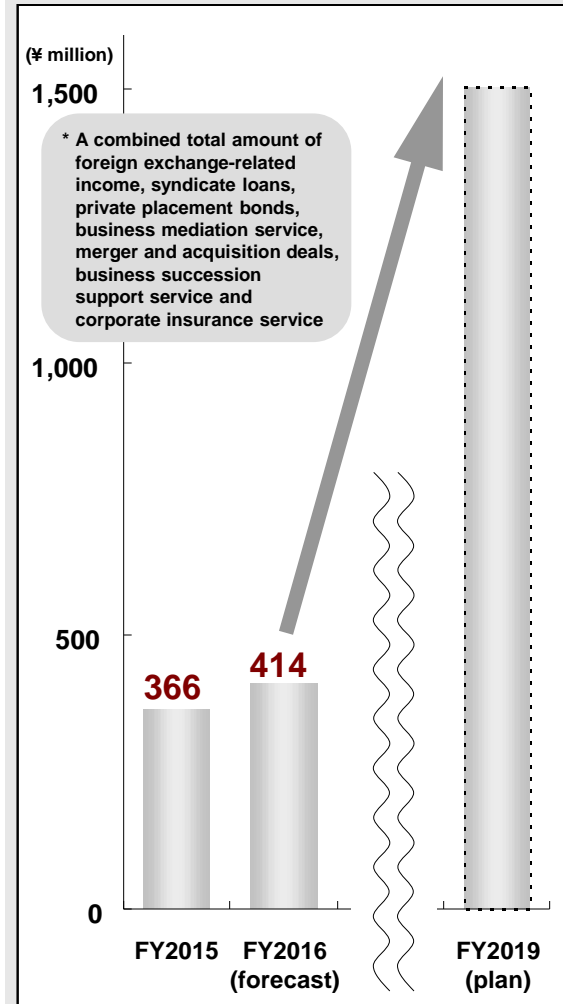
<Target for the number of new retail business customers>
(cumulative number from FY2016)



<Target for the number of business practicality assessment-based borrower>
(cumulative number from FY2016)

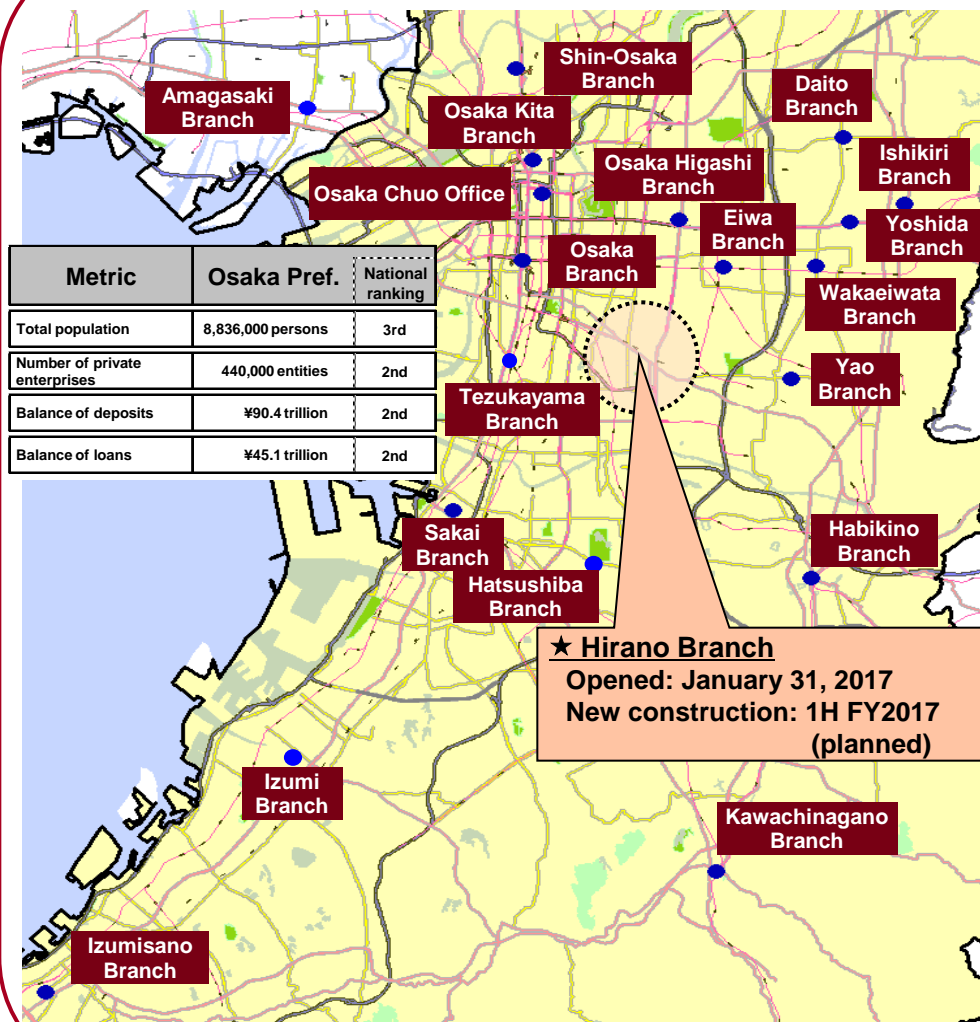


<Target for corporate solution-related earnings>



■ Raise the Bank's presence by actively allocating or reallocating our corporate resources, based on branch continuity

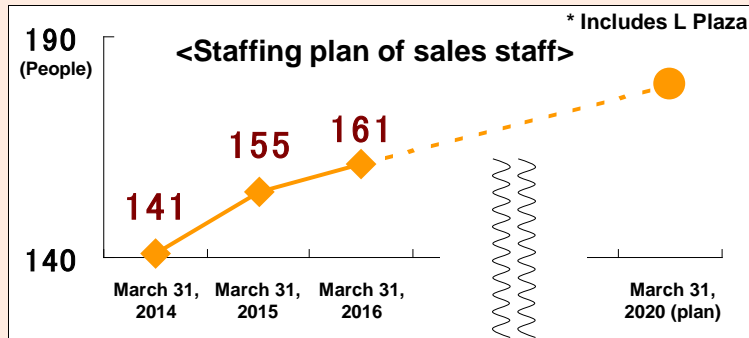
Build a 20-strong Branch Network in Osaka



Osaka Staffing Plan

Reallocate corporate resources appropriately

★ Expand and reallocate staff according to the market



Bolster the Osaka Regional Headquarters' Functions

Share information by consolidating corporate information

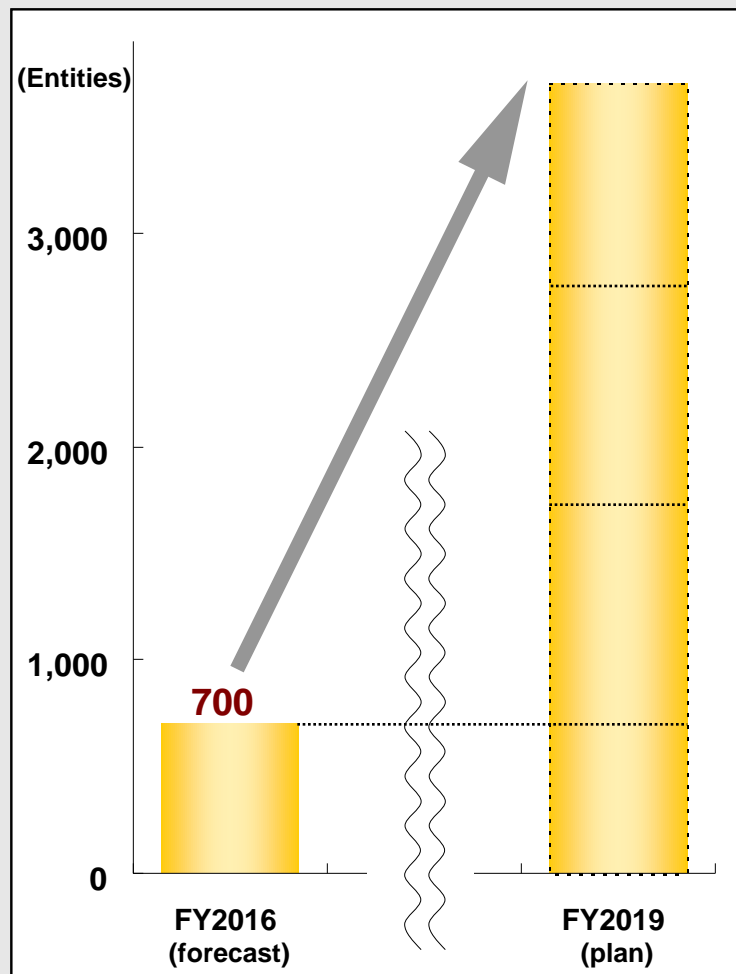
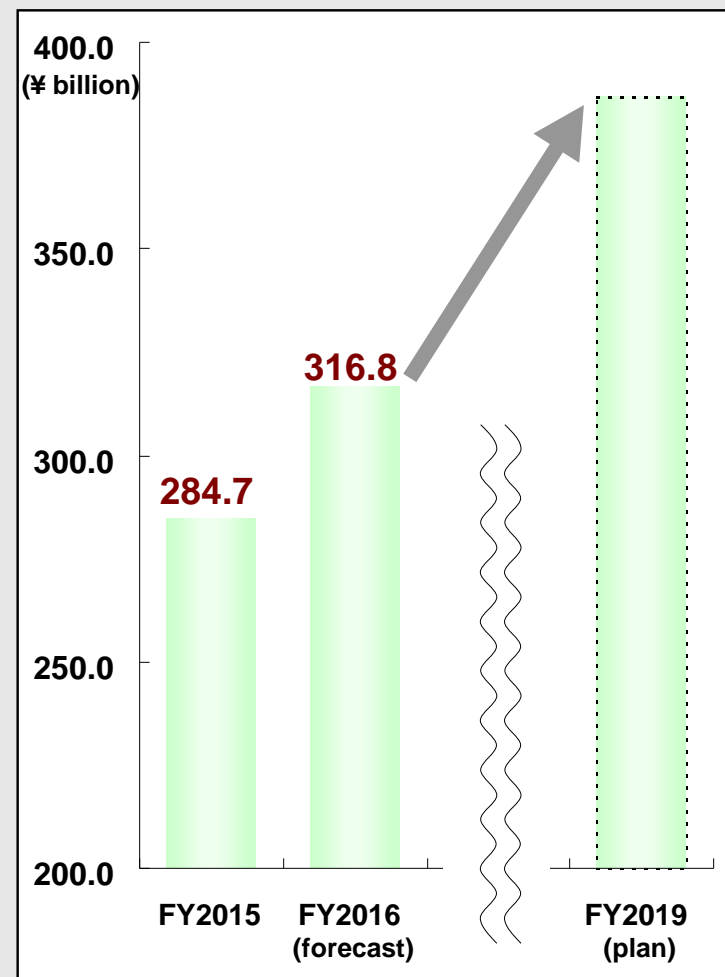
Raise decision-making speed and improve planning skills

★ Allocated a dedicated Managing Executive Officer (April 2016)

Bolster and develop the sales business capacity

Upgrade and expand our corporate and retail transaction platform

Numerical Targets in Osaka Area

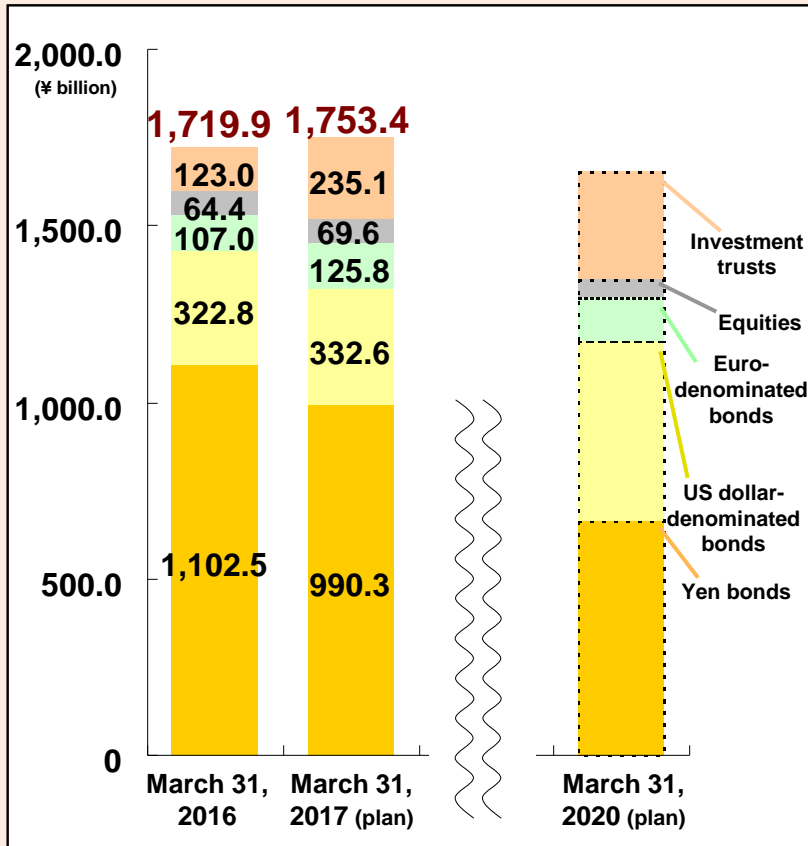
<Target for the number of new retail business customers>
(cumulative number from FY2016)<Target for retail business loan balance>
(average balance)

Expand profits by diversifying our investment methods while taking risks appropriately

Investment Policy

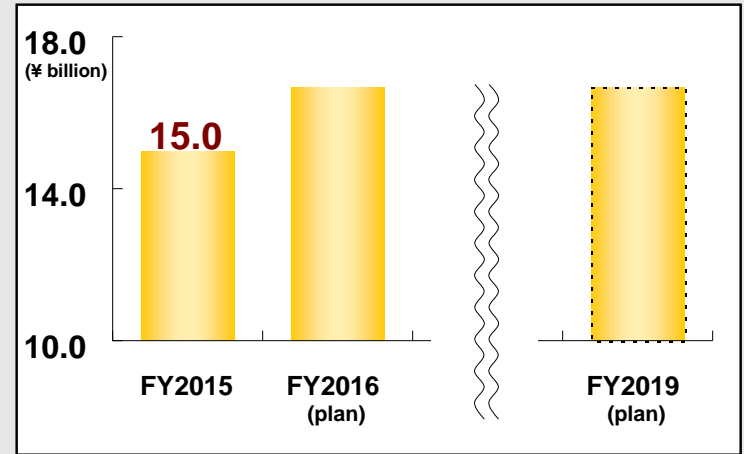
- ★ Diversify our investment methods through taking risks appropriately
- ★ Secure profits steadily through making diversified investments
- ★ Secure profits by flexibly engaging in investment and financing

<Target for securities balance>

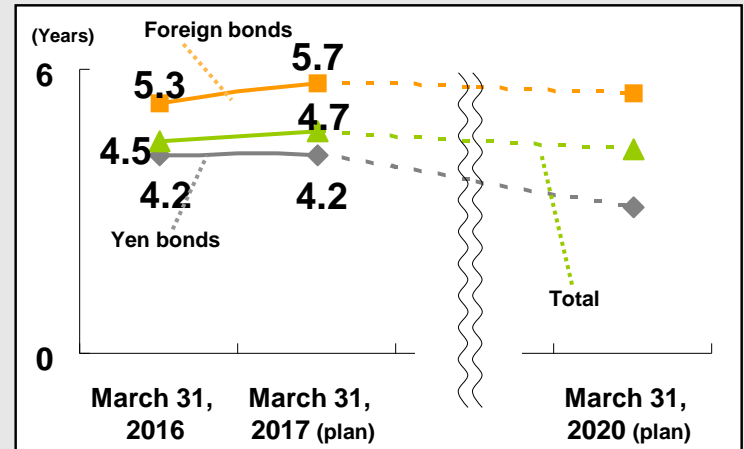


* Expansion of market-sector staff by about 10 is planned from FY2016 onward

<Target for market-sector core gross business profit>



<Target for bond duration>

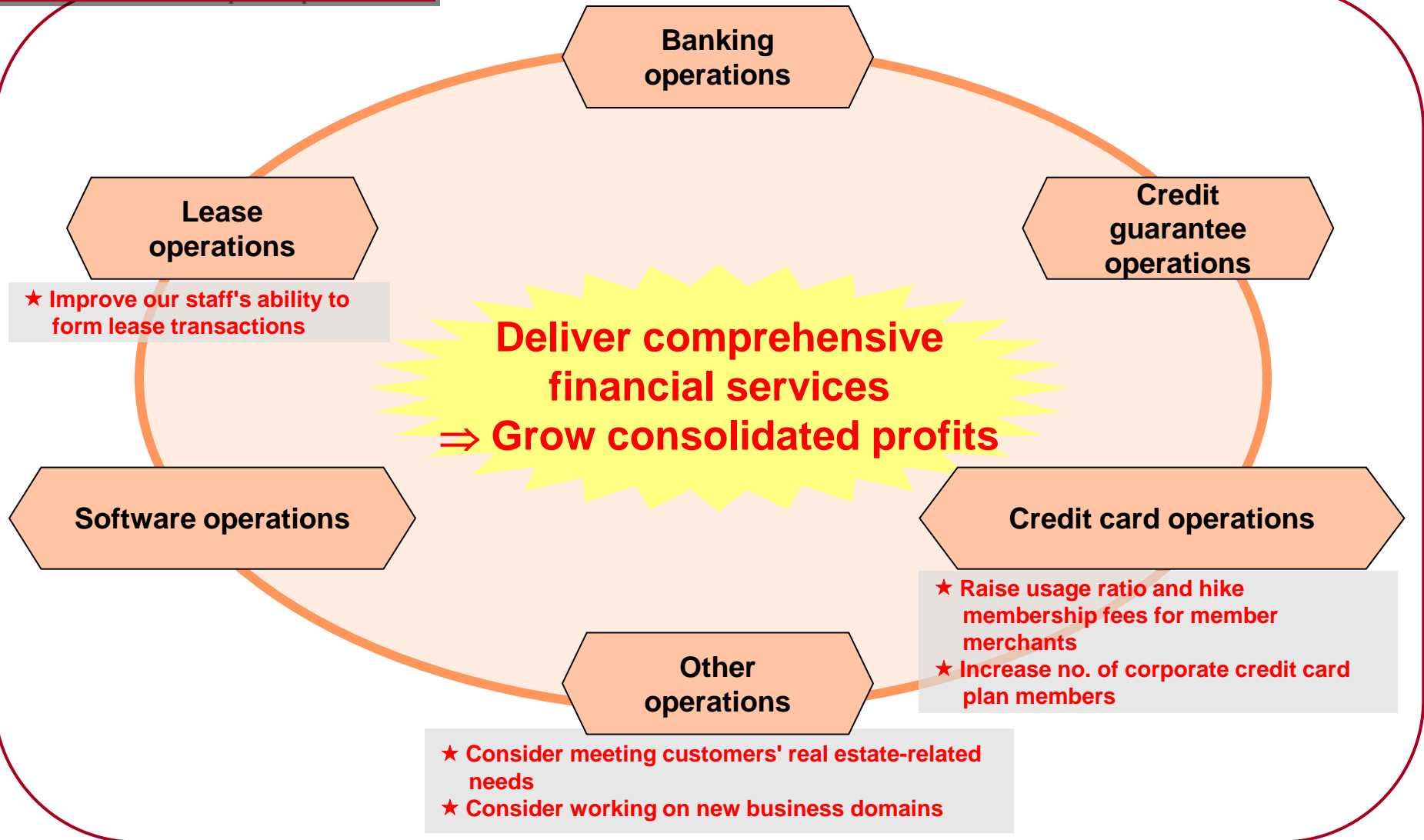


<Sell policy investment-based shareholdings>

Reduce the balance continually each fiscal year

■ **Grow consolidated profits through delivering comprehensive financial services by tapping into our Group's capabilities**

Bolster Our Group's Capabilities



■ **Fundamentally overhaul the clerical operations of branches and the headquarters, thus transforming the organization into a more efficient one**

Rebuilding of Our Clerical Operations Structure

Clerical operations: Abolition, simplification, machine usage, labor saving and concentration

Branches

Reduce clerical workload by 30%

- ★ Simplify operations and use machines more
- ★ Consolidate back office clerical operations into the headquarters
- ★ Rebuild the document management framework
- ★ Revise and/or abolish products and services

Reduce clerical operations staff by 30%

Use IT to streamline operations

- ★ Utilize tablet devices

Revise our over-the-counter sales structure

Headquarters

- ★ Aggressively eliminate waste
- ★ Turn the organization into one that can be run by a small number of staff members
- ★ Merged the Operations Control Division and the Operations Division (October 2016)
⇒ Allocated staff to strategic divisions

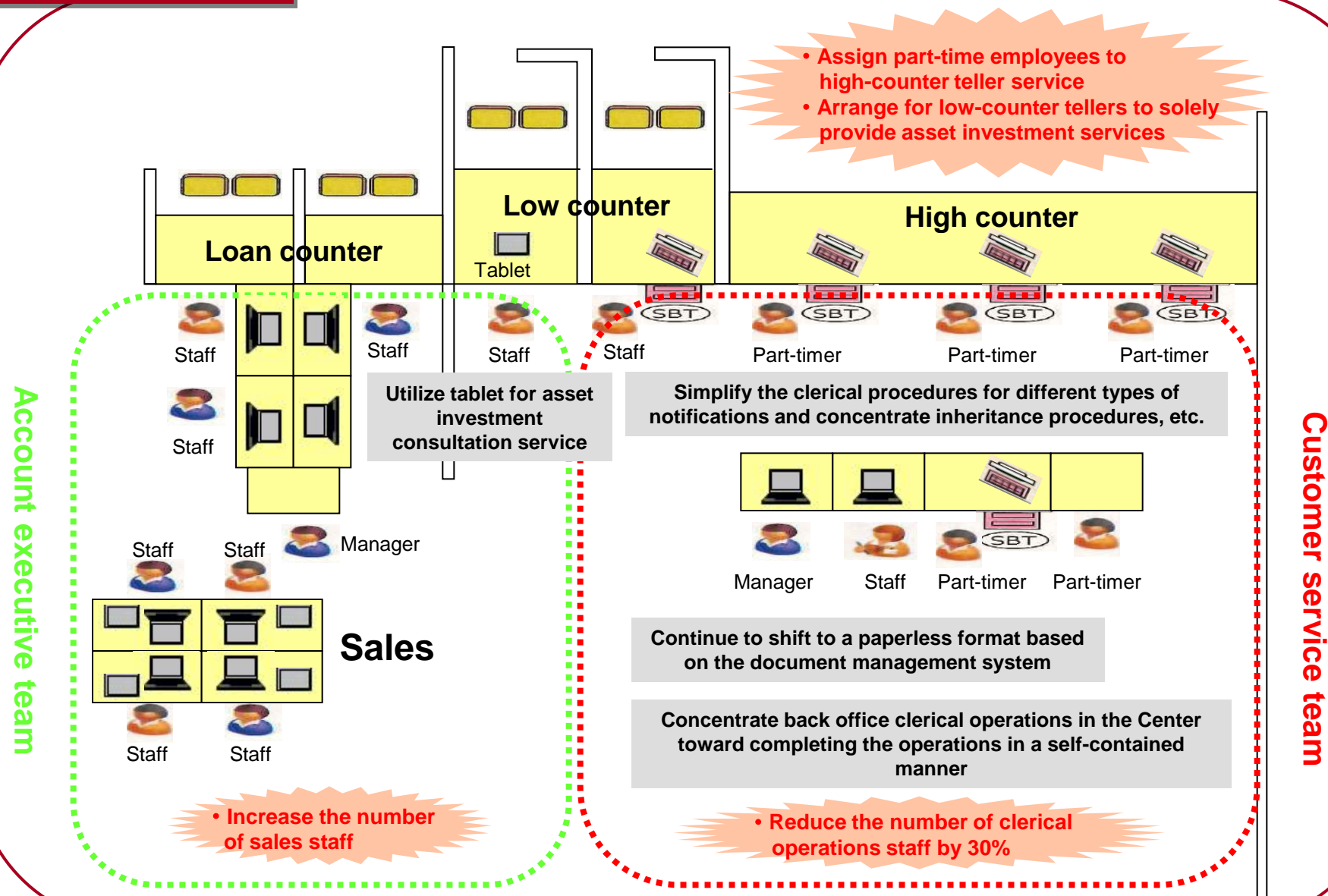
Reduce the number of existing staff by 20%
Reduce the number of Operations Division staff by 30%

Installed the Operations Support Team (June 2016)

- ★ Concentrated branches' back office clerical operations
 - Established in the Operations Control Division (June 2016)
 - Intended to engage in branches' back office clerical operations in a self-contained manner

Become a more efficient organization
⇒ Improve productivity

New Branch Structure



■ Revise expenses as a whole to transform our expenses structure

Transform Our Expenses Structure

Allocate personnel expenses effectively

- ★ Revise our personnel affairs and pension systems

Invest strategically in IT and FinTech

- ★ Make investments to deliver higher customer convenience and improve the Bank's productivity

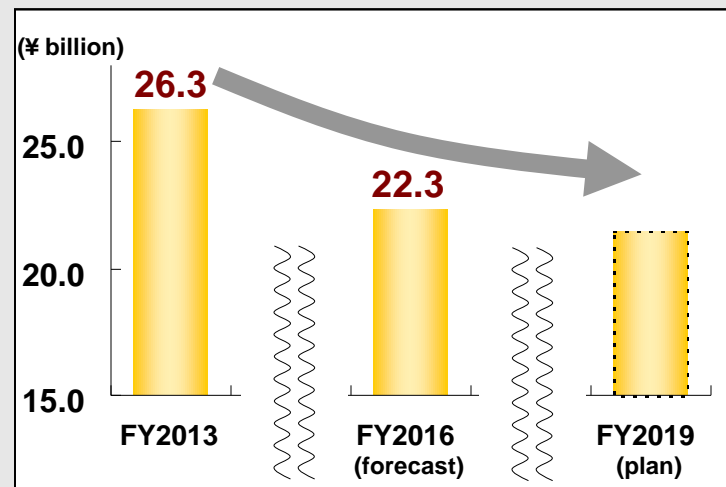
Invest on human resource development

- ★ Make investments toward fostering specialists and improving skills

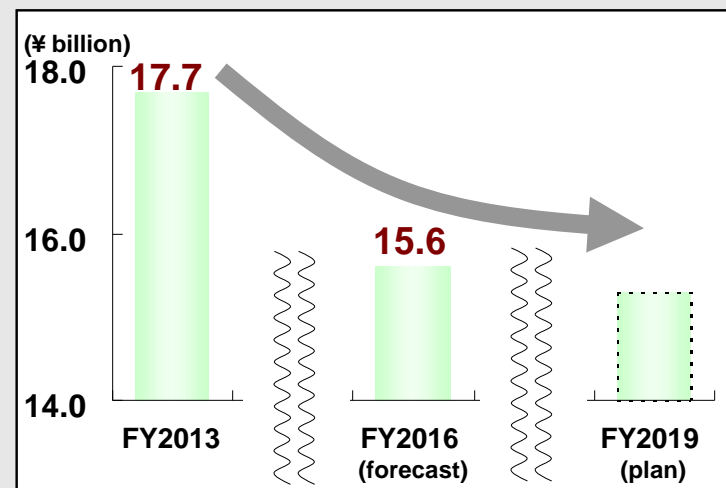
Reduce non-personnel expenses

- ★ Continue to rigorously lower non-personnel expenses

<Personnel expenses plan>



<Non-personnel expenses plan>



- Upgrade our management and controls to firmly support the business model and to obtain even greater trust from customers

Upgrading of Management and Controls

Bolster our risk control

- ★ Bolster our comprehensive risk management
- ★ Bolster our market risk control
 - Detect risks for increasingly diverse investment assets in a more rigorous manner
 - Measure interest risk amounts precisely and perform interest controls
- ★ Upgrade our credit risk controls
- ★ Strengthen measures to address serious system failure and cyber security matters

Rigorously ensure customer protection

- ★ Strengthen our control framework for customer protection
- ★ Put fiduciary duty into practice
 - Disclosure of insurance agency commission (October 2016)

Strengthen earnings management and governance platforms

- ★ Perform earnings management toward improving profitability
- ★ Bolster our corporate governance
 - Introduced the Executive Officer System (April 2016)
 - Increased the number of outside Directors (June 2016)
 - Changed director term of office (from two years to one year) (June 2016)

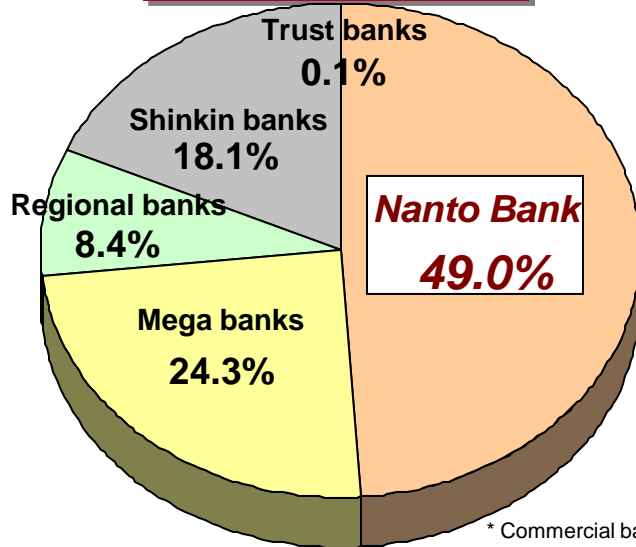
Build a more solid management and control framework that supports our business model

Appendix

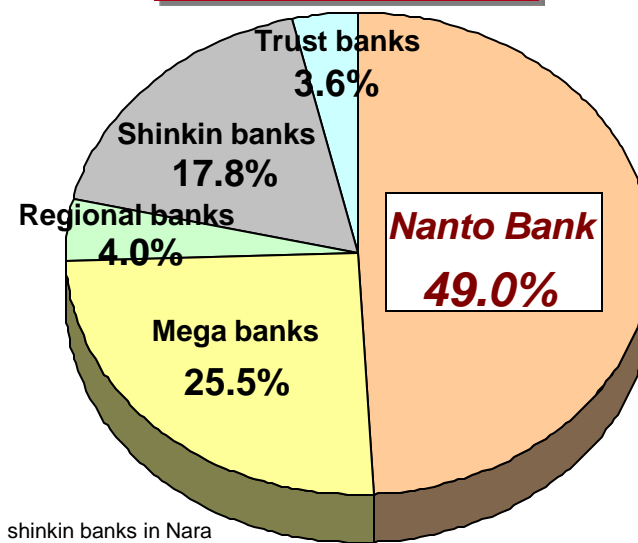
1. Share in Nara Prefecture	Appendix-1
2. Business Conditions for Local Companies (Sentiment on Local Economy)	Appendix-2
3. Business Bankruptcy and Employment Conditions	Appendix-3
4. Population and Number of Private Enterprises	Appendix-4
5. State of Loans by Industry	Appendix-5
6. Shift in Classification of Debtors	Appendix-6
7. Total Risk Management	Appendix-7
8. Pursuit of CSR Activities	Appendix-8

1. Share in Nara Prefecture

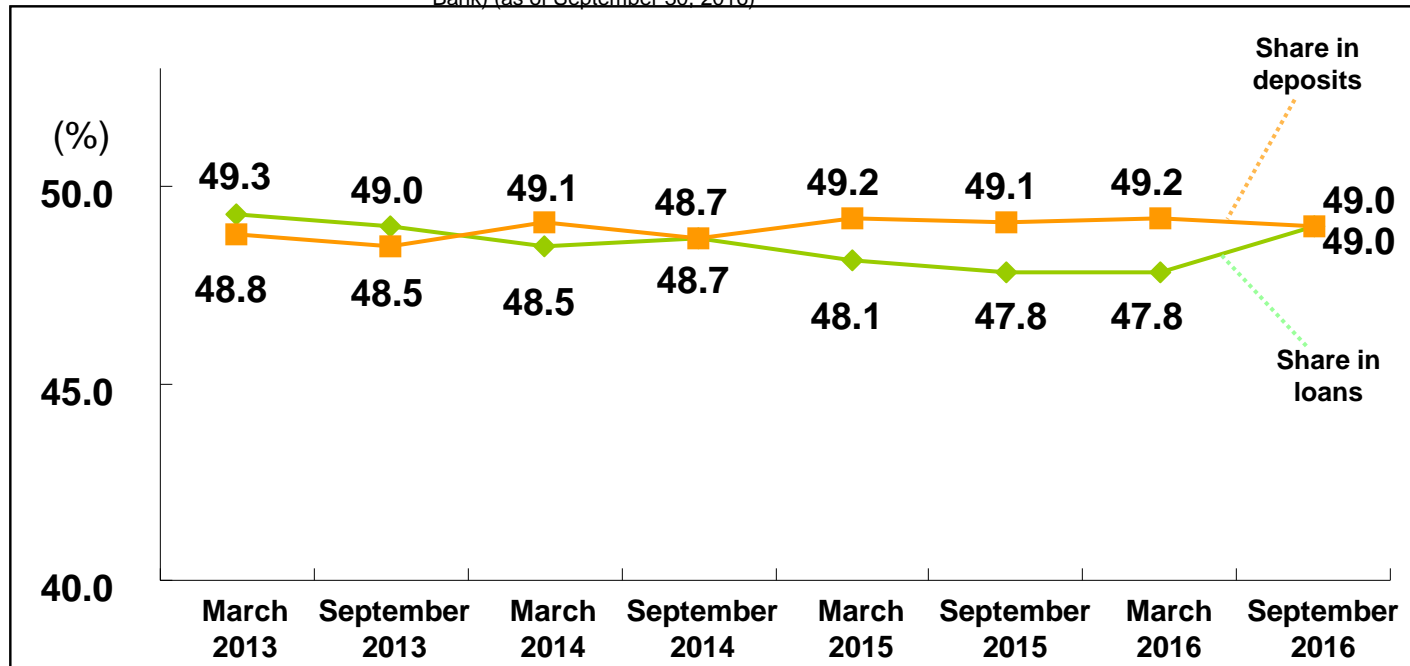
Share in Loans



Share in Deposits

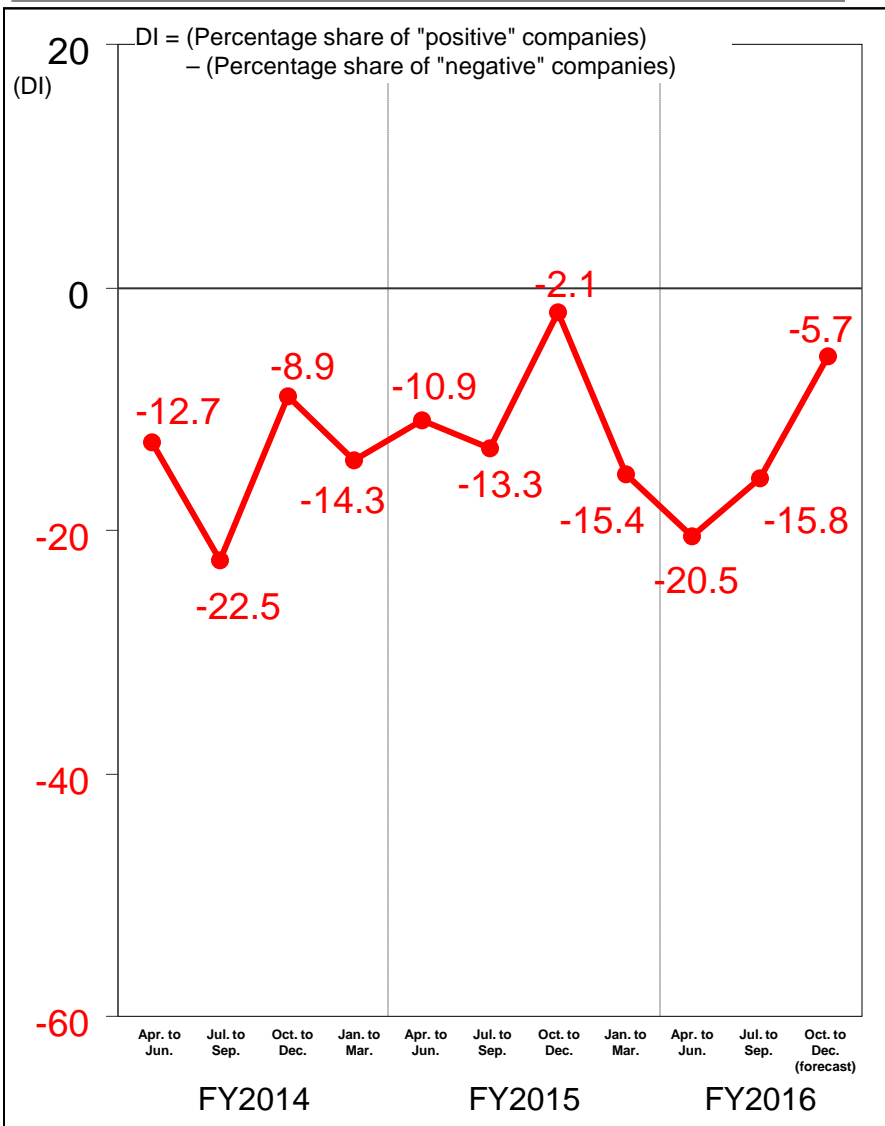


* Commercial banks, trust banks and shinkin banks in Nara Prefecture. (excluding agricultural cooperatives, Japan Post Bank) (as of September 30, 2016)



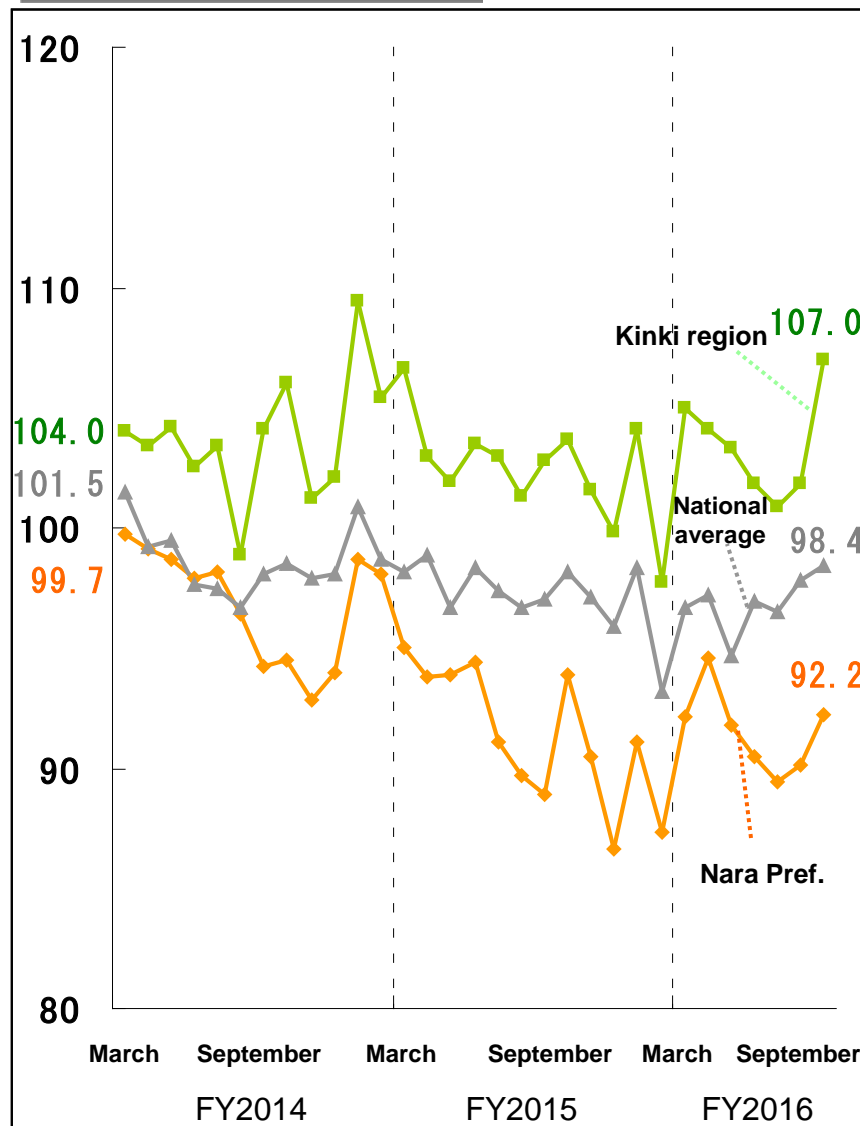
2. Business Conditions for Local Companies (Sentiment on Local Economy)

Business Sentiment among Nara Prefecture-based Companies (Quarter on quarter DI)



(Source: Nanto Economic Research Institute)

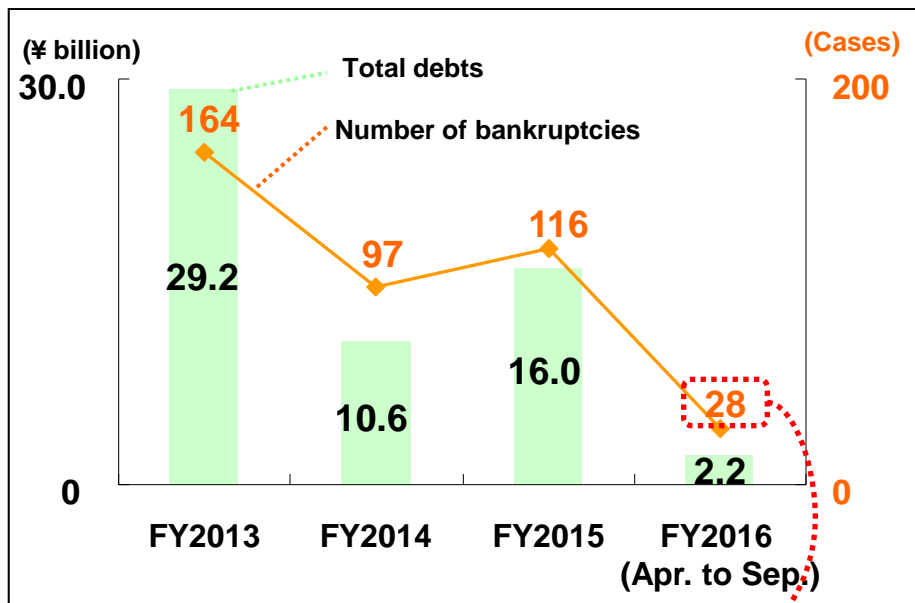
Industrial Production Index



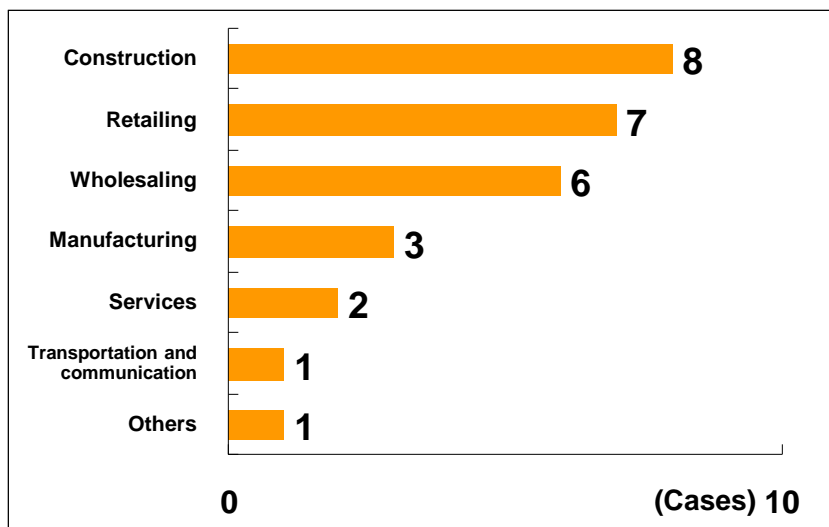
(Source: Ministry of Economy, Trade and Industry, Kinki Bureau of Economy, Trade and Industry, Nara Prefecture)

3. Business Bankruptcy and Employment Conditions

Number of Bankruptcies in Nara Pref.

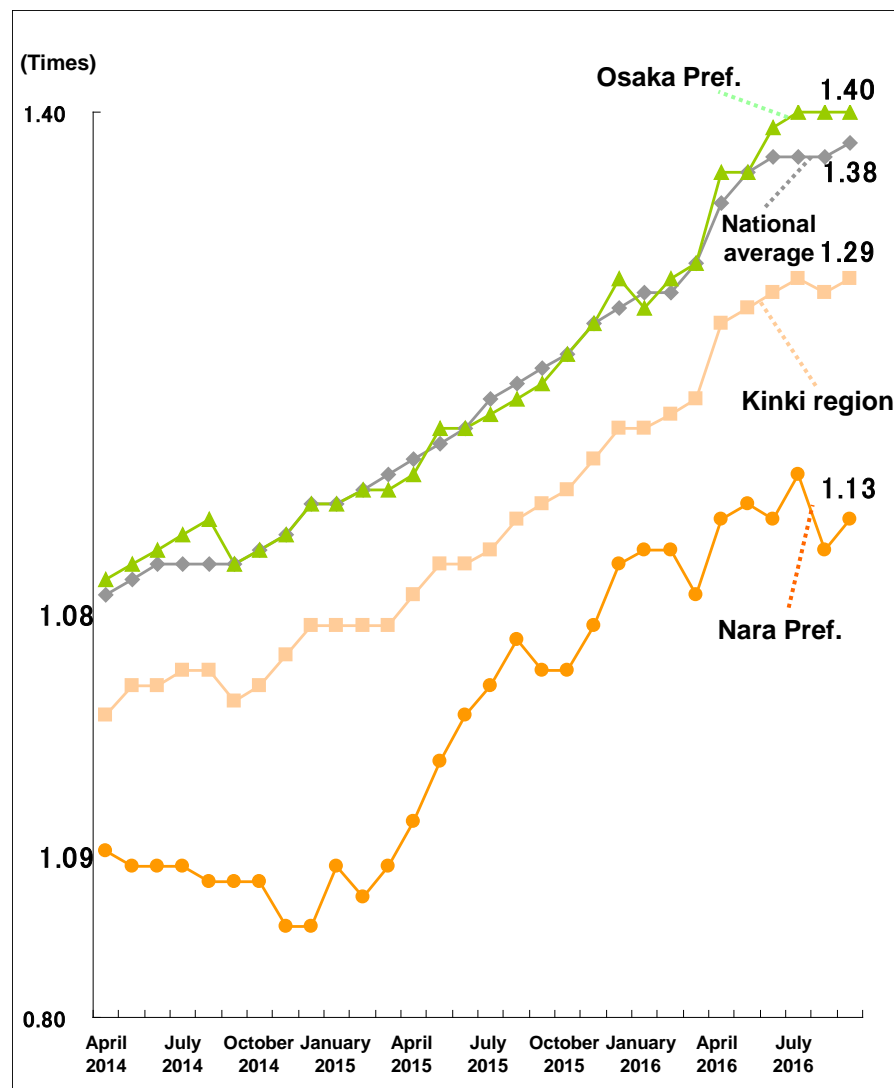


<Number of bankruptcies by industry>



[Source: Teikoku Databank]

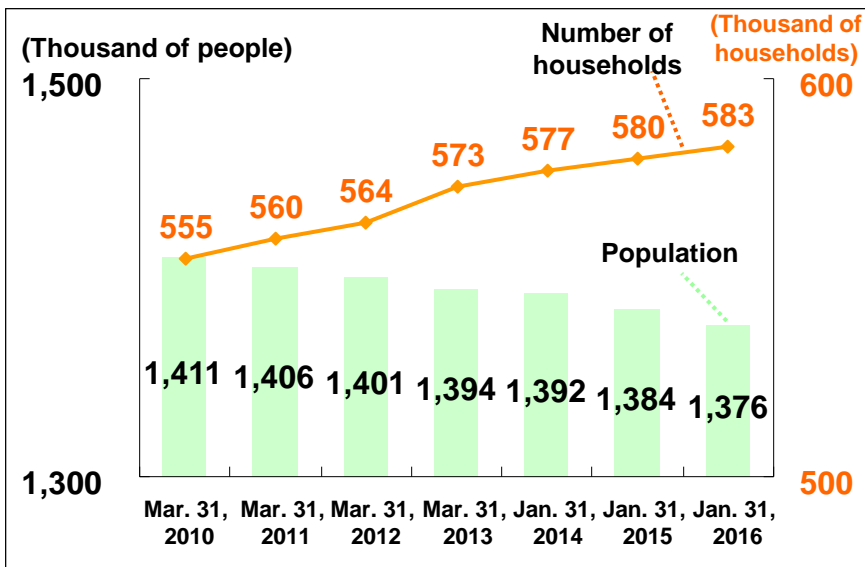
Effective Ratio of Job Offers to Applicants



[Source: Ministry of Health, Labour and Welfare]

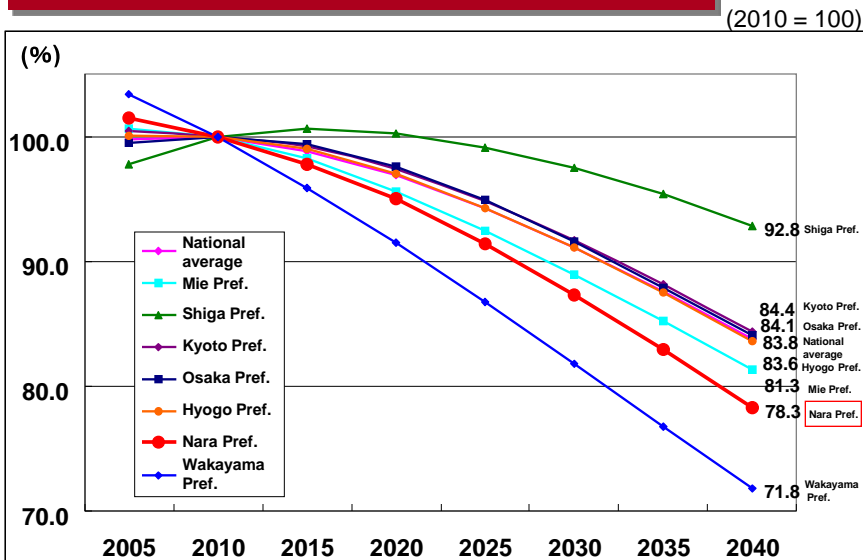
4. Population and Number of Private Enterprises

Population and Number of Households (Nara Prefecture)



[Source: Nara Prefecture]

Future Population Estimates (by prefecture)



[Source: National Institute of Population and Social Security Research]

Number of Private Enterprises

	Jul. 31, 2009	Feb. 29, 2012	Jul. 31, 2014	Change from Jul. 31, 2009	
				Number of entities	(%)
National average	5,886,193	5,453,635	5,442,764	-443,429	-7.5
Osaka Pref.	443,848	408,713	403,852	-39,996	-9.0
Nara Pref.	50,424	46,711	46,774	-3,650	-7.2

[Source: Statistics Bureau, Ministry of Internal Affairs and Communications, Economic Census]

Number of Private Enterprises by Industry (Nara Prefecture)

	Jul. 31, 2009	Feb. 29, 2012	Jul. 31, 2014	Change from Jul. 31, 2009	
				Change (number)	Change (%)
All industries	50,424	46,711	46,774	-3,650	-7.2%
Agriculture, fishery and forestry	132	117	138	+6	+4.5%
Mining, stone and gravel quarrying	5	6	6	+1	+20.0%
Construction	4,394	3,882	3,712	-682	-15.5%
Manufacturing	5,423	5,073	4,740	-683	-12.6%
Electric, gas, heat supply and water supply	35	34	41	+6	+17.1%
Information communication	342	282	264	-78	-22.8%
Transportation and postal services	821	785	743	-78	-9.5%
Wholesaling and retailing	14,073	12,434	12,451	-1,622	-11.5%
Finance and insurance	732	694	719	-13	-1.8%
Real estate and leasing	3,288	3,050	2,967	-321	-9.8%
Academic research and specialized and technology services	1,568	1,446	1,505	-63	-4.0%
Accommodation and food services	5,552	5,184	5,167	-385	-6.9%
Living and entertainment services	4,365	4,101	4,144	-221	-5.1%
Education and learning-aid services	1,630	1,629	1,730	+100	+6.1%
Medical and welfare services	3,451	3,603	4,172	+721	+20.9%
Integrated services	443	323	428	-15	-3.4%
Others (*)	4,170	4,068	3,847	-323	-7.7%

(*) Others: Religion; car maintenance; political, economic and culture associations; and waste treatment services

[Source: Statistics Bureau, Ministry of Internal Affairs and Communications, Economic Census]

5. State of Loans by Industry

Loans Outstanding by Industry

(¥ billion)	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	Sep. 30, 2016	Change from
					Mar. 31, 2016
Total lending volume	2,983.9	3,088.7	3,198.1	3,240.9	42.7
Manufacturing	490.3	502.3	500.7	502.2	1.4
Agriculture and forestry	3.0	2.9	2.7	2.3	-0.4
Fishery	4.1	4.3	3.7	3.6	-0.1
Mining, stone and gravel quarrying	7.3	7.1	11.7	11.4	-0.2
Construction	85.9	84.0	85.1	78.3	-6.8
Electric, gas, heat supply and water supply	23.6	27.6	27.8	24.3	-3.4
Information communication	34.7	36.3	39.7	46.0	6.3
Transportation and postal services	94.7	91.0	105.2	108.0	2.7
Wholesaling and retailing	290.9	300.9	292.2	296.5	4.3
Finance and insurance	158.6	158.5	148.4	126.1	-22.2
Real estate and leasing	327.7	344.8	359.8	372.2	12.3
Services	164.6	166.4	177.5	177.9	0.3
Local public entity	436.4	483.9	541.6	574.1	32.4
Others	861.5	878.0	901.3	917.3	15.9

Ratio of Loans by Industry

(%)	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	Sep. 30, 2016	Change from
					Mar. 31, 2016
Total lending volume	100.00	100.00	100.00	100.00	—
Manufacturing	16.43	16.26	15.66	15.50	-0.16
Agriculture and forestry	0.10	0.10	0.09	0.07	-0.01
Fishery	0.14	0.14	0.12	0.11	-0.00
Mining, stone and gravel quarrying	0.25	0.23	0.37	0.35	-0.01
Construction	2.88	2.72	2.66	2.42	-0.25
Electric, gas, heat supply and water supply	0.79	0.89	0.87	0.75	-0.12
Information communication	1.16	1.18	1.24	1.42	0.18
Transportation and postal services	3.17	2.95	3.29	3.33	0.04
Wholesaling and retailing	9.75	9.74	9.14	9.15	0.01
Finance and insurance	5.32	5.13	4.64	3.89	-0.75
Real estate and leasing	10.98	11.17	11.25	11.49	0.23
Services	5.52	5.39	5.55	5.49	-0.06
Local public entity	14.63	15.67	16.94	17.71	0.78
Others	28.87	28.43	28.18	28.30	0.12

6. Shift in Classification of Debtors

<As of September 30, 2016>

- ◆ Total credit (loans): ¥3,262.3 billion (increase of ¥46.5 billion from Mar. 31, 2016)
- ◆ Loans to normal debtors: ¥3,079.6 billion (increase of ¥59.5 billion from Mar. 31, 2016)
- ◆ Loans to debtors requiring caution and substandard debtors: ¥124.2 billion (decrease of ¥7.5 billion from Mar. 31, 2016)
- ◆ Loans to potentially bankrupt debtors and lower: ¥58.4 billion (decrease of ¥5.4 billion from Mar. 31, 2016)

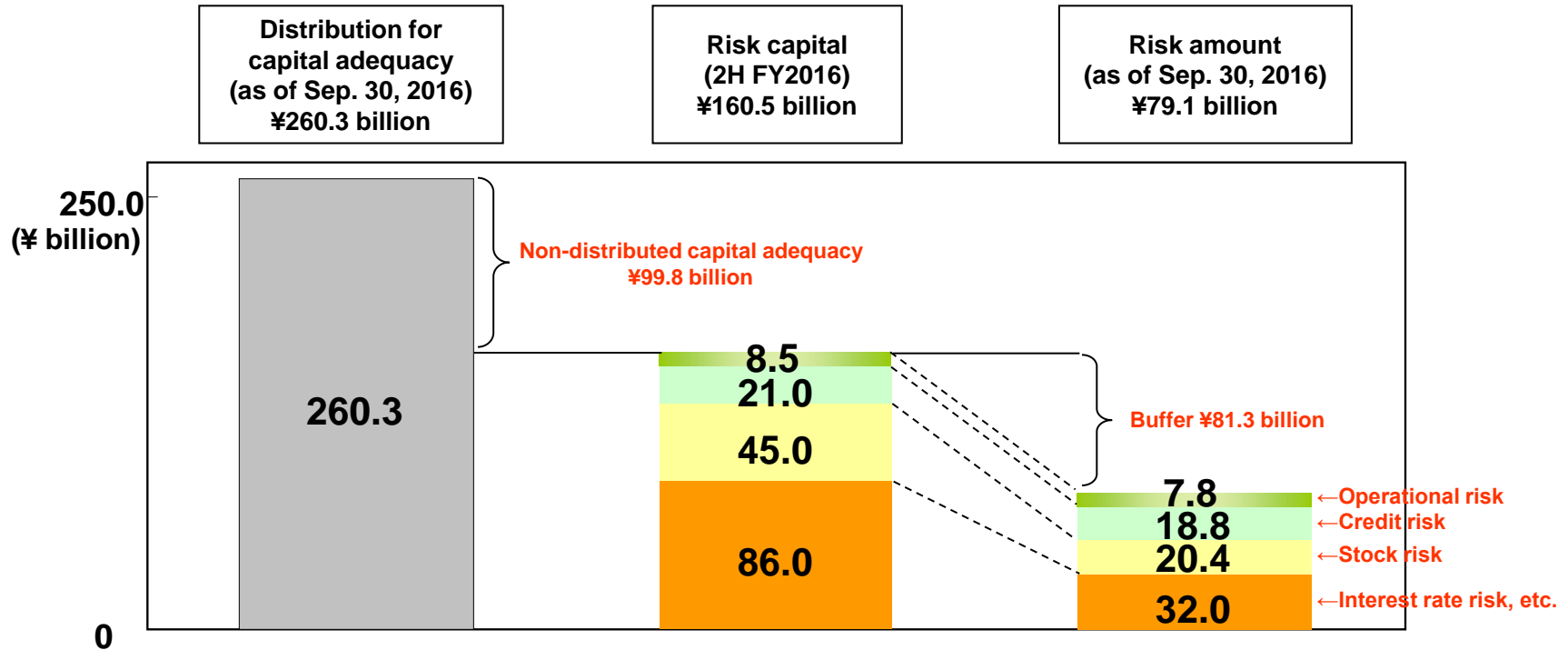
(¥ billion)

	(Subject: Credit related claimable assets such as loans)	As of March 31, 2016 a	As of September 30, 2016					For collection or write-offs g
			Normal assets b	Assets requiring caution c	Substandard assets d	Potentially bankrupt assets e	Bankrupt and effectively bankrupt assets f	
1	Normal debtors	3,020.1	2,974.6	12.0	1.4	1.2	0.5	30.1
2	Debtors requiring caution	118.7	14.9	95.9	0.3	2.2	0.2	5.0
3	Substandard debtors	13.0	1.3	0.3	9.7	0.4	0.0	1.0
4	Potentially bankrupt debtors	58.0	0.0	2.9	0.7	46.9	4.0	3.3
5	Bankrupt and effectively bankrupt debtors	5.8	0.0	0.0	0.0	0.1	2.6	3.0
6	New debtors	0.0	88.6	0.5	0.0	0.0	0.0	0.0
7	Total	3,215.7	3,079.6	111.9	12.2	50.9	7.4	42.6

Change over March 31, 2016					
Normal assets	Assets requiring caution	Substandard assets	Potentially bankrupt assets	Bankrupt and effectively bankrupt assets	Total
59.5	-6.7	-0.8	-7.0	1.6	46.5

7. Total Risk Management

Total Risk Management



- Distribution for capital adequacy = Core capital + Valuation difference on available-for-sale securities reported on the balance sheet
- Interest-rate risk measurement includes use of an internal model that considers core deposits

<Risk Measurement Method>

		Measurement Approach	Confidence Level	Holding Period
Credit risk		VaR	99%	1 year
Market risk	Interest rate, investment purposes	VaR	99%	120 business days
	Strategic purposes	VaR	99%	240 business days
	Short-term trade	VaR	99%	10 business days
Operational risk		Gross profit distribution approach		

8. Pursuit of CSR Activities

Social contribution activities

- Nanto Bank hockey team “Shooting Stars”
- Nanto Nara cheer squad (volunteer guides)
- Nanto Scholarship Society
- Financial and economic education
- Small Kindnesses Society (cleanup activities, blood donation activities, etc.)

Environmental preservation activities

- Yoshino Cherry Tree Preservation Group
- Community support utilizing forests and wood
- Promotion of environmentally-conscious financial products
- Cool Biz (lighter employee attire)
- Establishment of recycling centers

Community support through forest preservation and supporting forestry revitalization



Brochure stand made from Yoshino cedar



Participated in the Third Forests, Trees and Houses of Nara Festa event as a host



Nanto Bank hockey team

- Won their seventh title, their first in 11 years, at the 38th Amateur National Hockey Championship



Volunteer guides



Financial and economic education (All Japan High School Economics Quiz Tournament)



Manyo charity walk



Yoshino Cherry Tree Preservation Group (fund-raising campaign)

**In this material, we refer to the future performance of the bank.
However, please be aware that these contents do not guarantee our future performance and it may change due to the unexpected risks and uncertainties in the operating environment.**

[Contact, if any:]

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