

Information Meeting

—The First Half Ended September 2017—



THE NANTO BANK, LTD.

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I. About the Nanto Bank, Ltd.

1. Profile of the Nanto Bank

(as of September 30, 2017)

1. Founded	June 1, 1934
2. Location of head office	16 Hashimoto-cho, Nara City
3. Capital	¥37,924 million
4. Number of employees	2,736
5. Number of offices	140 (Japan) 2 (representative offices in Hong Kong and Shanghai)
6. Total assets	¥5,852.8 billion
7. Deposits outstanding	¥4,843.8 billion
8. Outstanding loans	¥3,295.5 billion
9. Capital adequacy ratio	Non-consolidated: 9.85% Consolidated: 10.07%
10. Market share in Nara Prefecture	Loans: 49.0% Deposits: 48.9%
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**

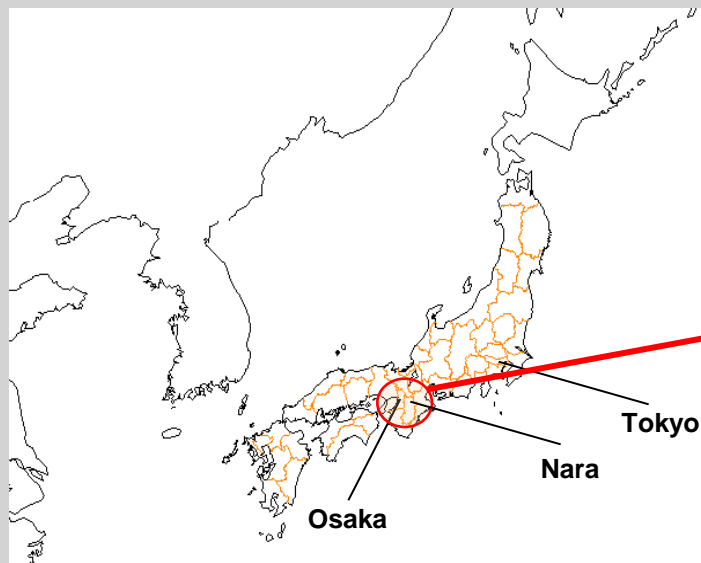


(Head Office)

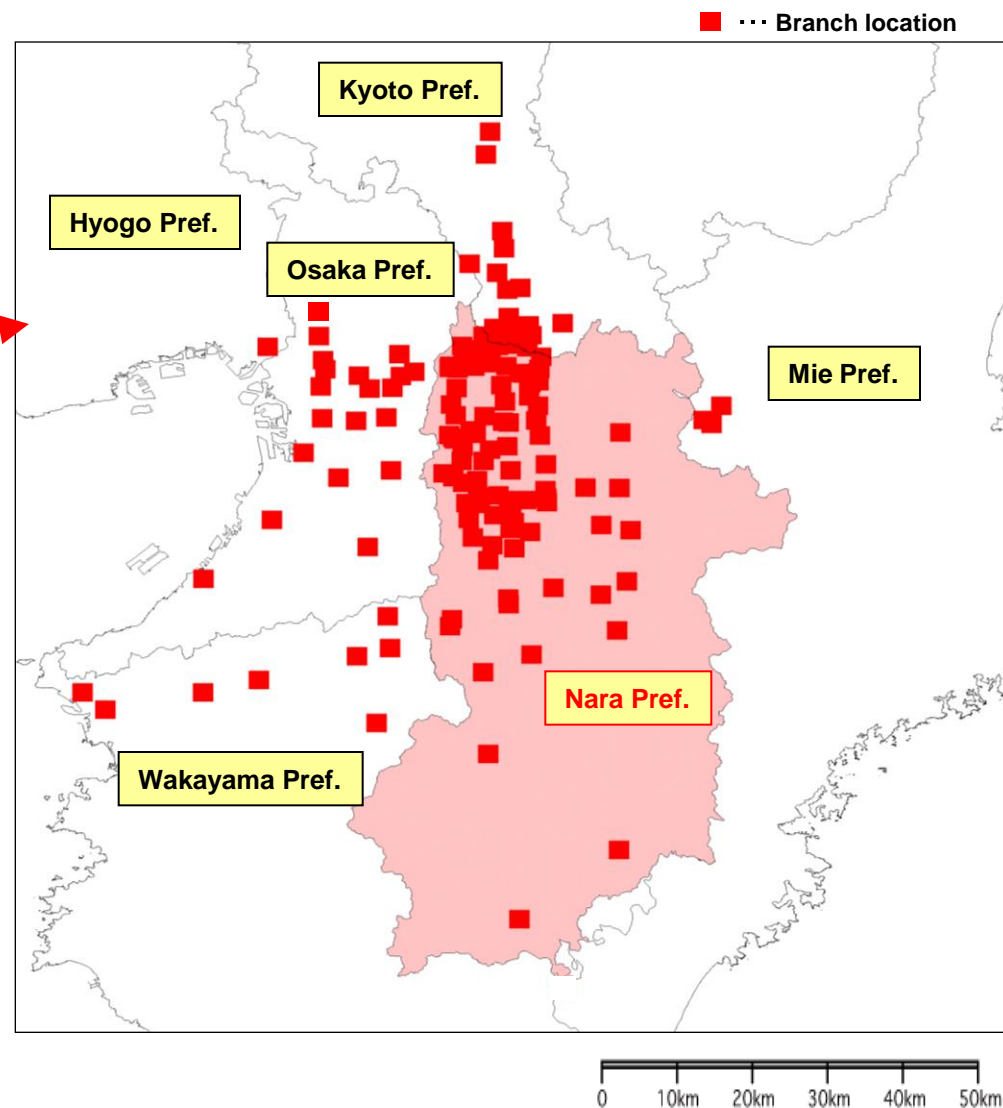
2. Operating Areas of the Bank

Operating Areas of the Bank

Map of Japan



Our Network of Branches



Number of branches (as of September 30, 2017)

	Headquarters and branches	Sub-branches	Agencies	Total
Nara Pref.	70	20	2	92
Wakayama Pref.	6	2	-	8
Kyoto Pref.	11	4	-	15
Mie Pref.	1	2	-	3
Osaka Pref.	20	-	-	20
Hyogo Pref.	1	-	-	1
Tokyo	1	-	-	1
Total	110	28	2	140

3. Summary of Nara Prefecture (1) History and Tourism Resources

History of Nara Prefecture

- Following the unification of Japan in ancient times, Nara was the country's capital up until the end of the Nara Period (from 710 to 794). It was home to many of Japan's existing cultural properties, such as Buddhist architecture.
- In Waka poems, Nara is referred to as the "Birthplace of Japan."

Abundant Tourism Resources

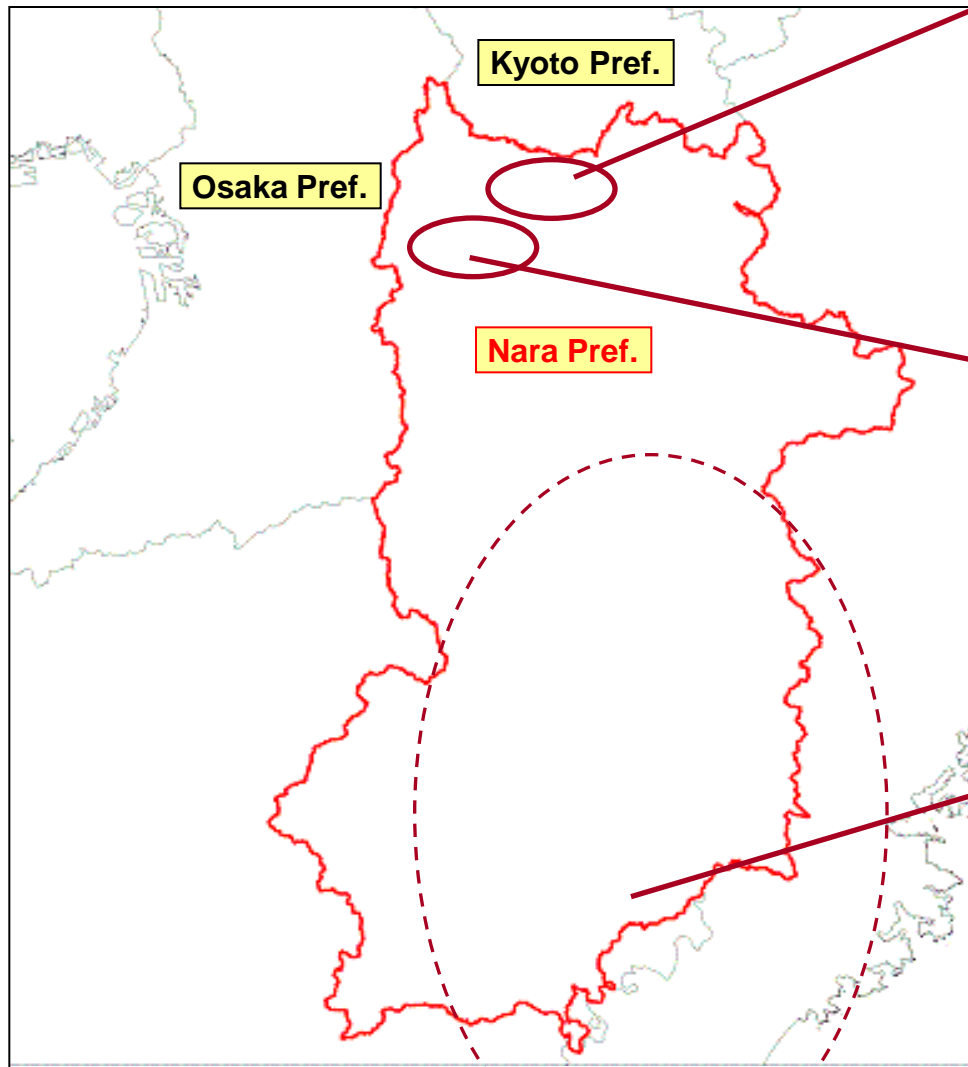
- Three World Heritage sites → Ranked top in Japan for the number of such sites
 - (i) Historic Monuments of Ancient Nara
 - (ii) Buddhist Monuments in the Horyu-ji Area
 - (iii) Sacred Sites and Pilgrimage Routes in the Kii Mountain Range
 - A total of 1,525 National Treasure and Important Cultural Property certifications (as of June 1, 2017)
 - * Ranked third in the country, only behind Tokyo and Kyoto
- ⇒ In 2015, the annual number of foreign tourists visiting Nara exceeded the 1 million mark.

★ Origin of the name Nanto Bank

- The Bank was named Nanto Bank when it was established in 1934 because Nara had long been referred to as "Nanto" (the South Capital) in reference to Kyoto.

3. Summary of Nara Prefecture (2) Three World Heritage Sites

Expanded Map of Nara Prefecture



(i) Historic Monuments of Ancient Nara

Nara, Nara Pref.

Registered in 1998 as a world heritage site

(ii) Buddhist Monuments in the Horyu-ji Area

Ikaruga-cho, Ikoma-gun, Nara Pref.

Registered in 1993 as a world heritage site

(iii) Sacred Sites and Pilgrimage Routes in the Kii Mountain Range

Nara Pref., Wakayama Pref. and Mie Pref.

Registered in 2004 as world heritage sites

3. Summary of Nara Prefecture (2) Three World Heritage Sites

(i) Historic Monuments of Ancient Nara

- **“Historic Monuments of Ancient Nara” are made up of the temples in Nara city. (Tôdai-ji, Kôfuku-ji, Kasuga-Taisha, Kasugayama Primeval Forest, Gangô-ji, Yakushi-ji, Tôshôdai-ji and the site of Heijô-kyo)**
- **During the Nara Period (from 710 to 794), many temples and shrines were built around the Heijô-kyo and the location served as the country’s capital. These “Historic Monuments of Ancient Nara” serve to illustrate the religious activities and lifestyle of the Nara Period.**

(ii) Buddhist Monuments in the Horyu-ji Area

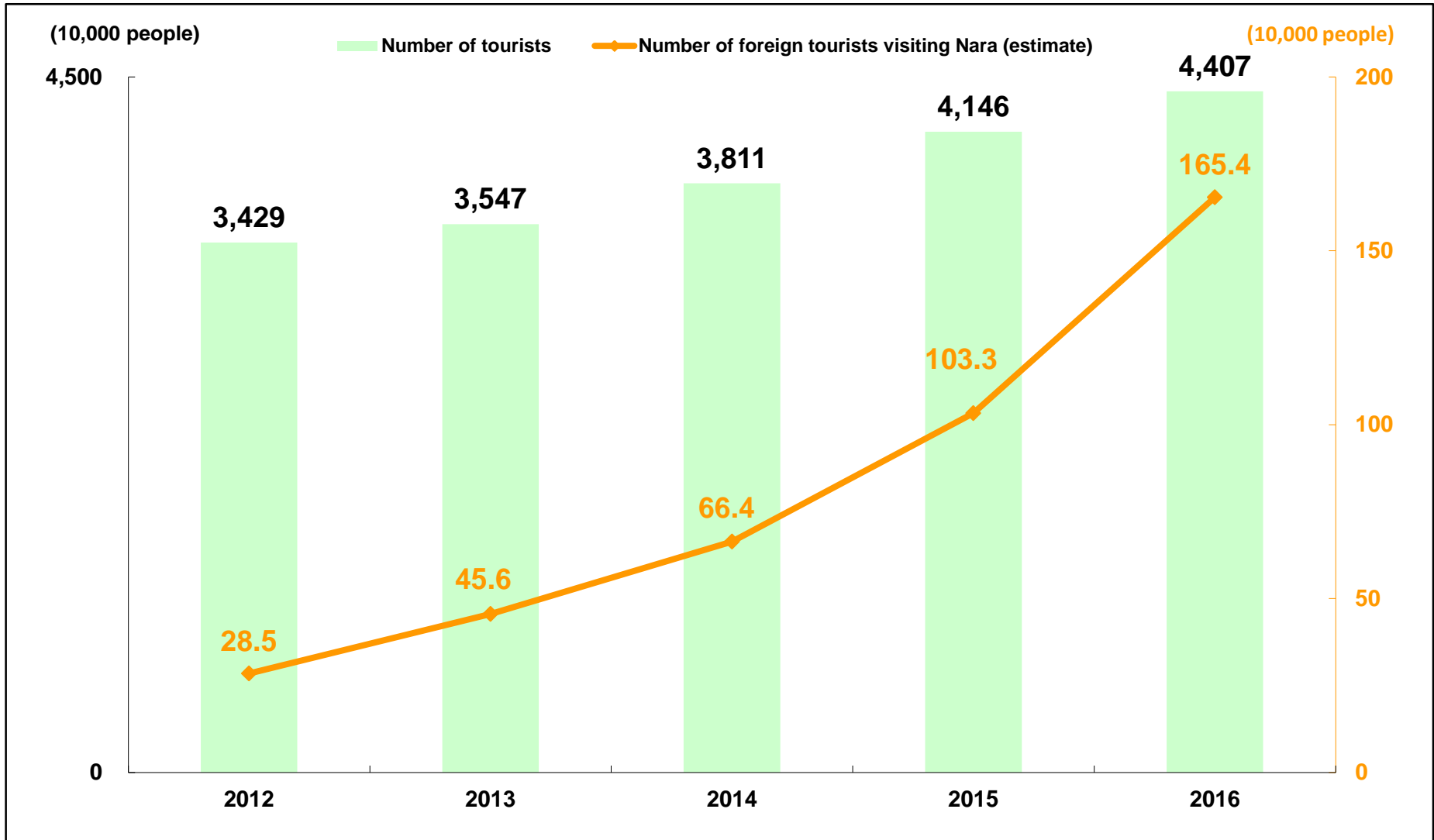
- **Wooden structures at the Horyu-ji and Hokki-ji Temples**
- **Built shortly after Buddhism arrived in Japan, these are among the nation’s oldest existing wooden structures. Combined with the structures built thereafter, they reveal how Japanese Buddhist architecture changed over time, and are thus praised as being masterpieces of Buddhist architecture.**

(iii) Sacred Sites and Pilgrimage Routes in the Kii Mountain Range

- **These World Heritage Sites span Nara Prefecture and the adjacent Mie and Wakayama Prefectures. The location contains three sacred sites: Yoshino and Omine; Kumano Sanzan; and Koyasan, connected by the pilgrimage routes Omine Okugakemichi, the Kumano Pilgrimage Routes and the Koya Pilgrimage Routes.**
It was here that nature worship-based religious practices from ancient Japan amalgamated with Buddhism, arriving from the continent, and resulted in the creation of many different forms of religion.

3. Summary of Nara Prefecture (3) Number of Tourists

Number of Tourists Visiting Nara



[Source: Nara Prefecture]

4. Summary of the Local Economy

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

Metric	Nara Pref.		Source	Osaka Pref.	
		Rank			Rank
Population (Thousands of people)	1,356	30th	Ministry of Internal Affairs and Communications, <i>Population Estimates</i> , October 2016	8,833	3rd
Deposits balance (¥ trillion)	11.4	24th	Kinyu Journal, <i>Financial Map 2017</i>	90.4	2nd
Loan balance (¥ trillion)	3.5	31st	Kinyu Journal, <i>Financial Map 2017</i>	45.1	2nd
Per-capita income (¥ thousand)	2,534	35th	Cabinet Office Economic and Social Research Institute (ESRI), fiscal 2014	3,013	13th
Balance of savings (¥ thousand)	17,816	1st	Ministry of Internal Affairs and Communications, <i>National Survey of Family Income and Expenditure</i> , November 2014	14,801	18th
Housing starts (Thousands of units)	6	36th	Ministry of Land, Infrastructure, Transport and Tourism, <i>Building Starts</i> , fiscal 2016	70	3rd
Percentage of people who enter post-secondary education (%)	58.9	7th	Ministry of Education, Culture, Sports, Science and Technology, March 2016	60.5	5th
Percentage of people who answer correctly on the financial literacy examination (%)	60.5	1st	The Central Council for Financial Services Information, June 2016	54.1	38th
Cross-prefecture employment ratio (%)	29.9	1st	Ministry of Internal Affairs and Communications, <i>National Census</i> , October 2010	5.8	15th
Number of private enterprises (offices) (Thousands of units)	48	40th	Ministry of Internal Affairs and Communications, <i>Economic Census</i> , July 2014	413	2nd
Value of shipped manufactured goods (establishments employing at least 10 workers) (¥ trillion)	1.8	36th	Ministry of Economy, Trade and Industry, <i>Census of Manufacturers</i> , December 2014	15.7	3rd
Sales value of wholesale goods (¥ trillion)	0.7	42nd	Ministry of Economy, Trade and Industry, <i>Census of Commerce</i> , July 2014	38.9	2nd
Sales value of retail goods (¥ trillion)	1.0	35th	Ministry of Economy, Trade and Industry, <i>Census of Commerce</i> , July 2014	8.4	2nd
Number of items designated as National Treasures and Important Cultural Properties (Items)	1,324	3rd	Agency for Cultural Affairs, September 2017	677	5th
Ratio of visits by foreign tourists coming to Japan (sightseeing and leisure purposes) (%)	8.4	9th	Japan Tourism Agency, <i>Consumption Trend Survey for Foreigners Visiting Japan</i> , 2016	44.7	1st

II. Financial Results for the 1st Half of FY2017

1. Summary of Profit and Loss

(¥ billion)		1H FY2016	1H FY2017	Y/Y change
1	Core gross business profit	27.3	26.1	-1.1
2	Interest income	25.0	24.0	-1.0
3	Fees and commissions	2.8	2.3	-0.4
4	Other operating income (*1)	-0.5	-0.2	+0.2
5	Cost of derivative financial products	0.6	0.3	-0.3
6	Expenses	19.6	20.3	+0.6
7	Personnel expenses	10.9	11.4	+0.4
8	Non-personnel expenses	7.5	7.6	+0.1
9	Core net business profit	7.6	5.8	-1.8
10	Gains/Losses on bonds (JGBs, etc.)	3.4	-0.1	-3.5
11	Net transfer to general provision for possible loan losses	2.1	—	-2.1
12	Net business profit	8.9	5.7	-3.2
13	Non-recurrent gains/losses	-0.1	2.1	+2.3
14	Gains/Losses on stocks	0.0	1.5	+1.5
15	Disposal of non-performing loans	0.1	0.0	-0.0
16	Bad debt recovered	0.4	0.0	-0.3
17	Reversal of allowance for loan losses	—	0.5	+0.5
18	Ordinary income	8.7	7.8	-0.9
19	Extraordinary gains/losses	-0.0	-0.0	+0.0
20	Income before income taxes	8.6	7.8	-0.8
21	Income taxes	1.7	1.7	+0.0
22	Net income	6.9	6.0	-0.8
23	Credit cost (*2)	1.9	-0.5	-2.4

Analysis of Change Factors in Core Net Business Profit

		(¥ billion)
Core net business profit for 1H FY2016		7.64
1)	Average balance of loans (Average balance Y/Y change +¥50.2 billion)	+0.25
2)	Interest rate on loans (0.95%, Y/Y change -0.06 pt)	-1.02
3)	Average balance of deposits (Average balance Y/Y change +¥29.3 billion)	-0.00
4)	Interest rate on deposits (0.01%, Y/Y change -0.01 pt)	+0.27
Lending/deposit sector total		-0.49
5)	Average balance of securities (Average balance Y/Y change -¥118.2 billion)	-0.68
6)	Yield on securities (1.25%, Y/Y change +0.09 pt)	+0.79
7)	Interest on fund management	-0.01
8)	Interest on fund procurement (including cost of derivative financial products)	-0.31
Market sector total		-0.21
9)	Fees and commissions (Investment trust revenues: Y/Y change -¥0.03 billion Life insurance revenues: Y/Y change -¥0.52 billion Corporate solution business-related income: Y/Y change +¥0.11 billion)	-0.44
10)	Others	-0.00
11)	Expenses (¥0.62 billion in reversal of provision for bonuses for previous fiscal year, provision of ¥0.03 billion for this fiscal year ⇒ Y/Y change +¥0.65)	-0.64
Core net business profit for 1H FY2017		5.83

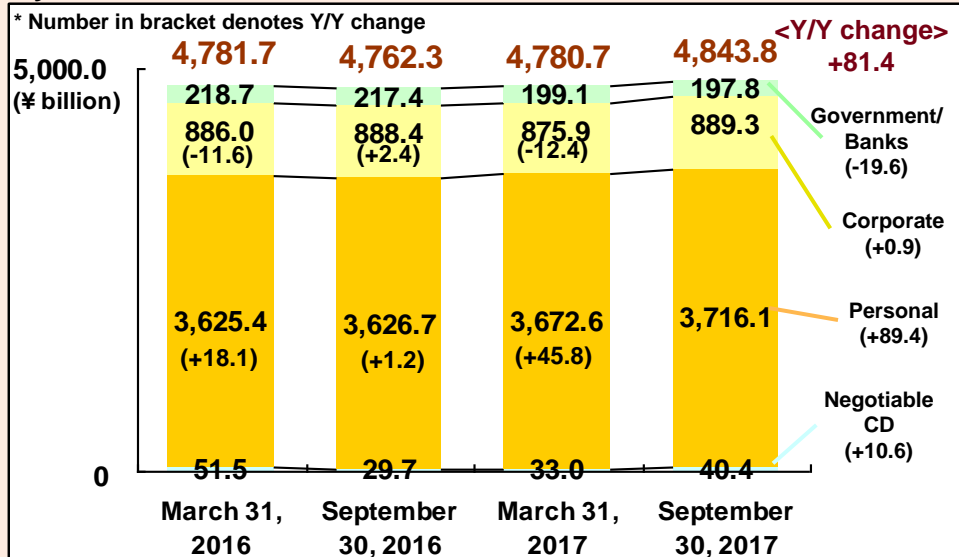
* 1 Excludes gains/losses on bonds (JGBs, etc.)

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

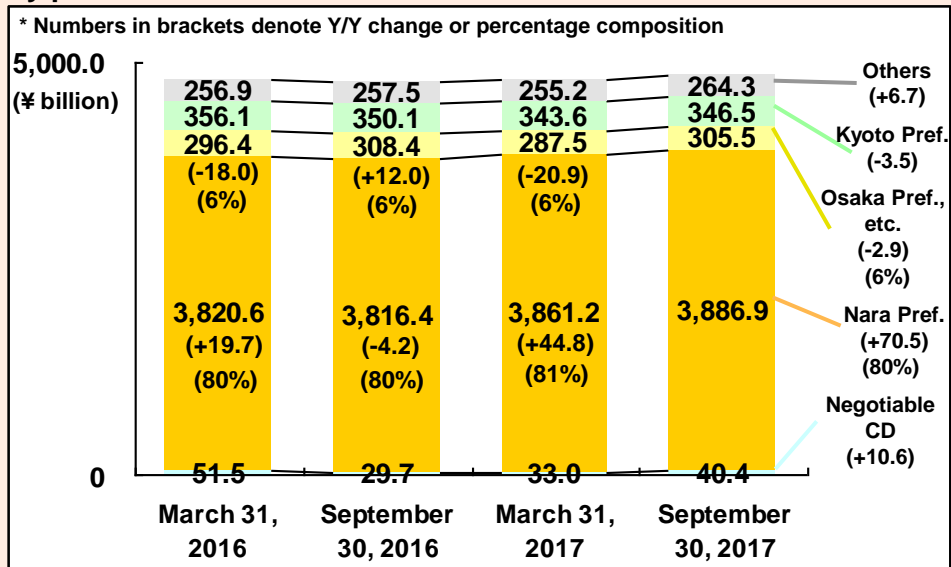
2. Summary of Deposits and Loans

Balance of Deposits

<By sector>

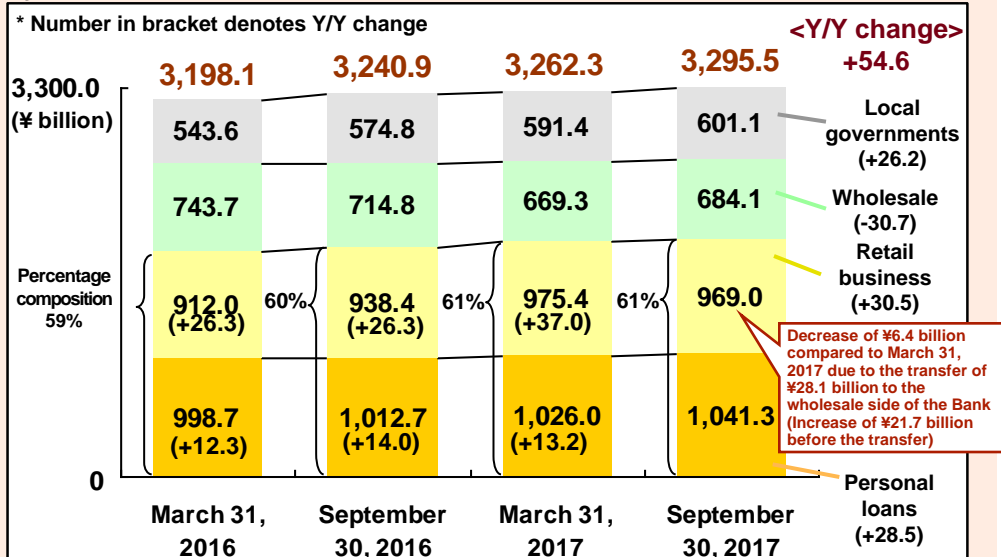


<By prefecture>

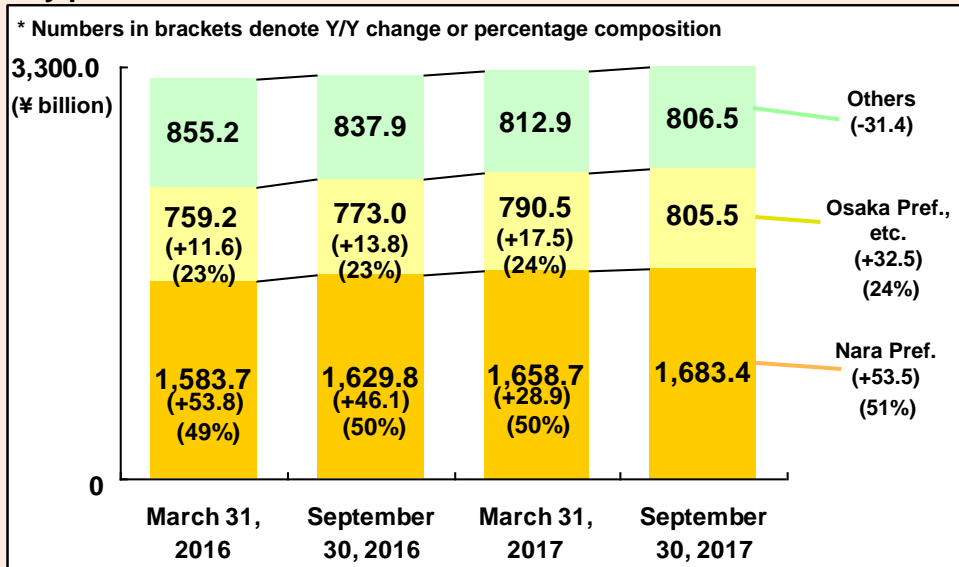


Balance of Loans

<By sector>

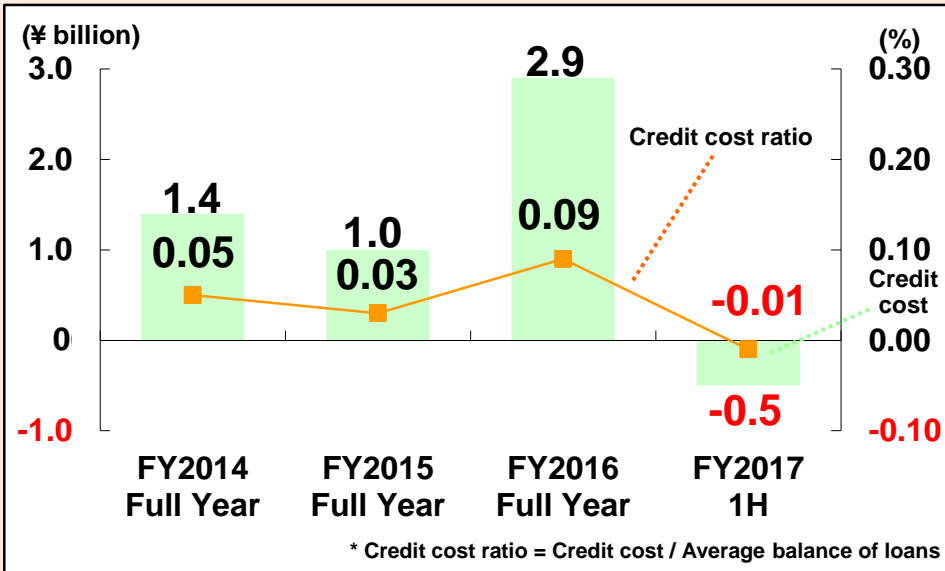


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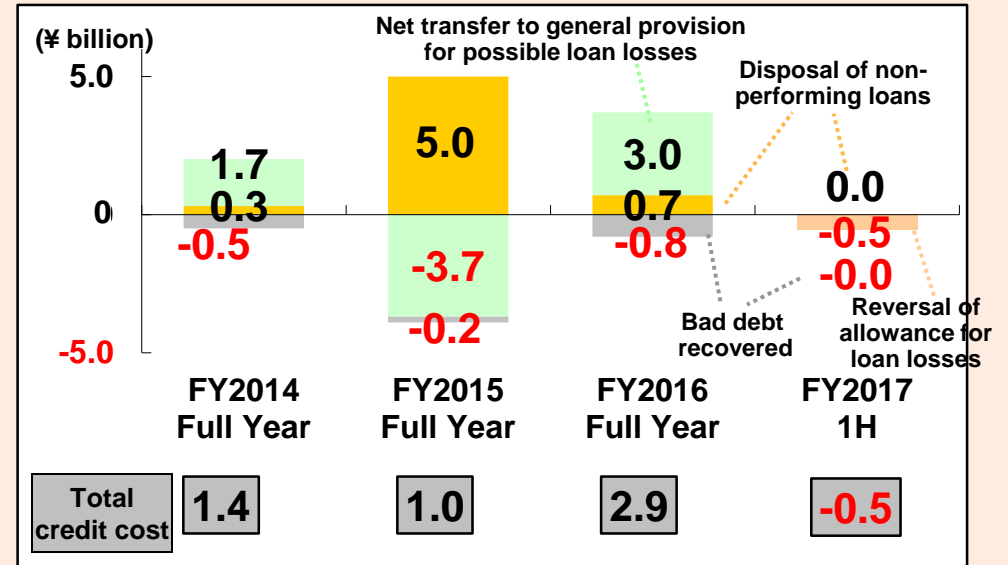


3. Summary of Non-Performing Loans

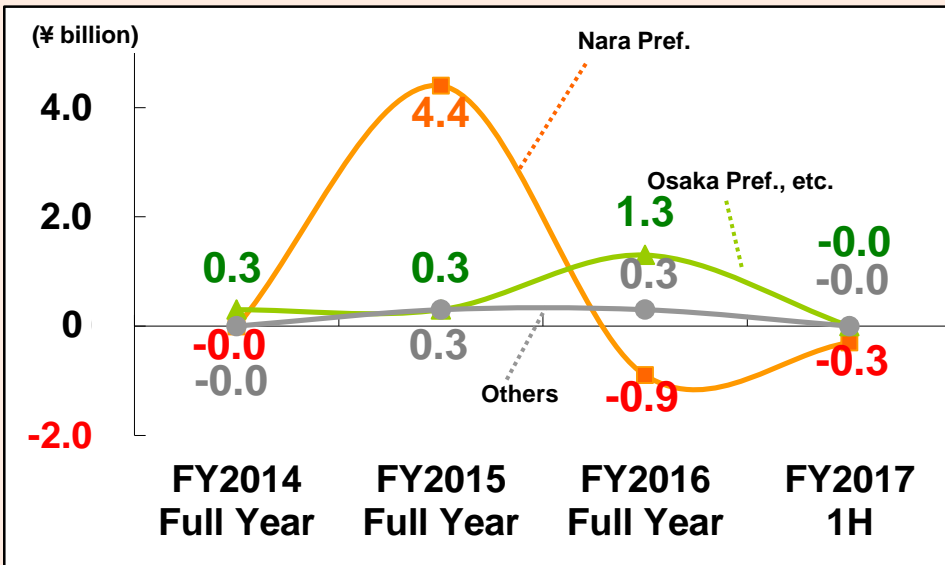
Credit Cost



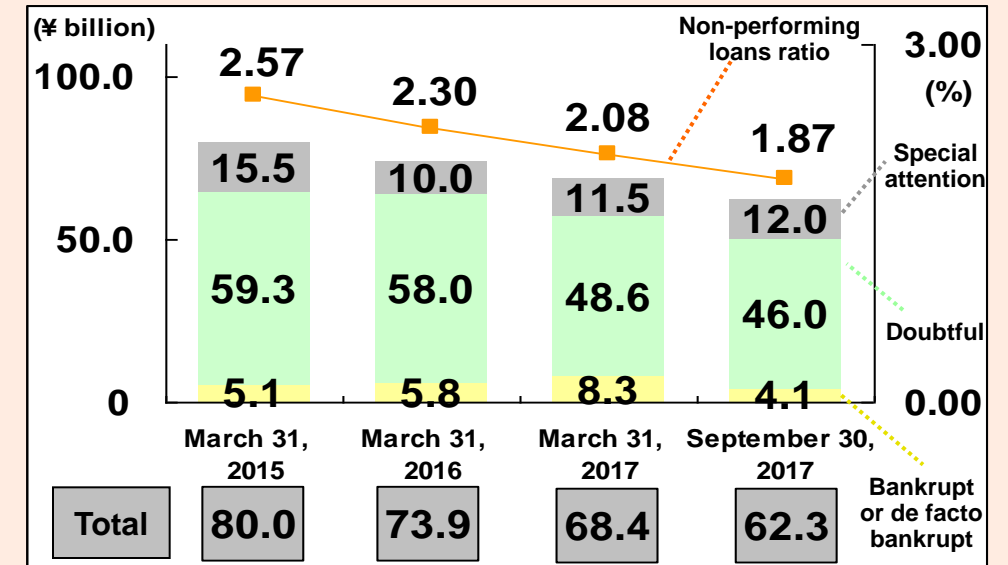
Breakdown of Credit Cost



Disposal of Non-Performing Loans by Region

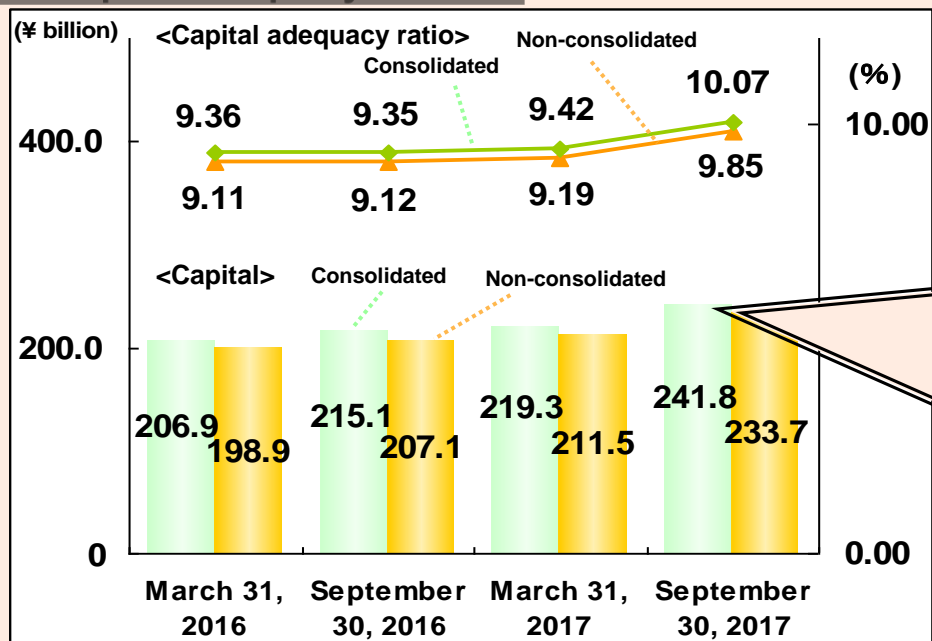


Loans Based on the Financial Reconstruction Law / Non-Performing Loans Ratio



4. Capital Adequacy Ratio

Capital Adequacy Ratio



<Implementation of public stock offerings and third-party allocation of shares>

★Capital raised: Approx. ¥17.3 billion

		March 31, 2017	September 30, 2017	Change from March 31, 2017
Number of shareholders (person)	Total	12,251	17,412	+5,161
	Individual shareholders, etc.	11,434	16,484	+5,050
	(Ratio)	93.3%	94.6%	+1.3%
Number of shares (thousand shares)	Total	27,275	33,025	+5,750
	Individual shareholders, etc.	7,705	10,032	+2,326
	(Ratio)	28.2%	30.3%	+2.1%

<Non-consolidated>

(¥ billion)

		March 31, 2016	September 30, 2016	March 31, 2017	September 30, 2017	Change from March 31, 2017
1)	Capital adequacy ratio	9.11%	9.12%	9.19%	9.85%	+0.66%
2)	Capital	198.9	207.1	211.5	233.7	+22.2
3)	Risk assets	2,181.1	2,271.1	2,300.7	2,372.4	+71.6

<Consolidated>

(¥ billion)

		March 31, 2016	September 30, 2016	March 31, 2017	September 30, 2017	Change from March 31, 2017
1)	Capital adequacy ratio	9.36%	9.35%	9.42%	10.07%	+0.65%
2)	Capital	206.9	215.1	219.3	241.8	+22.5
3)	Risk assets	2,209.7	2,299.5	2,327.7	2,400.3	+72.6

Bolster retail loans

<Loans to small to medium-sized businesses, etc. (Period-end balance)>

March 31, 2017	September 30, 2017	Change from March 31, 2017
¥2,035.0 billion	¥2,075.5 billion	+¥40.4 billion

◆ Establishment of the “Nanto Long-term Support” Program (September 2017)

○ Long-term (up to 20 years) loan program for small to medium-sized businesses

○ Total funds: ¥20.0 billion (estimate)

⇒ Loans totaling ¥0.72 billion have been provided to four businesses (as of October 31, 2017)

III. Management Strategy

- 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

Activities of the Nanto Improvement Committee

- ◆ Consulting services of a leading manufacturer-affiliated vendor was introduced (from September 2016 to September 2017) to establish a culture and ethos of improvement unique to Nanto Bank.
- ◆ Begin improvement activities in advance at all branches (in the 2nd half of FY2017)

Improvement activities: execution status

	2H FY2016	1H FY2017	2H FY2017
Number of activity areas and blocks (cumulative)	→		All-branch engagement
	1 block 12 branches	3 blocks 31 branches	13 blocks 137 branches

- ★ Improve overall operations of the Bank by firmly establishing improvement activities
- ★ Develop human resources who are able to detect issues, think and act independently

Initiation of the Organizational Climate Reform Project

- ◆ Aim to improve the awareness of top managers, including executive officers, by utilizing outside consultants
- ◆ Identify current issues in areas such as decision making and information sharing methods

- ★ Cultivate and share common awareness on the management environment, management policies, etc. and speed up decision making

Incorporating Local Input in Management Measures

- ◆ A survey among branch managers was conducted (September 2017) and feedback on the headquarters' measures was provided based on the survey results. (November 2017)
- ◆ An informal meeting for executive officers and young bankers was conducted. *These meetings are planned to continue.

- ★ Incorporate input from branches in the headquarters' measures and improve the awareness of the headquarters
- ★ Ensure that young bankers will become familiar with management policies

Promotion of Work Style Reform

<Main initiatives in FY2017>

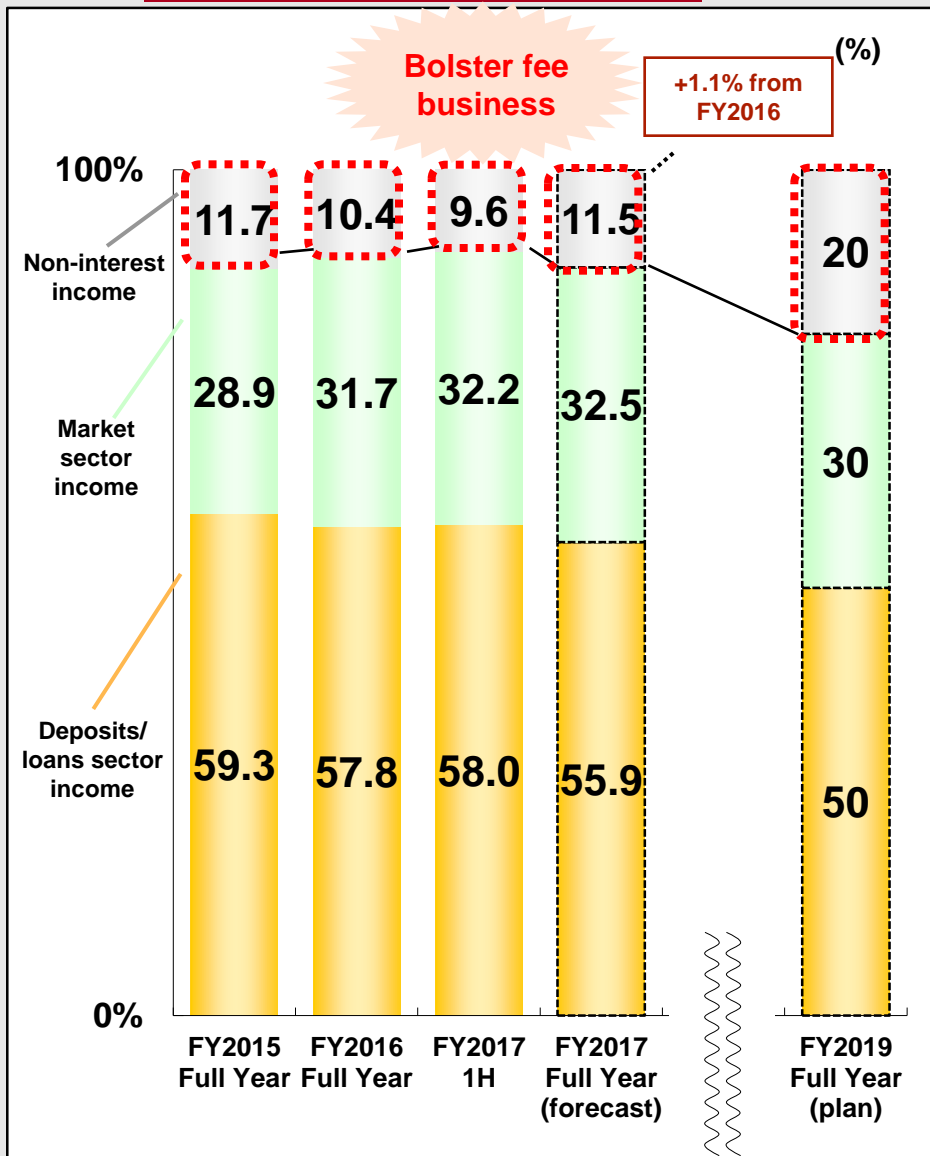
April	<ul style="list-style-type: none"> ◆ Regular working hours were revised, and the flextime system was introduced. ◆ The short working hour system for childcare needs was improved. ◆ Leave systems were improved. ◆ Initiatives designed to reduce overtime were implemented.
July	<ul style="list-style-type: none"> ◆ The Bank was granted the "Platinum Kurumin" certification by the Ministry of Health, Labour and Welfare as a company which provides support for childcare.
October	<ul style="list-style-type: none"> ◆ Childcare-related leave systems were improved.

- ◆ Use of tablets, expand electronic approval systems and introduce operational control functions, etc. by renewing intranet infrastructure, etc. (2nd Half of FY2017 and onward)

- ★ Create a functional and efficient workstyle

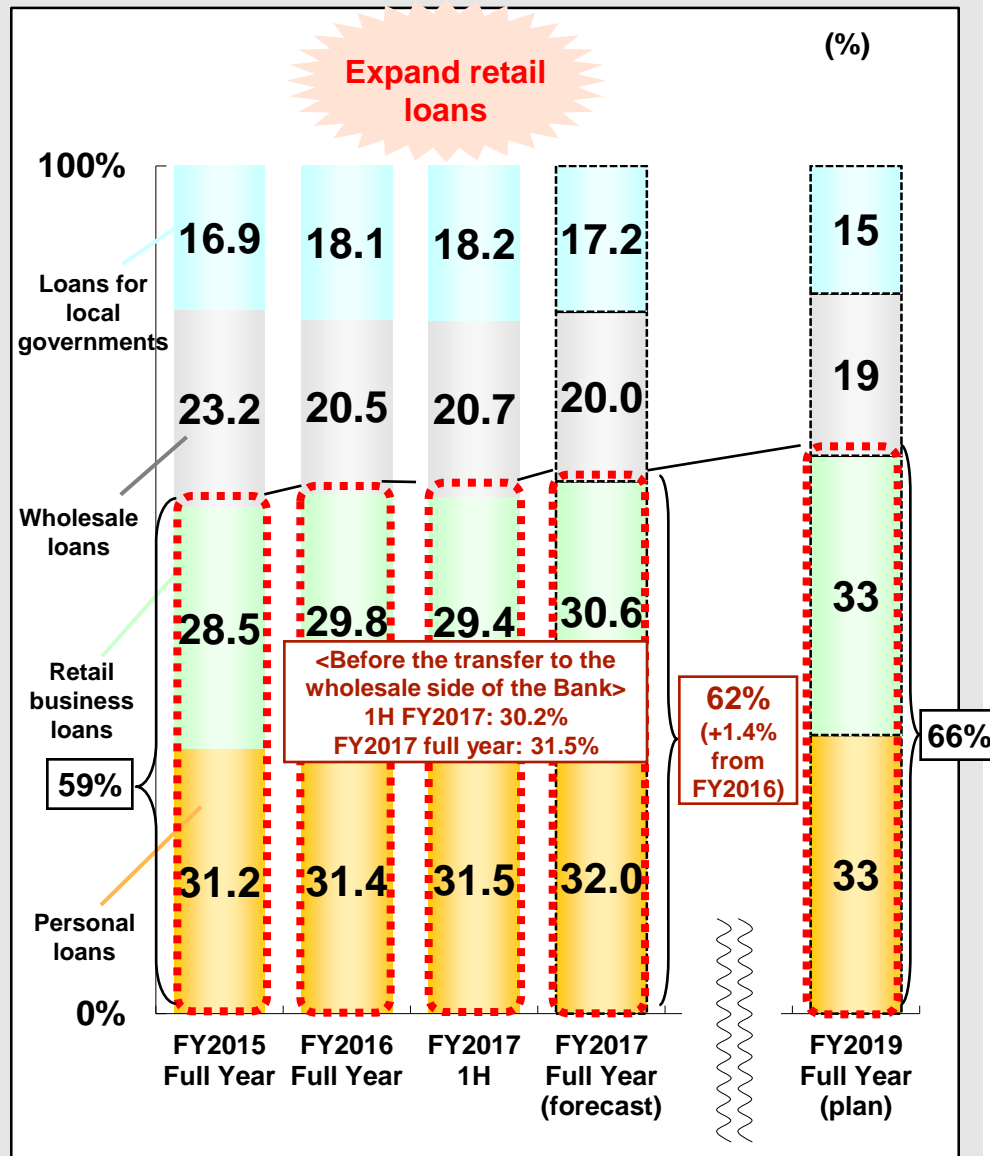
1. Pursuit of the Four Reforms (2) Sales Reform (i) Transforming Our Earnings Structure and Loans Portfolio

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



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

Revising Branch Formats

<Elimination/Consolidation of branches, revision of branch format>

	FY2016	1 H FY2017	FY2019 (Plan)
Elimination/Consolidation of branches, revision of branch format (cumulative results)	6 branches	14 branches	Approx. 30 branches
Number of staff members reduced	16	30	Approx. 90

◆ Introduction of mobile ATM vehicles (July 2017)



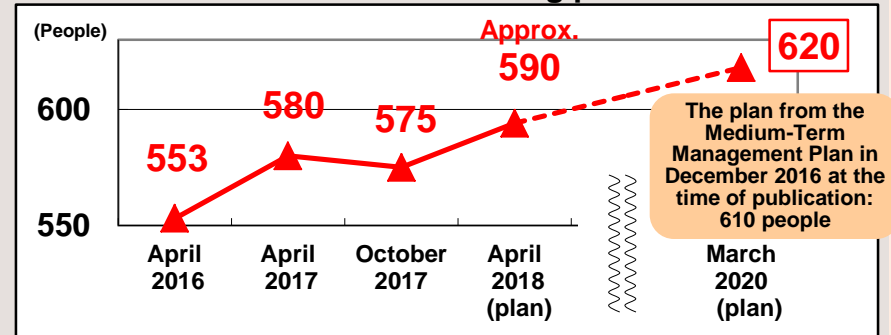
<Results for the 1st Half of FY2017>

Conversion to a private retail client branch	5
Conversion to a sub-branch	1
Conversion to an in-branch outlet	1
Business hour change	1
Total	8

★ Improvement of productivity through more efficient operation of branches

Expanding Our Sales Staff

<Branch sales staff staffing plan>



Initiatives toward the Establishment of an Online Branch

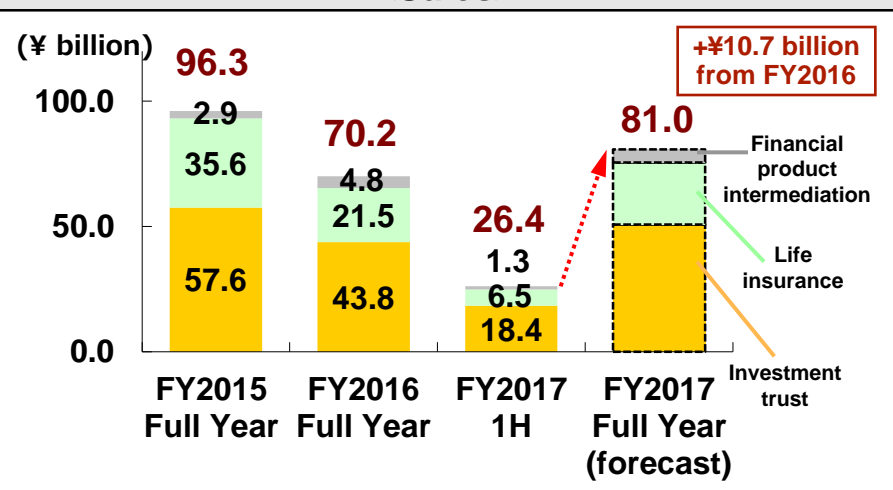
- ◆ Increase transactions with young customers by providing services different from those offered at existing branches
- ◆ Provide people across Japan who like Nara information about the appeal of Nara, an ancient capital of Japan, in order to increase the number of transactions at the Bank and to promote people to visit the area

- ★ Maintenance/expansion of a business foundation for the future
- ★ Revitalization of the local economy

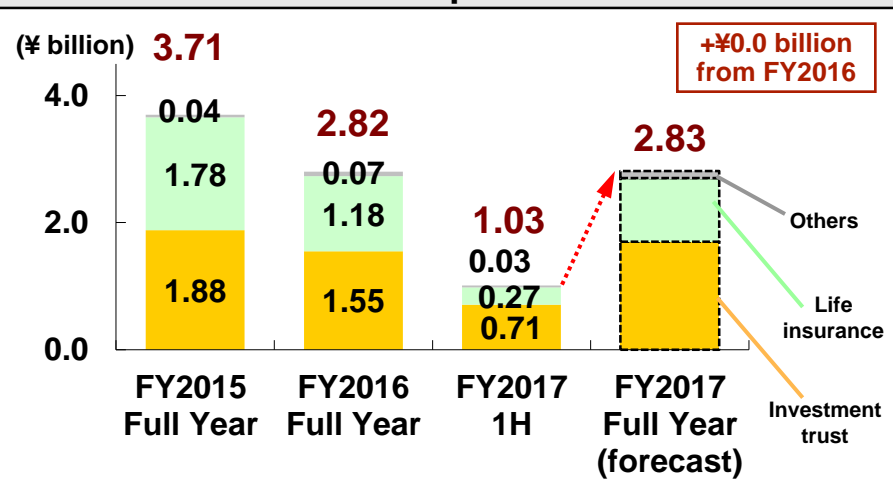
■ Serve as the closest possible consultant for customers of all generations by paying proper attention to their life stages

Results of Retail Business Strategy

<Sales>



<Actual profits>



Current Conditions (1H FY2017)

Changes to the sales platform

- ◆ A unit-based sales promotion structure was introduced in April 2016 and is currently in use in 6 units and 23 branches. Under this new structure, sales staff from headquarters provide services to individual customers.
- ◆ There was insufficient cooperation between employees at headquarters and the branches.
- ◆ Due mainly to the reform of the sales platform described above, the number of inexperienced sales personnel increased.

Activities

- ◆ The Bank was committed to activities for term-specific funded investment trusts.



★ Reinforce our securities business by implementing measures in sequence in response to these situations

Principal Measures to Reinforce Retail Customer Sales

Reallocation of sales staff in accordance with customer hierarchies

<Branches>

- ◆ Eliminate the unit-based sales promotion structure of the retail sector and clarify the roles of employees at branches
- ◆ Appoint an officer in charge of retail customers at each branch and reinforce initiatives

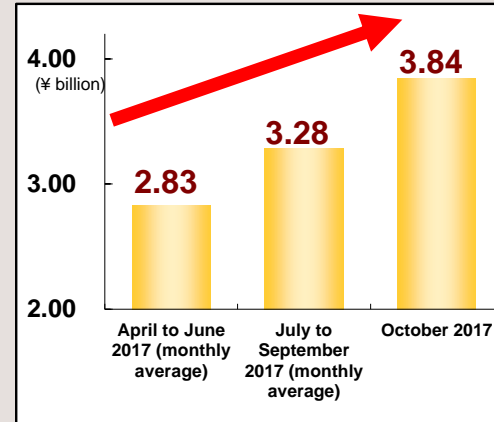
<Headquarters>

- ◆ After adding 3 members who have professional skill to FA Office in headquarters, a total of 15 members will provide support for the promotion of services for 2,000 wealthy customers at all branches.
- ◆ Newly allocate 5 employees for area support and establish a follow-up system for employees at branches

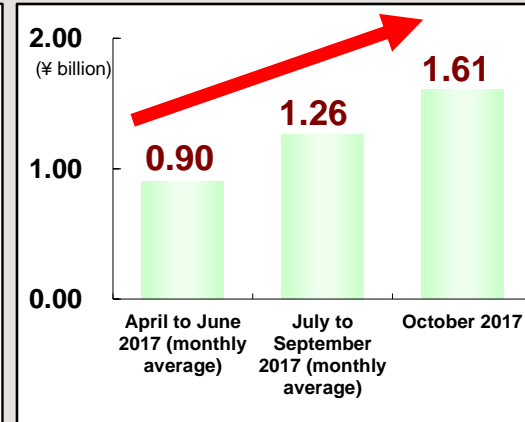
Activities

- ◆ Focus on sales of products such as intermediation services for insurance and other financial products to a wide range of customers, in addition to potential customers for investment trusts
- ◆ Implement activities to discover the needs of all 80,000 retail customers
- ◆ Reinforce initiatives targeted at corporate owners through cooperation with corporate sales representatives

<Investment trust sales>



<Life insurance sales>



★ Investment trust sales and life insurance sales steadily improved.

Major Achievements in 1st Half of FY2017

Term-specific funded investment trust

Number of contracts	13,248
Amount of monthly transfer contracts	¥1.53 billion
Total amount of transfers throughout contract periods	¥24.06 billion

★ Funded investment trust
Total amount of monthly transfer contracts

March 2017	September 2017
¥0.37 billion	¥1.93 billion

*May 22, 2017–September 30, 2017

Trust products

Testamentary substitute trusts	Number of contracts	445
	Amount	¥1.59 billion
Testamentary trusts		11
Inheritance arrangement services		2

*April 17, 2017–September 30, 2017

Personal DC pension plan “iDeCo”

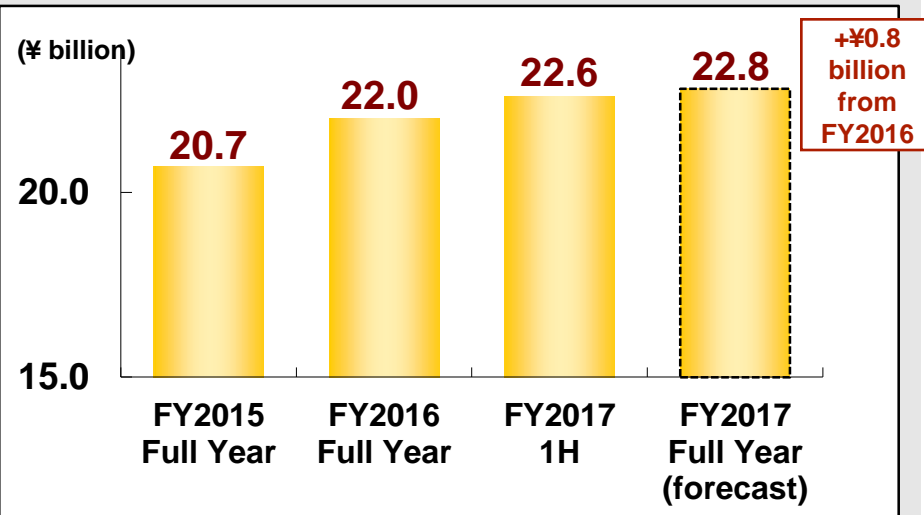
	Contracts obtained
2nd half of FY2016	261
1st half of FY2017	2,805
Total	3,066

*January 4, 2017–September 30, 2017

1. Pursuit of the Four Reforms (2) Sales Reform (iii) Retail Business Strategy—Personal Loans

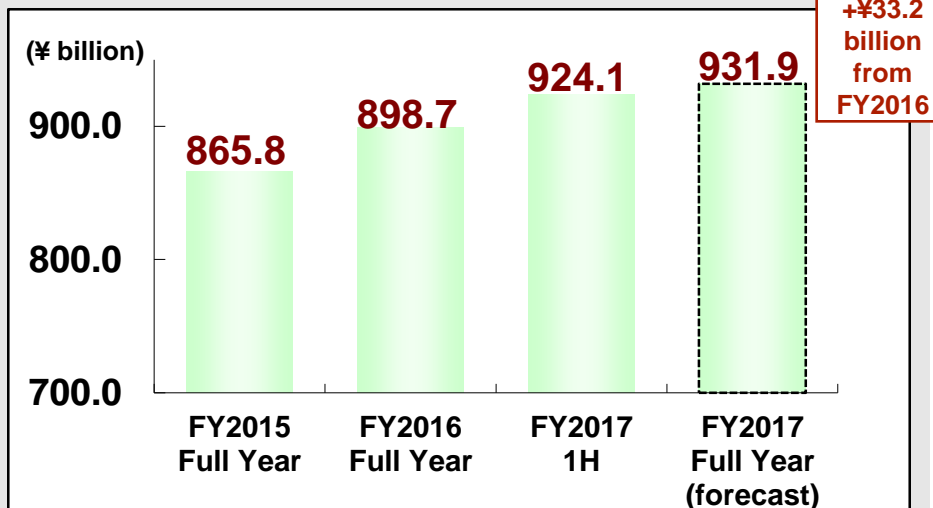
Results/Initiatives of Personal Loans

<Consumer loans balance (average balance)>



* Balance of card loans as of the end of September 2017 (period-end balance): ¥13.7 billion

<Housing mortgage loans balance (average balance)>



Bolster Consumer Loans

Continue to utilize direct channels

- ◆ Functions to apply for various types of loans were added to our smartphone application. (March 2017)
- ◆ Advertisements were run using NTT DOCOMO's Message S service. (June 2017, October 2017)
- ◆ Promotions by the promotion-call team were reinforced. (October 2017)
- ◆ The introduction of a fully online loan application system was considered.

Implementation of a campaign

- ◆ A special interest rate campaign for purpose-specific loans was implemented.
 - Provision of preferential interest rates, etc. for refinancing from other banks

Introduction of reverse mortgage-type housing mortgage loans (December 2017)

- ◆ Loans are covered by the Japan Housing Finance Agency's housing loan insurance.
- ◆ These loans respond to the housing-related demands of senior citizens. (60 years old and up)
 - Purpose of loan: Construction, purchase or renovation of a house, payment upon admission to housing for the elderly which provides home-care services, refinancing

Bolster Housing Mortgage Loans

Step up promotion via L Plaza, a specialized department

- ◆ 12 outposts staffed by 64 staff (September 30, 2017)

<Results> (1H FY2017)

Approx. 80% of all housing loan contracts were signed at L Plaza

Total amount of loan contracts	¥49.5 billion
L Plaza	¥39.4 billion

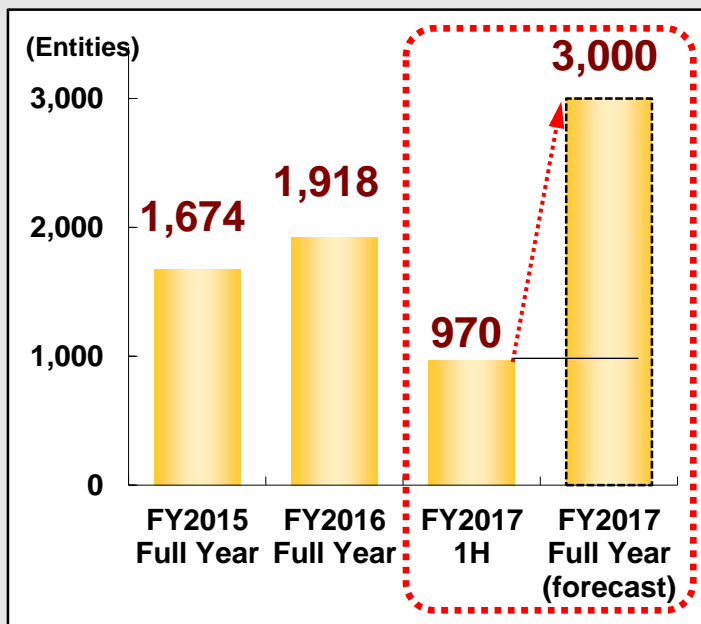
Greater promotion for refinancing targeting specific clients

1. Pursuit of the Four Reforms (2) Sales Reform (iv) Corporate Business Strategy

- 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

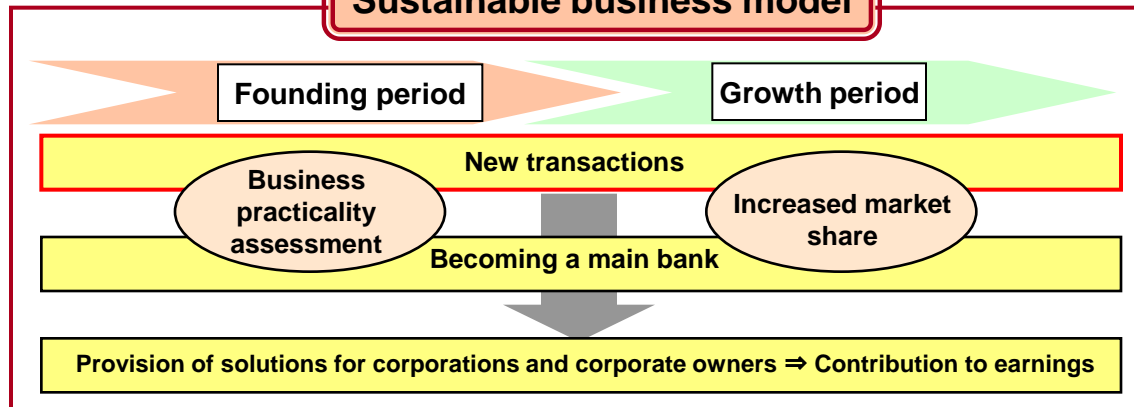
Initiatives toward Increasing Customers for Retail Business Loans

<Number of newly-acquired retail business customers>



- ◆ Initiatives toward speeding up the acquisition of new customers
 - Utilization of loan programs for small-scale enterprises and startups
 - Discovery of potential needs ⇒ Implementation of challenge-solution sales
 - Promotion of transactions through investment funds

Sustainable business model



Introduction of "Nanto Fresh Fund" (September 2017)

- ◆ Target: Small-scale enterprises within operational boundaries
- ◆ Loan period/amount: Up to 7 years/ ¥20 million

	From September to October 2017
Number of loan contracts signed	68
New customers	61

Assist company and new business creation

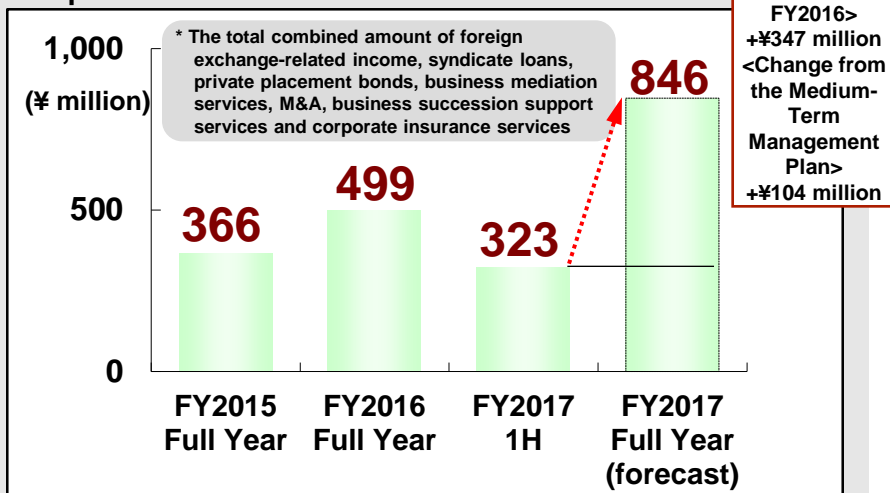
- ◆ Business Plan Commercialization Assistance Project: "Nanto Success Road"
 - A total of 25 plans were chosen (selection for this fiscal year is underway) ⇒ 13 plans have been commercialized
- ◆ "Nanto Commercialization Assistance Fund 80"
 - A loan program for creating companies and new businesses

	October 31, 2017 (total)
Business plans received	35 plans
Loans provided	25 plans/¥397 million

1. Pursuit of the Four Reforms (2) Sales Reform (iv) Corporate Business Strategy

Reinforcement of Solution Business

<Corporate solution business-related income>



- ◆ Corporate solution business-related income earned (1H FY2017): ¥320 million (Y/Y change +¥90 million)
- ◆ Establishment of the Corporate FA Office (July 2017)
⇒ Reinforcement of corporate insurance sales
- ◆ Greater promotion of private placement bonds

<Private placement bonds arranged>

2H FY2016	1H FY2017
20/¥2.3 billion	50/¥4.0 billion

★ Provision of solutions leading to an increase in added value

Utilization of investment funds

- ◆ Enhance support for creating companies and new businesses by utilizing two funds
- ◆ The Corporate Venture Capital Office was established in the Corporate Business Division (July 2017) to promote and manage the utilization of funds in an integrated manner.

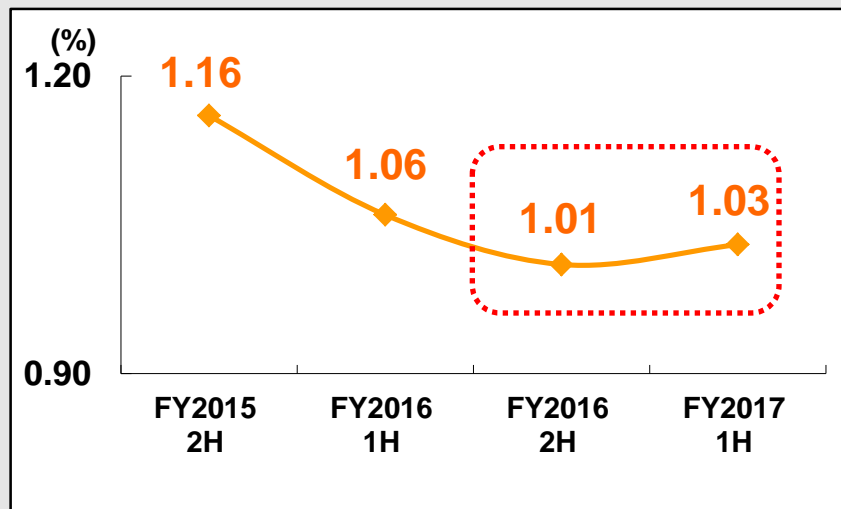
Fund name	Nanto CVC Limited Liability Investment Partnership	Nanto Regional Vitality Creation Support Limited Liability Investment Partnership
Time established	June 2017	September 2017
Guaranteed amount of funds	¥1.0 billion	¥0.5 billion
Investment target/purpose	<ul style="list-style-type: none"> ◆ Assist core enterprises that will contribute to the economic, industrial and regional revitalization of Japan in the future ⇒ Assist customers in sales-target areas of the Bank in cooperation with investee companies 	<ul style="list-style-type: none"> ◆ Discover and provide support for future core enterprises in the target areas of the Bank and to supply risk money to the region

★ The first project (November 2017): Investment in a company which provides an AI-based English-learning application in an effort to assist incoming travelers in local areas

1. Pursuit of the Four Reforms (2) Sales Reform (iv) Corporate Business Strategy

Delivering Financial Intermediation Functions Based on Business Practicality Assessments

<Retail business new effective yields>



- ◆ Deliver consultation functions by promoting dialogue based on business practicality assessments
- ◆ Bolster relationships with companies which have the highest annual turnovers in Nara Prefecture, in collaboration with headquarters and branches by utilizing business practicality assessment reports
- ◆ Initiatives for rebalancing portfolios by rating
⇒ Improvement in profitability

<Number of borrowers based on business practicality assessments>

	March 31, 2017	September 30, 2017 (preliminary figure)
Number of borrowers based on business practicality assessments	5,030	7,500

Loan programs based on business practicality assessments

◆ “Nanto Long-term Support”

- Long-term loan program (10 to 20 year loan period) for small to medium-sized businesses
- Purpose of loan: Rescheduling of existing loans, funds for equipment

<Results>

Number signed	4
Amount signed	¥0.72 billion
Average interest rate	3.16%

*September 2017–October 2017

◆ “Nanto Vitality Creation Support Fund”

- Provide loans to higher risk customers, etc. without excessively relying on financial data or collaterals and guarantees

<Results>

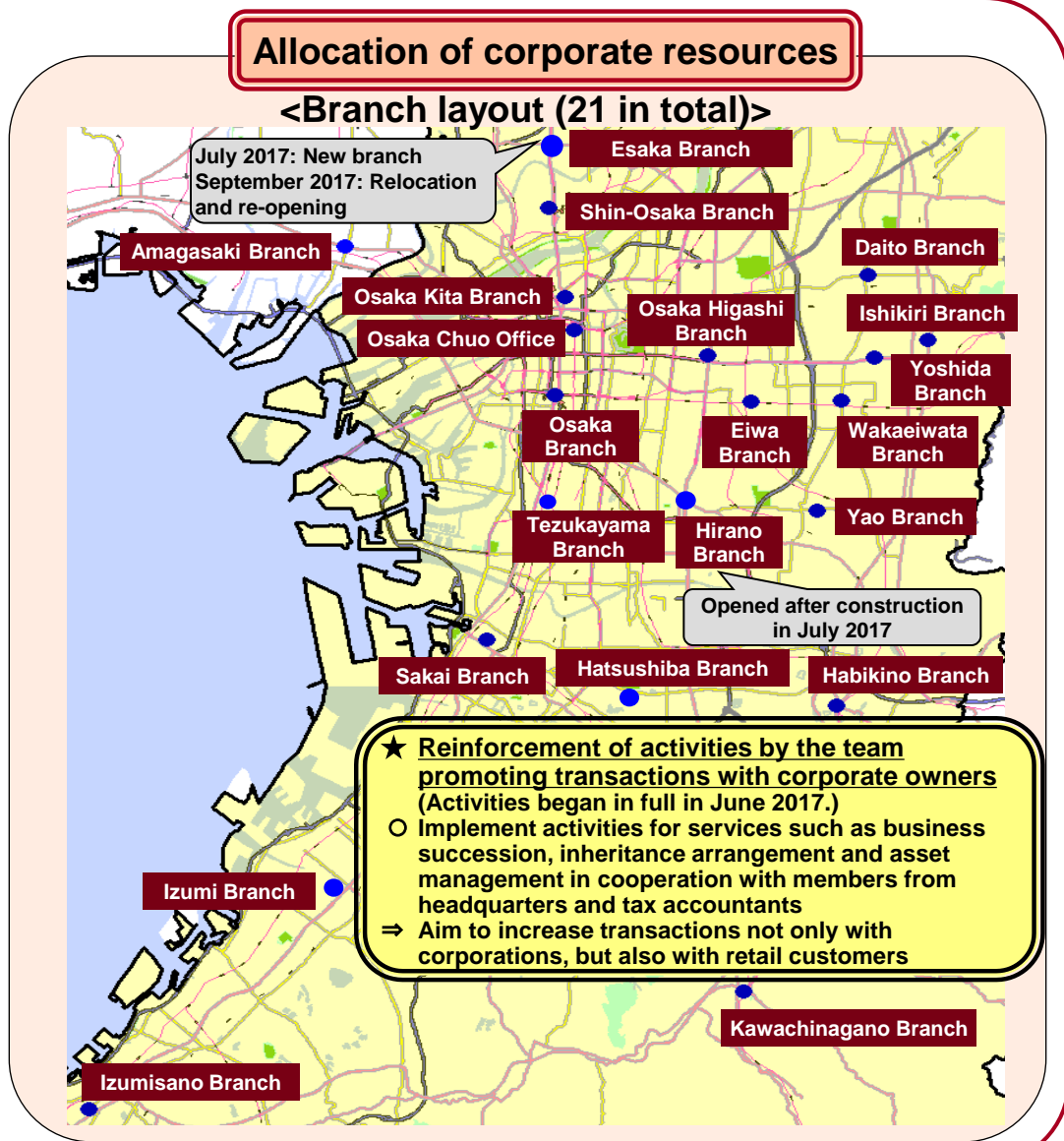
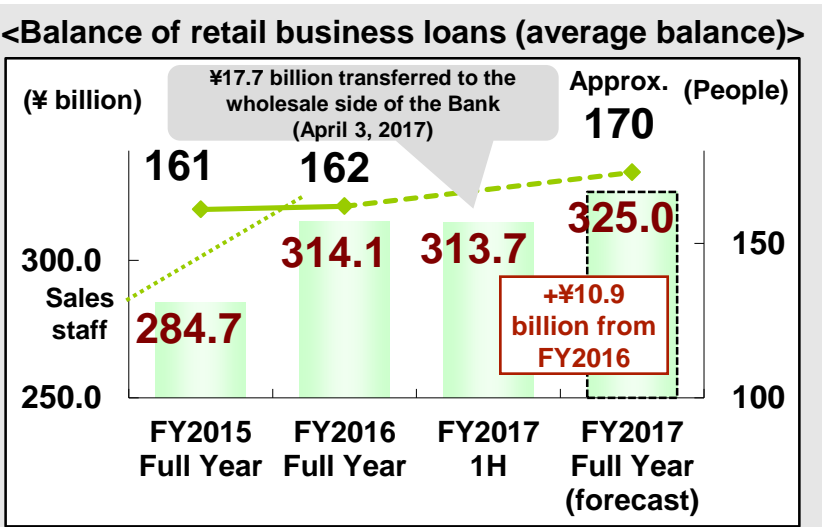
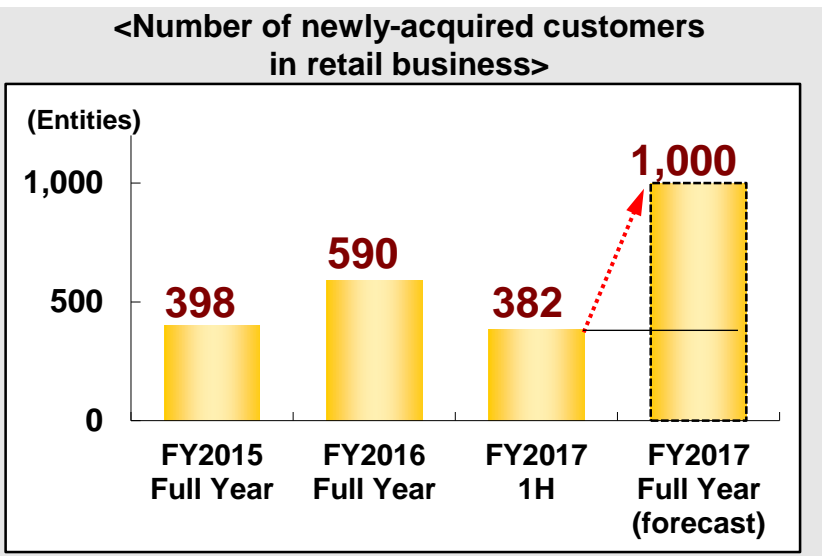
Number signed	311
Amount signed	¥5.84 billion
Average interest rate	2.57%

* October 2015–October 2017

1. Pursuit of the Four Reforms (2) Sales Reform (v) Osaka Strategy

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

Results/Initiatives of Osaka Strategy



1. Pursuit of the Four Reforms (2) Sales Reform (vi) Market Investment Strategy

■ Expand profits by diversifying our investment methods while taking risks appropriately

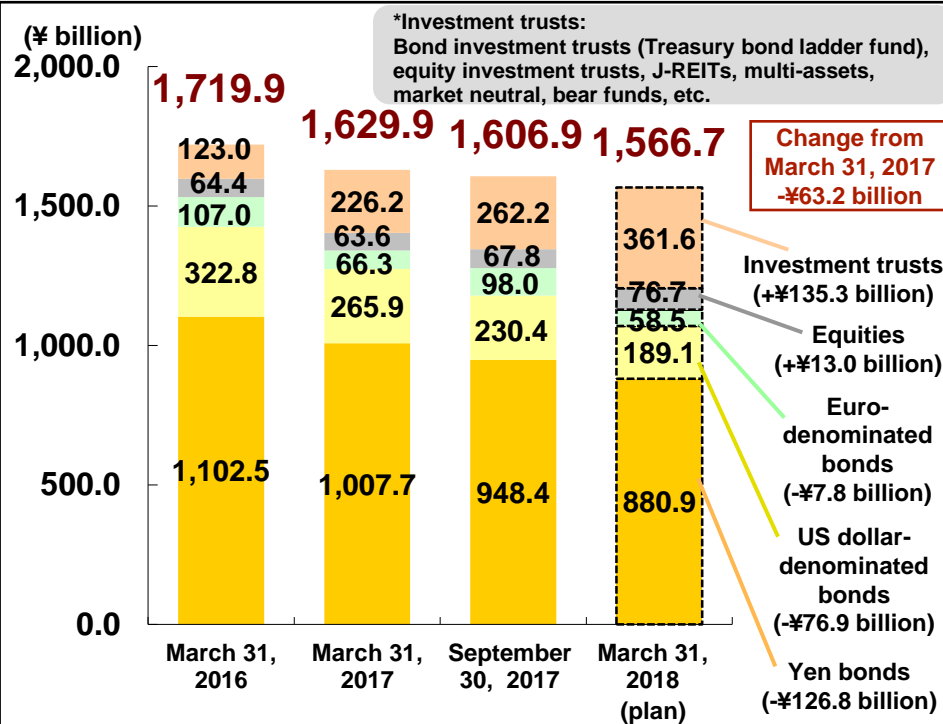
Investment Plan for the 2nd Half of FY2017

Investment policy

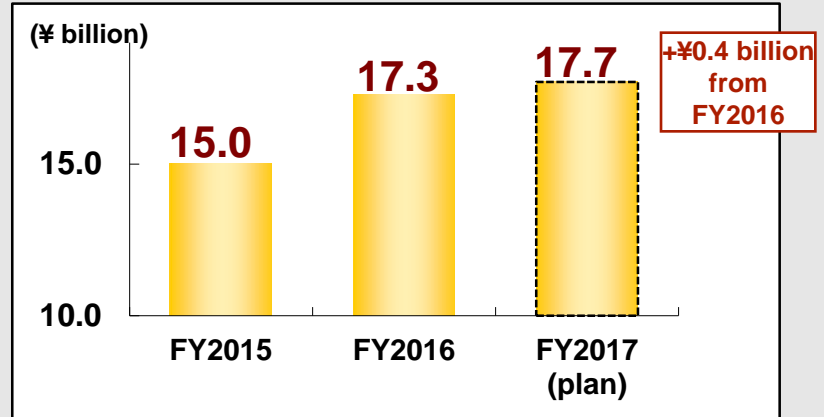
Basic asset allocation policies

- ◆ Take interest risks cautiously
- ◆ Shift from bonds to stocks, credit, foreign currencies, etc.

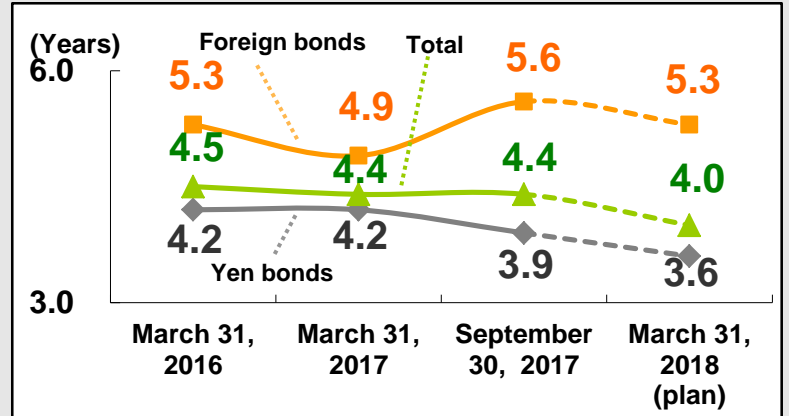
<Balance of securities>



<Market-sector core gross business profit>



<Bond duration>

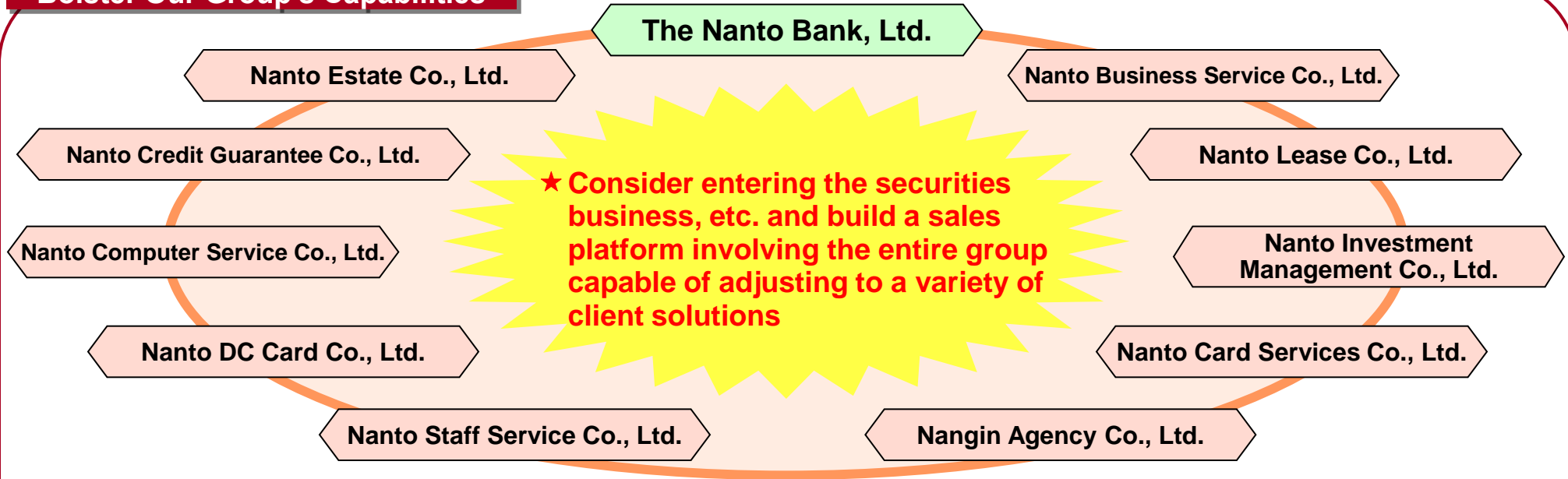


<Sell policy investment-based shareholdings>
Reduce the balance continually each fiscal year

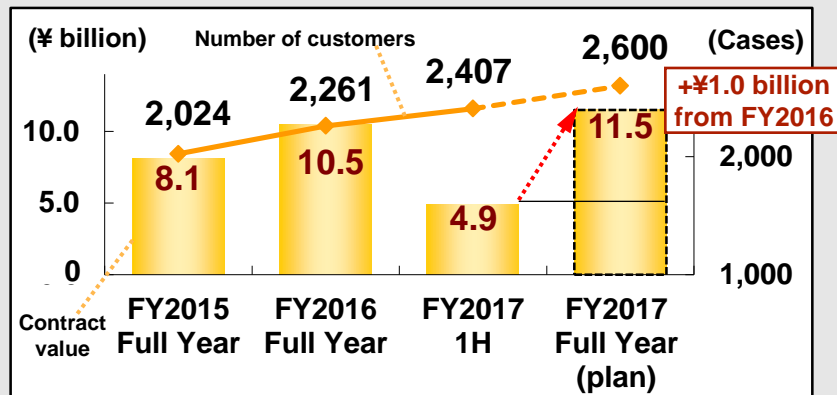
1. Pursuit of the Four Reforms (2) Sales Reform (vii) Group Strategy

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

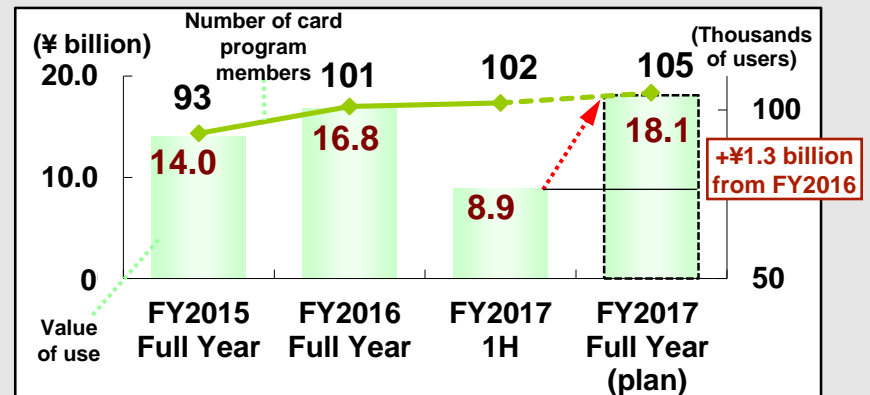
Bolster Our Group's Capabilities



<Results of Nanto Lease>



<Results of Nanto Card Services>



1. Pursuit of the Four Reforms (3) Clerical Operations Reform

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

Rebuilding of Clerical Operations Structure of branches

Consolidation of back office clerical operations into headquarters

- ◆ Consolidation started at branches which had completed the Clerical Operations Standardization Activity (elimination of branch-specific clerical operations).

<Status of Standardization (as of September 30)>
57 branches

	2H FY2016	1H FY2017	2H FY2017 (target)
Number of branches which underwent consolidation (total)	11 branches	37 branches	129 branches

Establishment of next-generation branches

- ◆ Consolidation of electronic verification operations was tested. (August 2017)
 - ◆ Operations to use tablets in handling written notices for the loss of qualification were tested. (September 2017)
- ⇒ We will continue to consider measures and policies and aim to begin a trial run for a pilot branch in the 2nd Half of FY2019.

<Key measures and policies to consider>

Front office and sales	<ul style="list-style-type: none"> ◆ Sales tablets ◆ Insurance tablets ◆ Account tablets (completing forms, opening accounts) ◆ Receipt-free, seal-free
Back office, etc.	<ul style="list-style-type: none"> ◆ Cardless transactions ◆ Aggregation of electronic verification operations ◆ Review of call handling operations ◆ TV terminals



★ Significant reduction of clerical workload

<Decrease of number of clerical staff>

	September 30, 2016	September 30, 2017	Change from September 30, 2016	March 31, 2022 (plan)	Change from September 30, 2017
Clerical staff, High Counter staff at branches	526	479	-47	230	-249

★ Make branches a place where the staff are able to focus on sales

1. Pursuit of the Four Reforms (3) Clerical Operations Reform – (4) Expenses Reform

Streamlining of Clerical Operations at Headquarters

Introduction of RPA (October 2017)

- ◆ Clerical operations were reduced mainly in sectors which have heavy clerical workload.
⇒ We will increase the number of target sectors and continue to cut costs and improve the quality of operations.

Revision of operations at headquarters

- ◆ Reduce existing routine duties
- ◆ Reevaluate meetings and work methods

Renewal of intranet infrastructure, etc. (2nd half of FY2017 and onward)

- ◆ Reduce system costs by going paperless with tablets and also by integrating various functions
- ◆ Streamline operations with electronic approval systems, operational control functions, etc.
- ◆ Develop functions that lead to workstyle reform

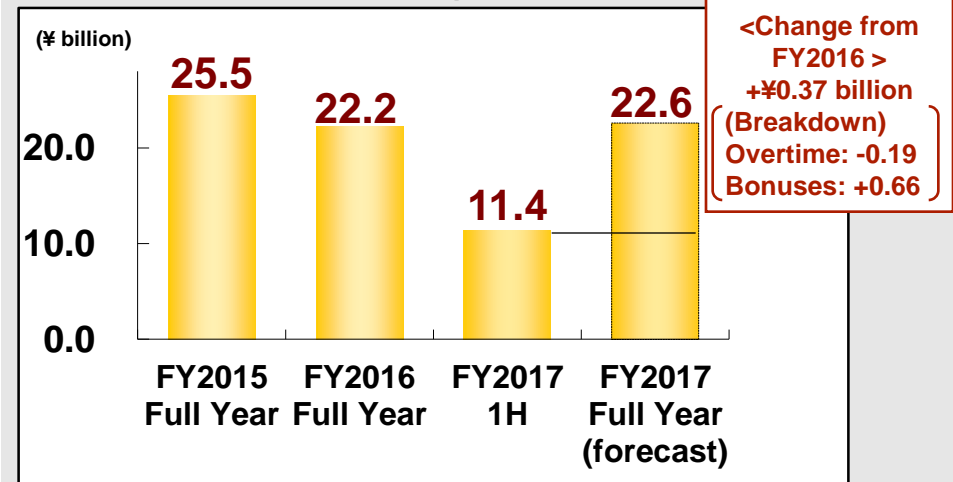
★ Reduction of staff at headquarters by streamlining operations

★ Transformation to a more productive organization

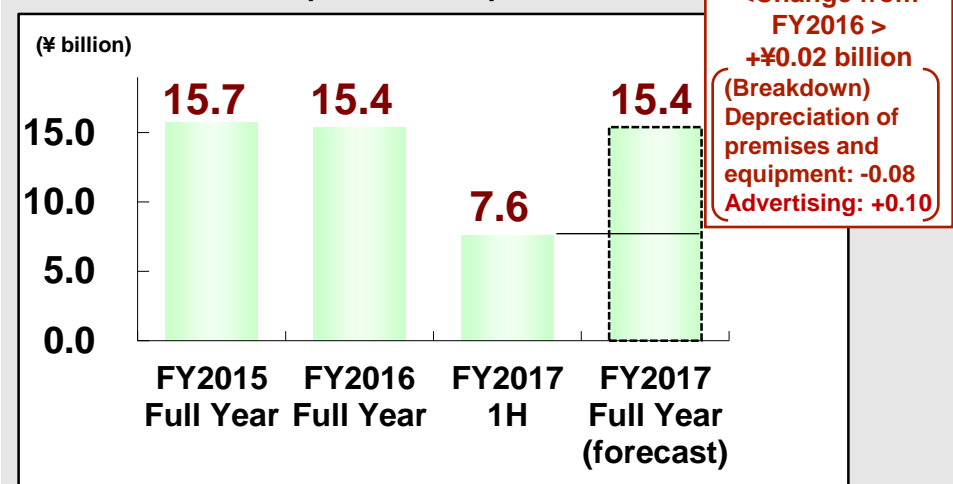
■ Revise expenses as a whole to transform our expenses structure

Expenses

<Personnel expenses>



<Non-personnel expenses>



2. Regional Revitalization

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

Proactive Involvement in the Regional Comprehensive Strategy

Participation in specific initiatives of comprehensive cooperation partners

- ◆ The Bank has concluded a cooperation agreement with 33 partners (Nara Prefecture, 19 local municipalities within the prefecture, and 13 other partners).

<Main initiatives in the 1st half of FY2017>

Partner	Period	Details
Tenri City	April 2017	◆ Received a contract for the “Local Human Resources Department” Strategy Formulation Project (collaboration with Nanto Economic Research Institute)
Sakurai City	May 2017	◆ Invested (5%) in the urban renewal promotion corporation, Sakurai Machizukuri Co., Ltd. ⇒ Contribution to the revitalization of the area around the south gate of Sakurai Station
Ikoma City	July 2017	◆ Invested (5%) in the local energy company, Ikoma Civic Power ⇒ Provision of financial support for their operations
Yamatokoriyama City	July 2017	◆ Held an informal networking event for young employees in the public sector ⇒ Cooperation in the city’s policy planning

Participation in the Regional Comprehensive Strategy PDCA

- ◆ By participating in a training program for employees of the Nara Prefectural Government and local municipalities hosted by Nara Prefecture, we provided support and guidance to the employees.
- ◆ Support was provided for the policy planning of Oji-cho, Nara City by utilizing the RESAS (Regional Economy Analysis System) in collaboration with Regional Bureaus of Economy, Trade and Industry.

- ★ Provide support for measures and policies of local public entities by utilizing the expertise of the Bank as a local financial institution, and contribute to the revitalization of the region

Tourism Promotion

Creation of “Nara fans”

- ◆ Creation of Nara fans with greater promotions

<Main initiatives in the 1st half of FY2017>

Bus tour in cooperation with Club Tourism International Inc.	◆ Second round of tours (May and June 2017) ⇒ A 3rd round is scheduled for January and February 2018
Tourism seminar “Tourism Strength Creation Seminar”	◆ The 8th seminar (July 2017) ⇒ 350 participants (joint sponsorship of the Nara Prefectural Government/assistance from the Kinki Local Finance Bureau)
Regional website “Ee Koto Nara”	◆ Listing and renewing of information: 94 updates ◆ Advertising on Facebook
Other	◆ Participation in the Japan Sake Brewery Tourism Promotion Council (August 2017) ⇒ Deliver information about regional resources, such as sake brewing

Proactive involvement in the formulation of tourism strategies

- ◆ Support for the creation and establishment of a DMO (Destination Management Organization: a public-private organization for tourism business)
⇒ Cooperation agreement with the Nara Visitors Bureau (October 2017)
- ◆ Initiatives aimed at partial participation in the projects of local public entities and candidate corporations for DMOs, etc.
⇒ Building a system which will generate revenue

- ◆ Establishment of the Tourism Strategy Office (October 2017)

- ★ Establishment of a new business model through promoting tourism

IV. Business Forecasts for FY2017

1. Summary of Profit and Loss, Shareholder Returns

Business Forecasts for FY2017

(¥ billion)		FY2016	FY2017		
		Full Year Results	Full Year Forecasts	Y/Y Change	Compared to the Medium-Term Management Plan
1	Core net business profit	13.7	12.9	-0.8	-0.2
2	Interest income	49.6	48.3	-1.3	-0.1
3	Interest on loans	32.4	30.8	-1.5	+0.2
4	Interest on securities	20.3	20.9	+0.5	-0.4
5	Financing cost	3.7	4.0	+0.2	-0.0
6	Fees and commissions	5.3	5.8	+0.4	-1.3
7	Other operating income (*1)	-1.0	-0.6	+0.4	+1.1
8	Expenses	40.1	40.5	+0.4	-0.1
9	Net business profit	14.7	11.8	-2.9	-1.5
10	Ordinary income	16.0	16.8	+0.7	+2.7
11	Net income	12.1	12.2	+0.0	+2.1
12	Credit cost (*2)	2.9	-1.0	-4.0	-2.5

*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 - Reversal of allowance for loan losses

Shareholder Returns

			FY2015	FY2016	FY2017	
			Full Year	Full Year	1H	Ful Year (forecasts)
(1)	Consolidated net income	¥ billion	12.1	12.5	6.0	(12.5)
(2)	Dividend per share	¥	*70	70	35	(70)
(3)	Total dividends	¥ billion	1.8	1.8	1.1	(2.2)
(4)	Payout ratio ((3) / (1))	%	15.4%	15.0%	18.9%	(18.2%)
(5)	Amount of treasury stock acquired	¥ billion	0.00	0.01	0.00	—
(6)	Total ratio of return ((3) + (5)) / (1)	%	15.5%	15.1%	19.0%	—

* Adjusted to post stock-merger standard

Promote Dialogue with Shareholders

- ★ Individual shareholders
 - ⇒ Held a shareholders forum in September 2017 (the second of its kind following the one from 2016)
 - Hold IR events for individual investors
- ★ Institutional investors
 - ⇒ Hold information meetings (twice a year) and increase of one on one meetings

2. Target Metrics

Medium-Term Management Plan “Vitality Creation Plan II—Changing and Taking on Challenges”

	FY2016	FY2017			
	Full Year (results)	1H (results)	Full Year (forecasts)	Y/Y change	Compared to the Medium-Term Management Plan
OHR	74.45%	77.67%	75.82%	+1.37%	+0.17%
Non-interest income ratio	10.40%	9.66%	11.52%	+1.11%	-2.45%
Capital adequacy ratio	9.19%	9.85%	9.64%	+0.45%	+0.60%
ROA	0.24%	0.20%	0.22%	-0.01%	-0.00%
ROE	4.88%	4.62%	4.60%	-0.27%	+0.74%

FY2019
target

Less than 70%

20% level

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

**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.**

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