

Information Meeting

—The First Half Ended September 2018—



THE NANTO BANK, LTD.

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I. About the Nanto Bank, Ltd.

1. Profile of the Nanto Bank

(as of September 30, 2018)

1. Founded	June 1, 1934
2. Location of head office	16 Hashimoto-cho, Nara City
3. Capital	¥37,924 million
4. Number of employees	2,675
5. Number of offices	140 (Japan) 2 (representative offices in Hong Kong and Shanghai)
6. Total assets	¥5,918.1 billion
7. Deposits outstanding	¥4,939.3 billion
8. Outstanding loans	¥3,368.3 billion
9. Capital adequacy ratio	Non-consolidated: 9.50% Consolidated: 9.86%
10. Market share in Nara Prefecture	Loans: 49.6% Deposits: 49.1%
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

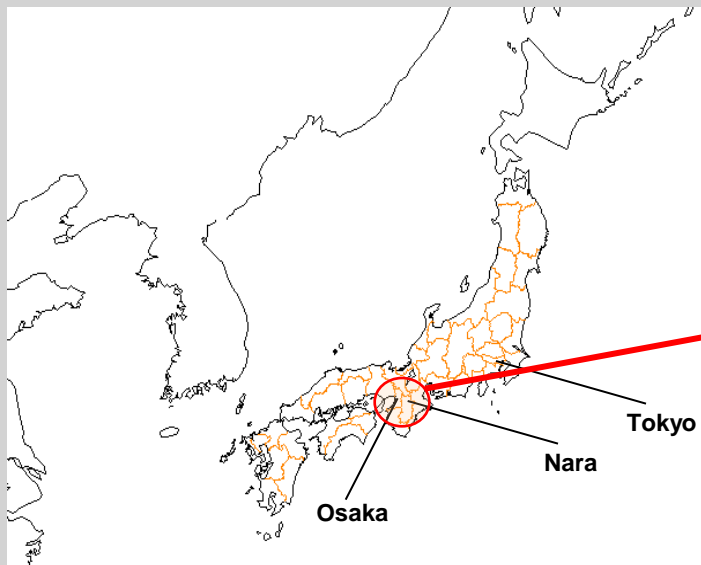


(Head Office)

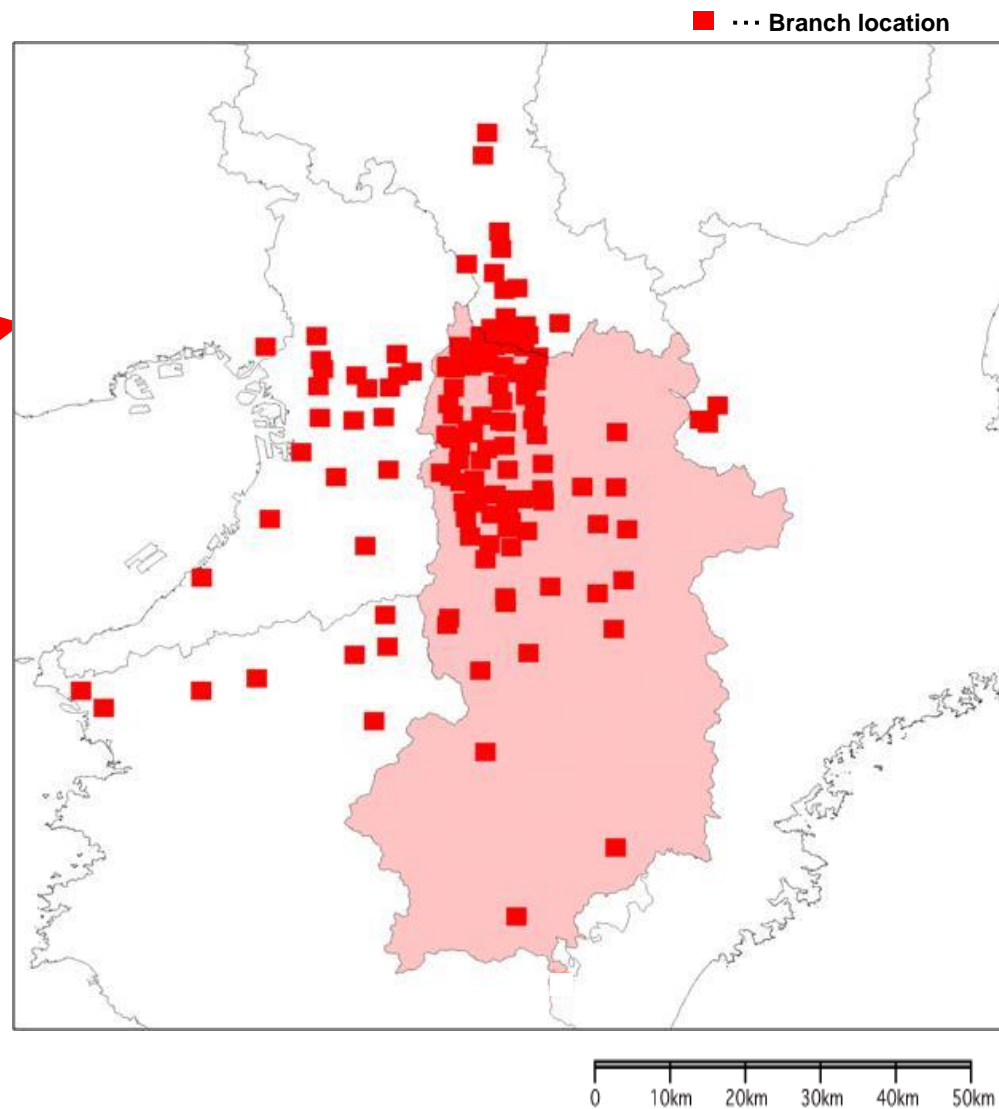
2. Operating Areas of the Bank

Operating Areas of the Bank

<Map of Japan>



Our Network of Branches



Number of branches (as of September 30, 2018)

	Headquarters and branches	Subbranches	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 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)	1,348	30th	Ministry of Internal Affairs and Communications, Population Estimates, October 2017	8,823	3rd
Deposits balance	(¥ trillion)	11.5	24th	Kinyu Journal, Financial Map 2018	94.3	2nd
Loan balance	(¥ trillion)	3.6	31st	Kinyu Journal, Financial Map 2018	45.6	2nd
Per-capita income	(¥ thousand)	2,494	38th	Cabinet Office Economic and Social Research Institute (ESRI), fiscal 2015	3,127	9th
Balance of savings per household	(¥ thousand)	17,816	1st	Ministry of Internal Affairs and Communications, National Survey of Family Income and Expenditure, November 2014	14,801	18th
Housing starts	(Thousands of units)	6	37th	Ministry of Land, Infrastructure, Transport and Tourism, Building Starts, fiscal 2017	67	3rd
Percentage of people who enter post-secondary education	(%)	58.7	7th	Ministry of Education, Culture, Sports, Science and Technology, March 2017	59.7	6th
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	(%)	28.8	2nd	Ministry of Internal Affairs and Communications, National Census, October 2015	6.4	14th
Number of private enterprises (offices)	(Thousands of units)	48	40th	Ministry of Internal Affairs and Communications, Economic Census, July 2014	413	2nd
Value of shipped manufactured goods (establishments employing at least 4 workers)	(¥ trillion)	1.8	37th	Ministry of Economy, Trade and Industry, Census of Manufacturers, June 2017	15.8	4th
Sales value of wholesale goods	(¥ trillion)	0.7	42nd	Ministry of Economy, Trade and Industry, Census of Commerce, July 2014	38.9	2nd
Sales value of retail goods	(¥ trillion)	1.0	35th	Ministry of Economy, Trade and Industry, Census of Commerce, July 2014	8.4	2nd
Number of items designated as National Treasures and Important Cultural Properties	(Items)	1,327	3rd	Agency for Cultural Affairs, November 2018	677	5th
Ratio of visits by foreign tourists coming to Japan (sightseeing and leisure purposes)	(%)	8.9	7th	Japan Tourism Agency, Consumption Trend Survey for Foreigners Visiting Japan, 2017	44.1	1st

II. FY2018 First Half Financial Results and Business Forecasts for the Full Year

1. Summary of Profit and Loss (Results)

FY2018 First Half Financial Results (Non-consolidated)

(¥ billion)		FY2017 1H	FY2018 1H	Y/Y change
1	Core gross business profit	26.1	24.0	-2.0
2	Interest income	24.0	21.2	-2.7
3	Fees and commissions	2.3	3.1	+0.7
4	Other operating income (*1)	-0.2	-0.4	-0.1
5	Cost of derivative financial instruments	0.3	0.5	+0.1
6	Expenses	20.3	19.6	-0.6
7	Personnel expenses	11.4	11.0	-0.4
8	Non-personnel expenses	7.6	7.4	-0.2
9	Core net business profit	5.8	4.4	-1.3
10	Gains/Losses on bonds (JGBs, etc.)	-0.1	-1.4	-1.3
11	Net transfer to general provision for possible loan losses	-	-0.2	-0.2
12	Net business profit	5.7	3.3	-2.4
13	Non-recurrent gains/losses	2.1	0.7	-1.4
14	Gains/Losses on stocks	1.5	0.9	-0.6
15	Disposal of non-performing loans	0.0	0.8	+0.7
16	Bad debt recovered	0.0	0.0	-0.0
17	Reversal of allowance for loan losses	0.5	-	-0.5
18	Ordinary income	7.8	4.0	-3.8
19	Extraordinary gains/losses	-0.0	4.7	+4.7
20	Income before income taxes	7.8	8.7	+0.9
21	Income taxes	1.7	2.2	+0.4
22	Net income	6.0	6.5	+0.4
23	Credit cost (*2)	-0.5	0.4	+1.0

*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

Analysis of Change Factors in Core Net Business Profit

(¥ billion)

Core net business profit for 1H FY2017		5.83
1) Average balance of loans (Average balance Y/Y change +¥82.5 billion)		+0.39
2) Interest rate on loans (0.90%, Y/Y change -0.04 pt)		-0.78
3) Average balance of deposits (Average balance Y/Y change +¥62.4 billion)		-0.00
4) Interest rate on deposits (0.01%, Y/Y change -0.00 pt)		+0.08
Deposits/loans sector total		-0.30
5) Average balance of securities (Average balance Y/Y change -¥127.5 billion)		-0.80
6) Yield on securities (1.06%, Y/Y change -0.18 pt)		-1.39
7) Interest on fund management		-0.01
8) Interest on fund procurement		-0.20
Market sector total		-2.41
9) Fees and commissions (investment trust revenues: Y/Y change +¥0.12 billion life insurance revenues: Y/Y change +¥0.36 billion corporate solutions business-related income: Y/Y change +¥0.27 billion)		+0.79
10) Others (Cost of derivative financial instruments: Y/Y change +¥0.12 billion)		-0.15
11) Expenses		+0.68
Core net business profit for 1H FY2018		4.44

2. Summary of Profit and Loss (Business Forecasts, Consolidated)

Business Forecasts for the Full Year of FY2018

(¥ billion)		FY2017 results	FY2018		Compared to the Medium- Term Management Plan
			forecasts	Y/Y change	
1	Core net business profit	12.0	13.5	+1.5	-0.7
2	Interest income	47.2	46.4	-0.7	-1.0
3	Interest on loans	30.9	30.2	-0.6	+0.5
4	Interest on securities	19.5	20.0	+0.5	-2.4
5	Financing cost	3.8	4.4	+0.5	-0.7
6	Fees and commissions	5.3	7.2	+1.9	-1.6
7	Other operating income (*1)	-0.1	-0.5	-0.3	+1.7
8	Expenses	40.3	39.7	-0.6	-0.3
9	Net business profit	10.6	11.5	+0.8	-2.9
10	Ordinary income	17.1	13.2	-3.9	-2.3
11	Net income	12.8	13.0	+0.1	+1.5
12	Credit cost (*2)	-3.2	1.2	+4.4	-0.2

*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

FY2018 Consolidated Financial Results

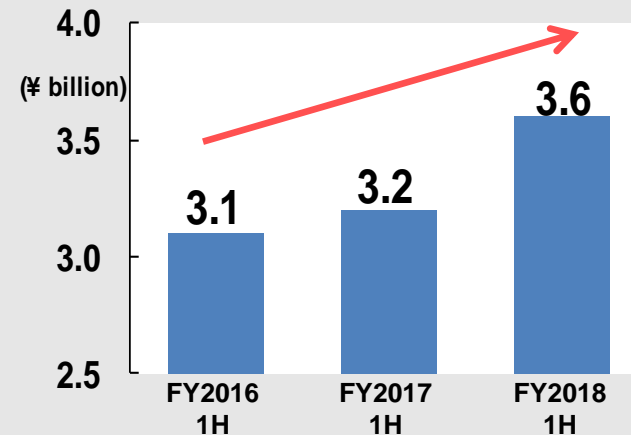
<First half term>

(¥ billion)		FY2017 1H results	FY2018	
			1H results	Y/Y change
1	Consolidated ordinary income	8.0	4.2	-3.8
2	Profit attributable to owners of parent	6.0	6.5	+0.5

<Business forecasts for the full year>

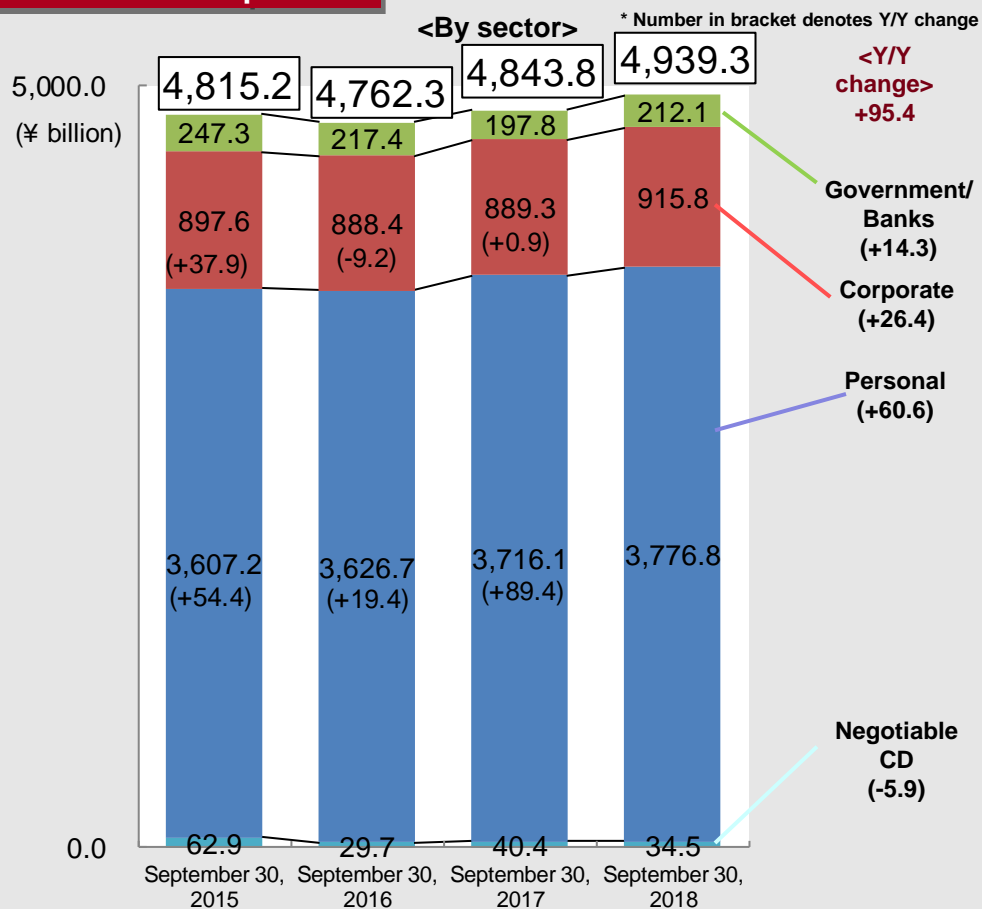
(¥ billion)		FY2017 results	FY2018	
			forecasts	Y/Y change
1	Consolidated ordinary income	18.1	13.8	-4.3
2	Profit attributable to owners of parent	13.1	13.2	+0.0

<Ordinary income for consolidated subsidiaries>



3. Balance of Deposits and Loans

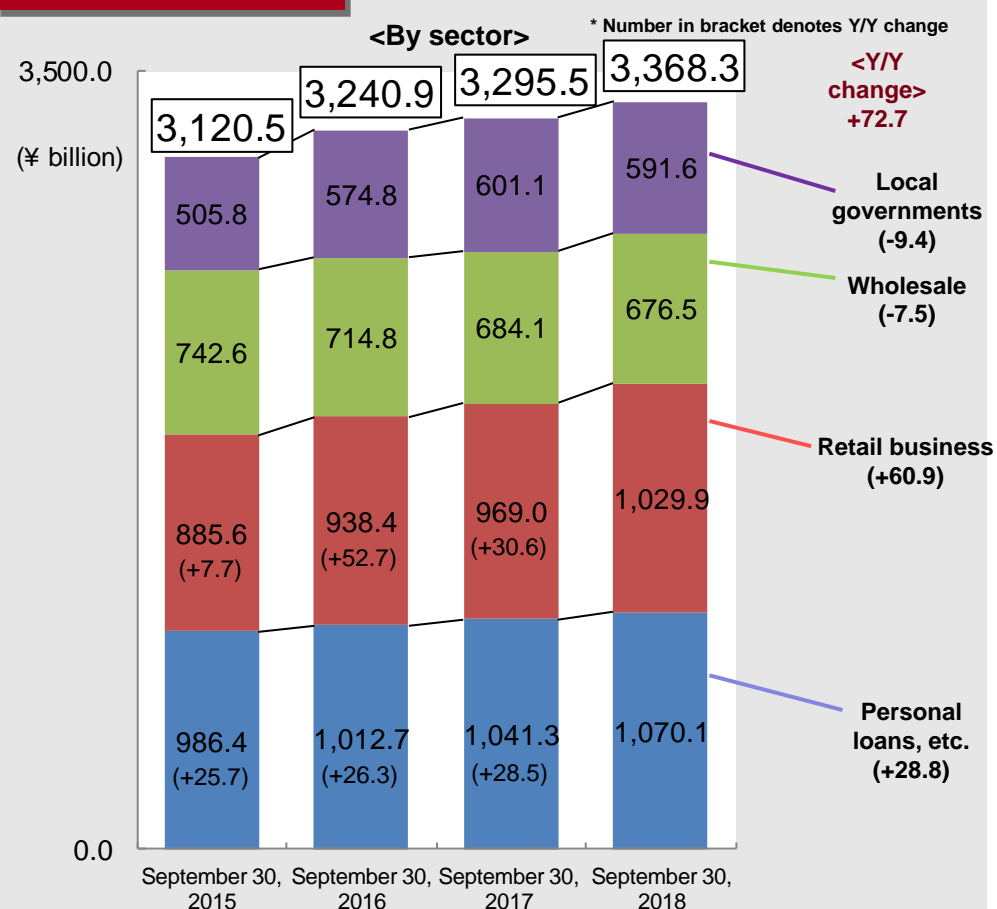
Balance of Deposits



<By prefecture> (¥ billion)

	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018	Y/Y change
Nara Pref.	3,800.8	3,816.4	3,886.9	3,973.5	+86.6
Osaka Pref., etc.	314.5	308.4	305.5	313.9	+8.4
Kyoto Pref.	363.9	350.1	346.5	355.1	+8.5
Others	272.9	257.5	264.3	262.0	-2.2
Negotiable CD	62.9	29.7	40.4	34.5	-5.9

Balance of Loans

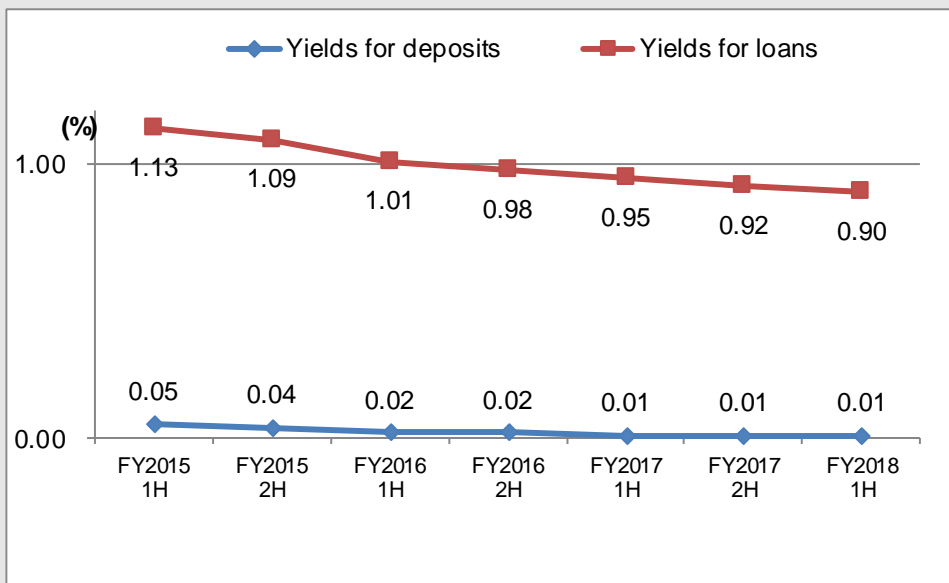


<By prefecture> (¥ billion)

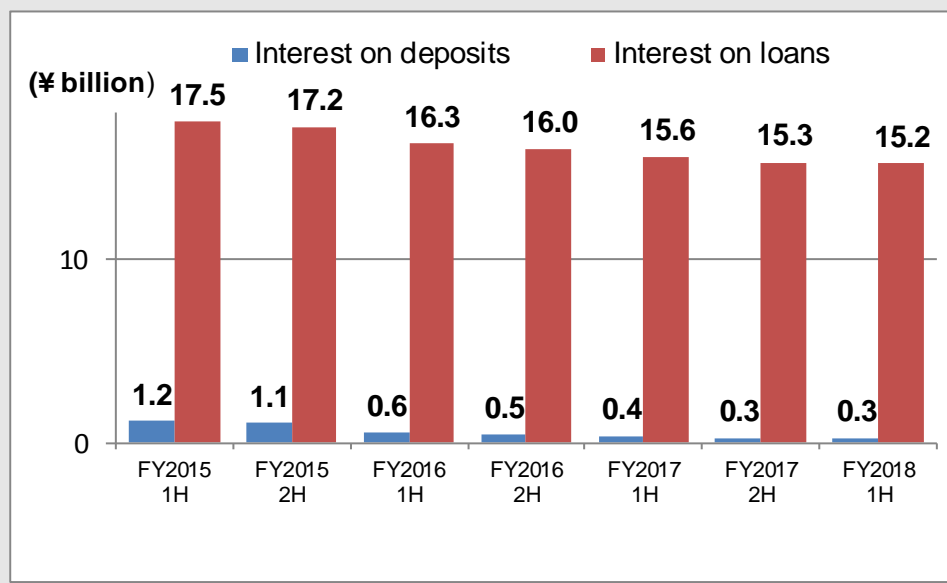
	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018	Y/Y change
Nara Pref.	1,529.8	1,629.8	1,683.4	1,711.1	+27.6
Osaka Pref., etc.	747.6	773.0	805.5	843.9	+38.3
Others	843.1	837.9	806.5	813.2	+6.6

4. Yields for Deposits/Loans and Interest Income

Yields for Deposits/Loans

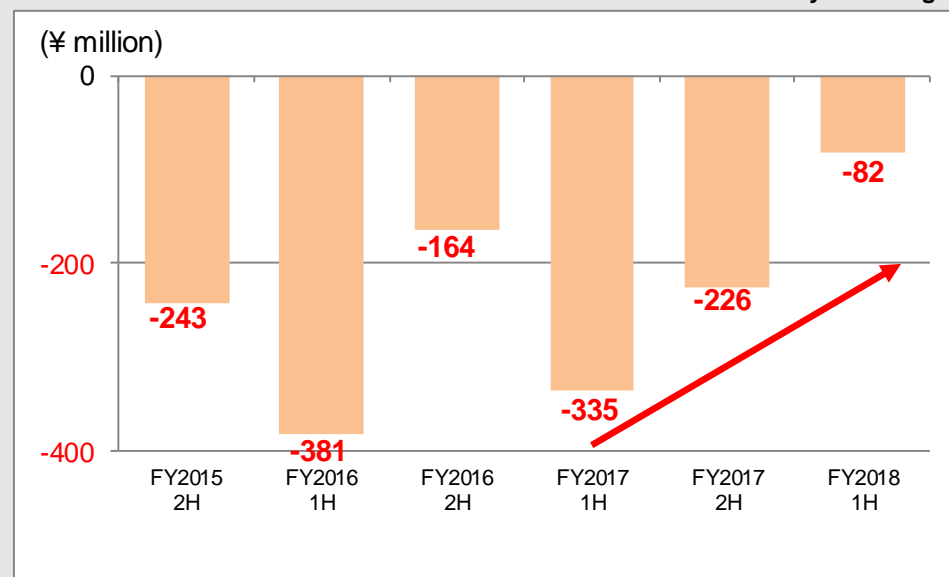


Interest on Deposits and Loans

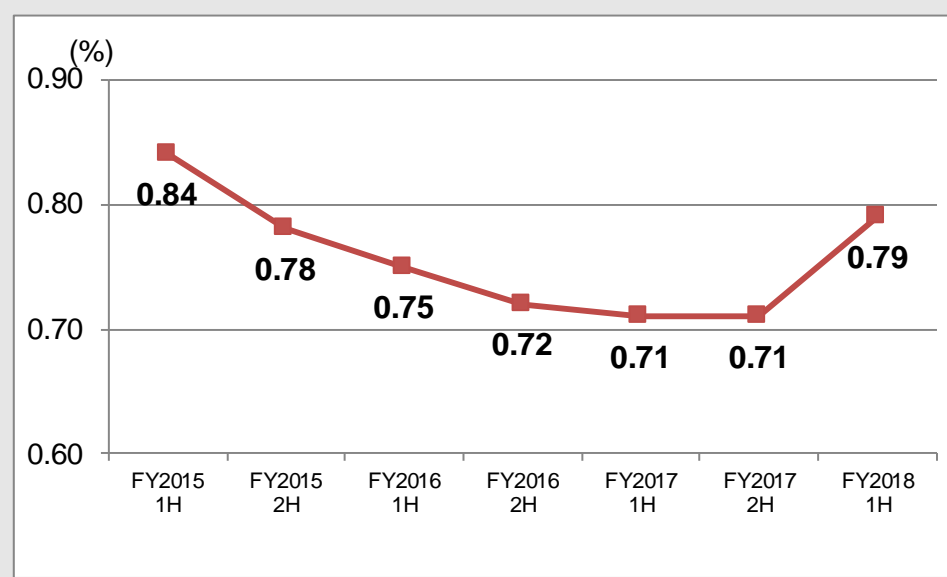


Decrease in Loan-Deposit Interest Margins

*Year-on-year change

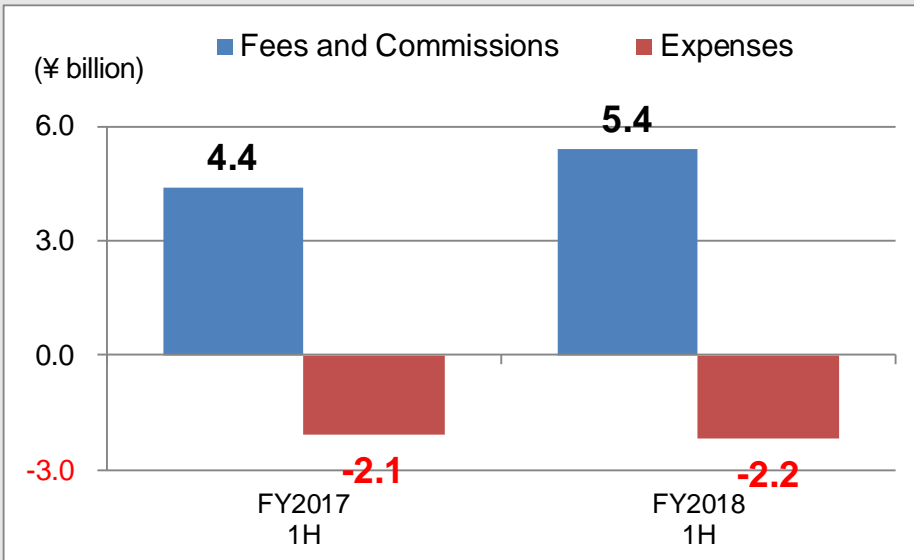


Yields for New Housing Loans Granted

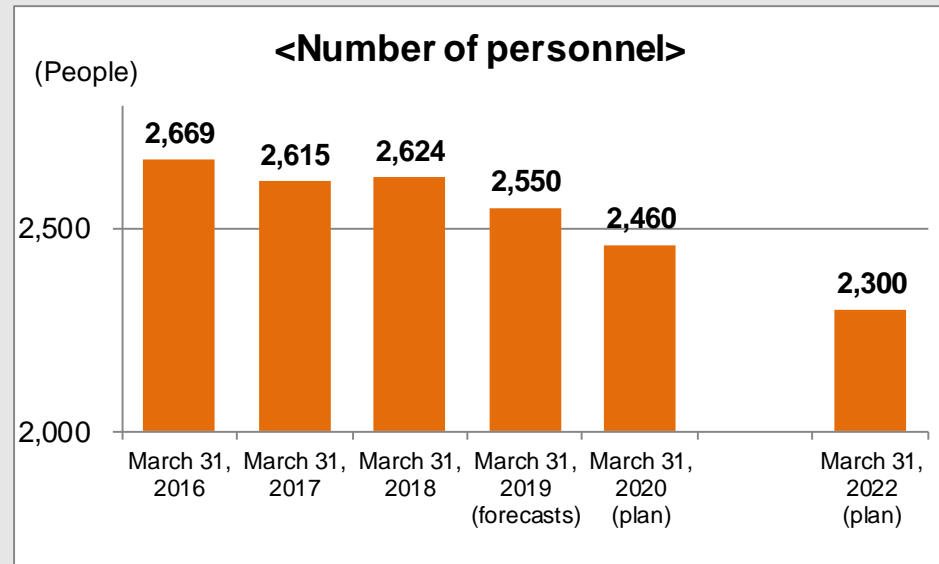
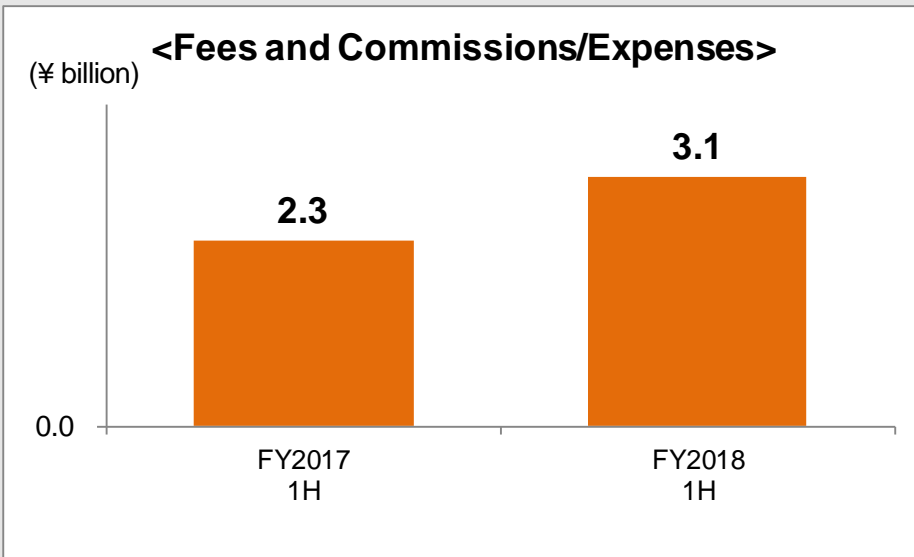
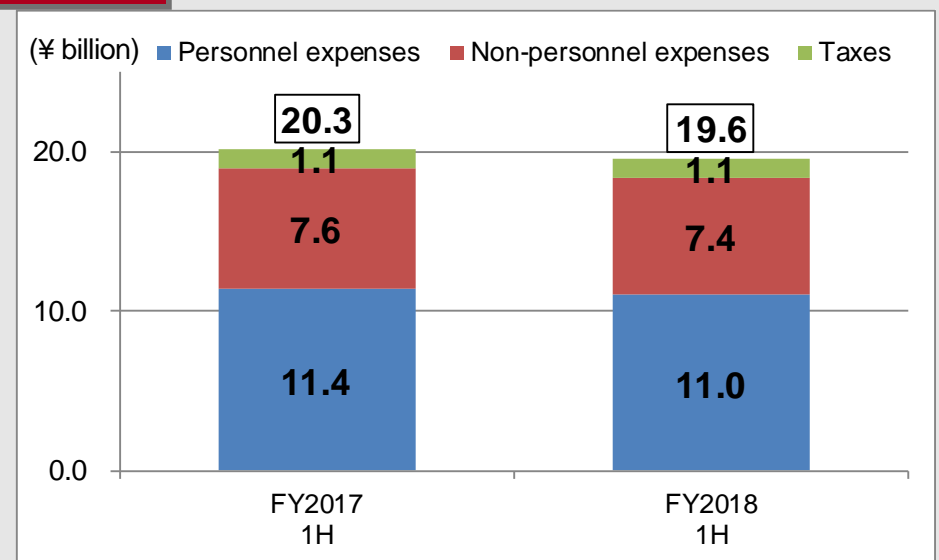


5. Fees and Commissions/Expenses

Fees and Commissions



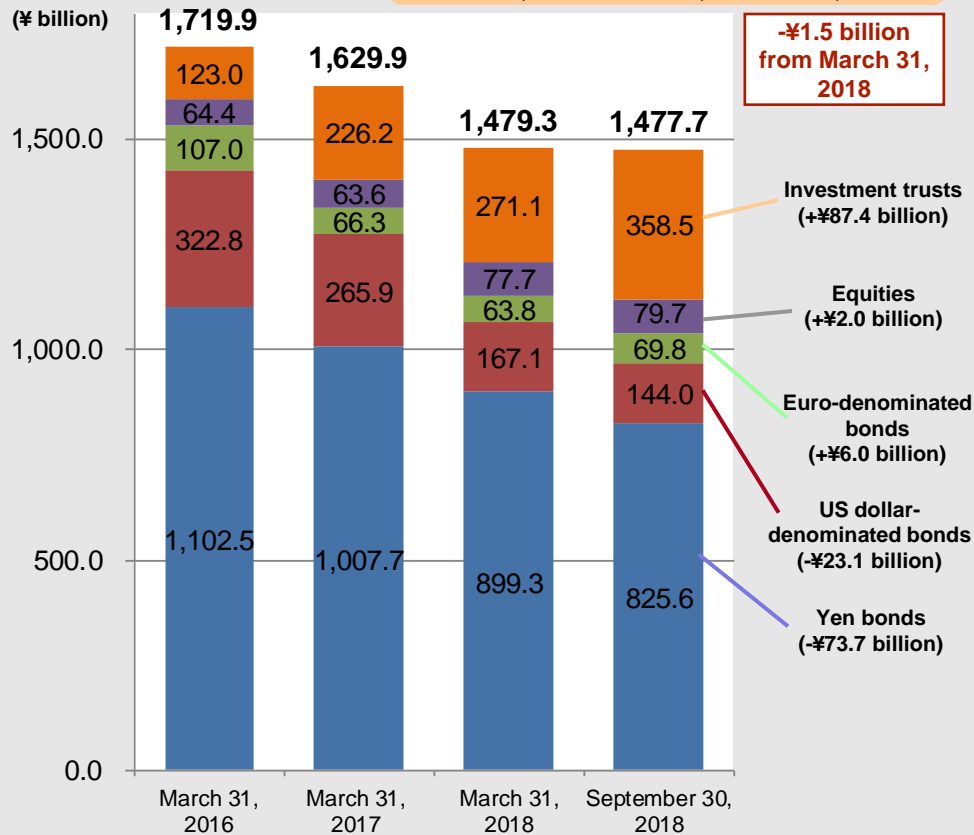
Expenses



6. Securities Investments Management

Balance of Securities

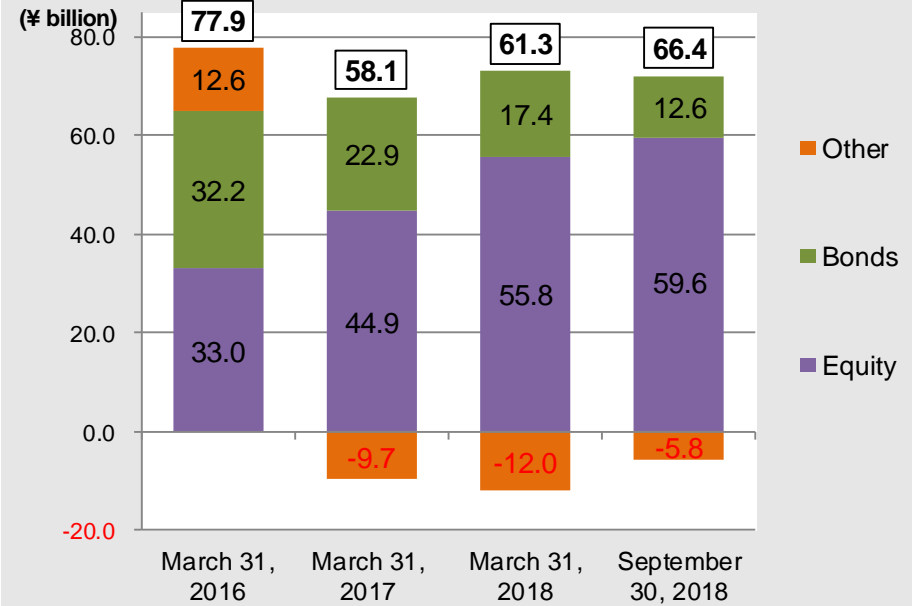
* Investment trusts: Bond investment trusts, Equity investment trusts, J-REITs, multi-assets, market neutral, bear funds, etc.



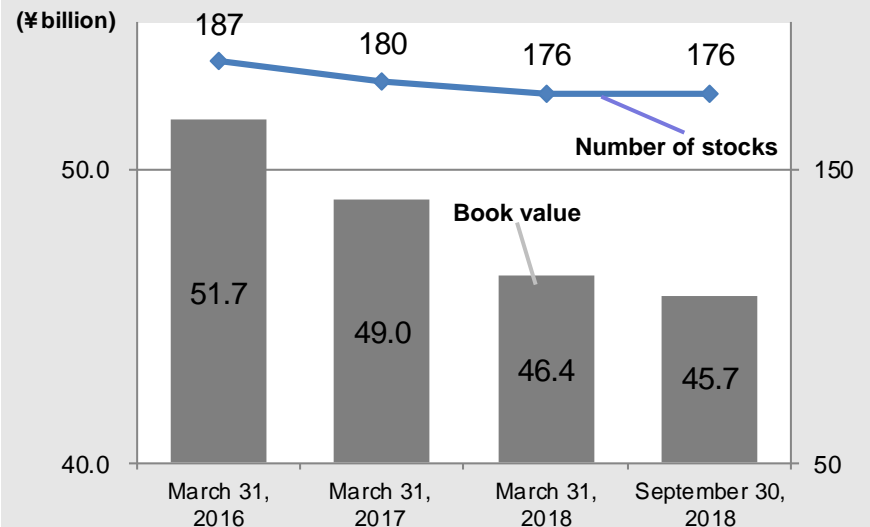
<Bond duration>

	March 31, 2016	March 31, 2017	March 31, 2018	September 30, 2018
Yen bonds	4.2 years	4.2 years	3.6 years	3.4 years
Foreign bonds	5.3 years	4.9 years	6.0 years	6.2 years
Total	4.5 years	4.4 years	4.1 years	4.0 years

Profit/Loss on Valuation of Securities



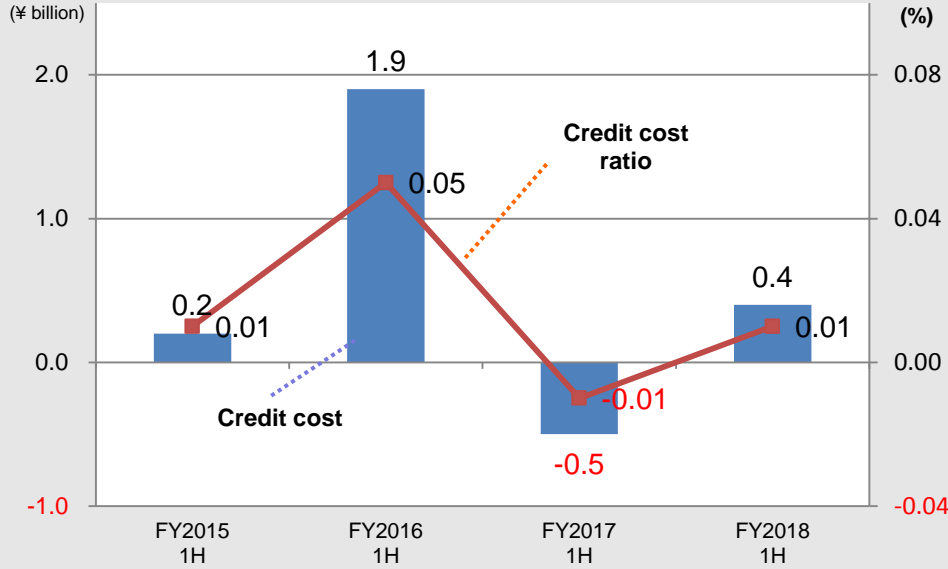
Cross-shareholding Stocks



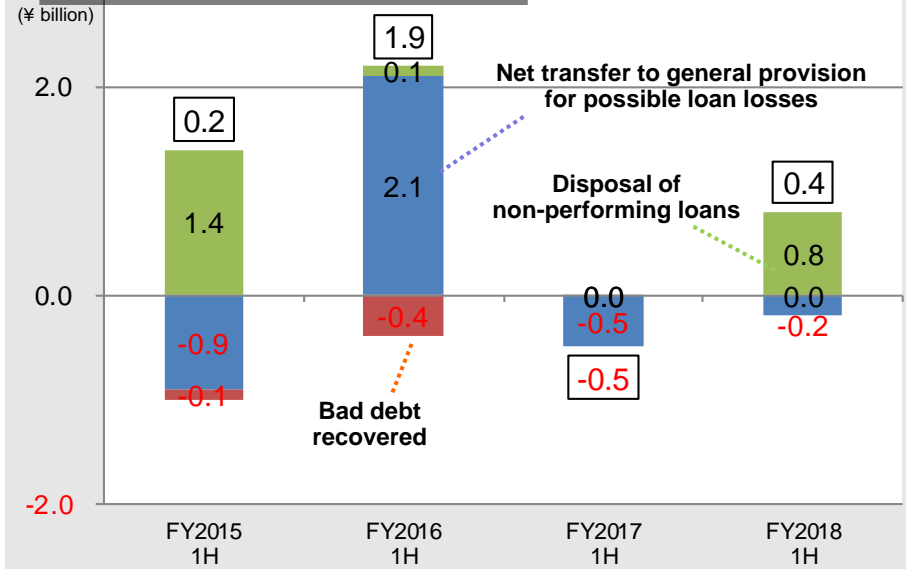
7. Non-Performing Loans

Credit Cost

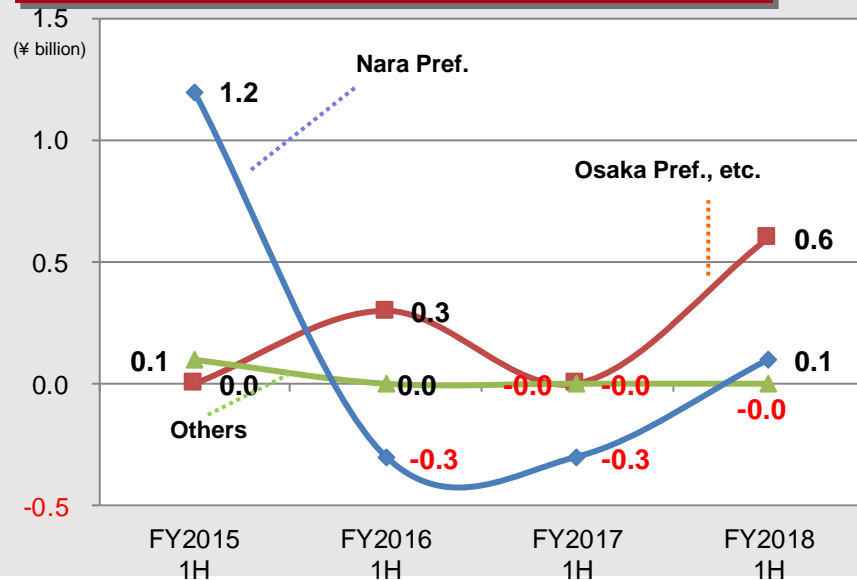
* Credit cost ratio = Credit cost / Average balance of loans



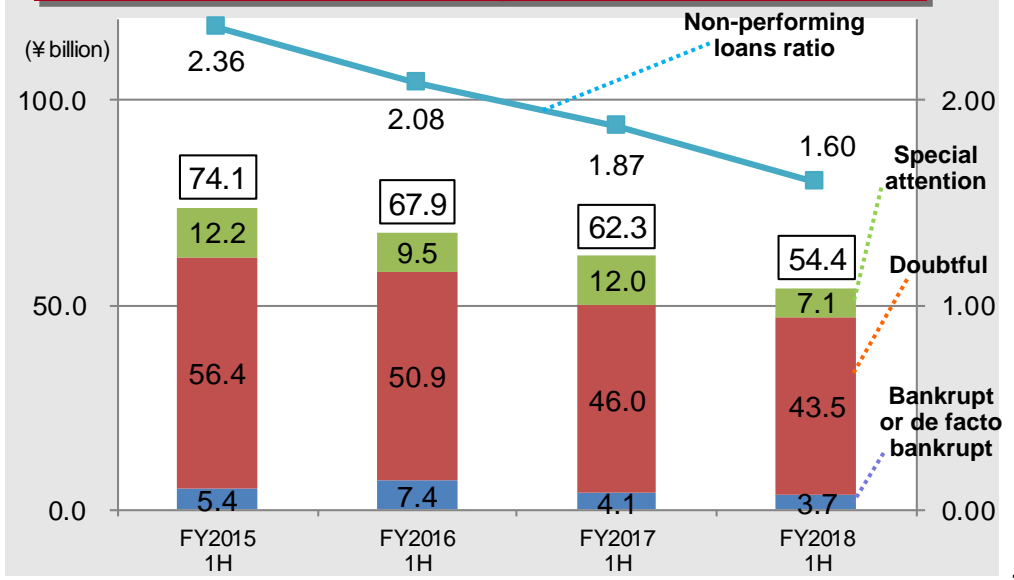
Breakdown of Credit Cost



Disposal of Non-Performing Loans by Region

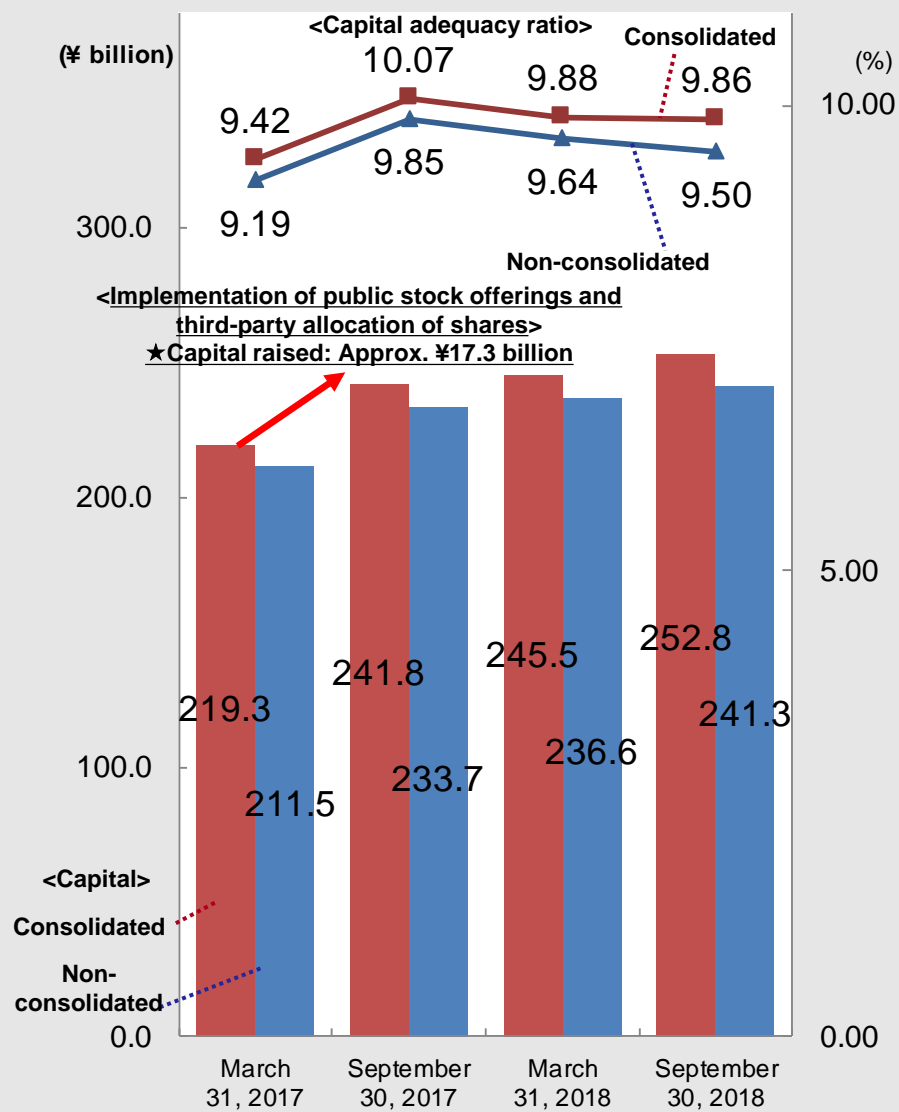


Loans Based on the Financial Reconstruction Law / Non-Performing Loans Ratio



8. Capital Adequacy Ratio and Shareholder Returns

Capital Adequacy Ratio



<Non-consolidated>

(¥ billion)

	March 31, 2017	September 30, 2017	March 31, 2018	September 30, 2018	Change from March 31, 2018
1) Capital adequacy ratio	9.19%	9.85%	9.64%	9.50%	-0.14%
2) Capital	211.5	233.7	236.6	241.3	+4.6
3) Risk assets	2,300.7	2,372.4	2,454.1	2,539.2	+85.0

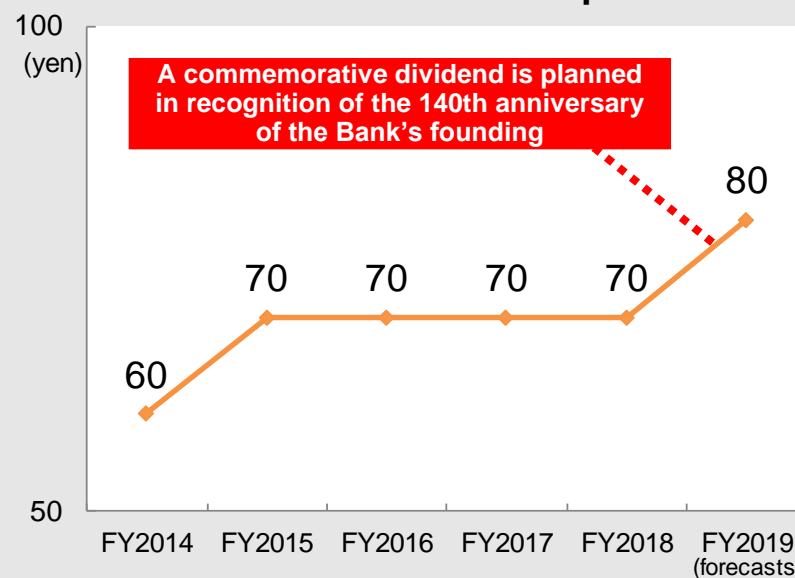
<Consolidated>

(¥ billion)

	March 31, 2017	September 30, 2017	March 31, 2018	September 30, 2018	Change from March 31, 2018
1) Capital adequacy ratio	9.42%	10.07%	9.88%	9.86%	-0.02%
2) Capital	219.3	241.8	245.5	252.8	+7.3
3) Risk assets	2,327.7	2,400.3	2,482.6	2,563.5	+80.8

Shareholder Returns

<Dividend per share>



*Corrected according to post-stock merger standards

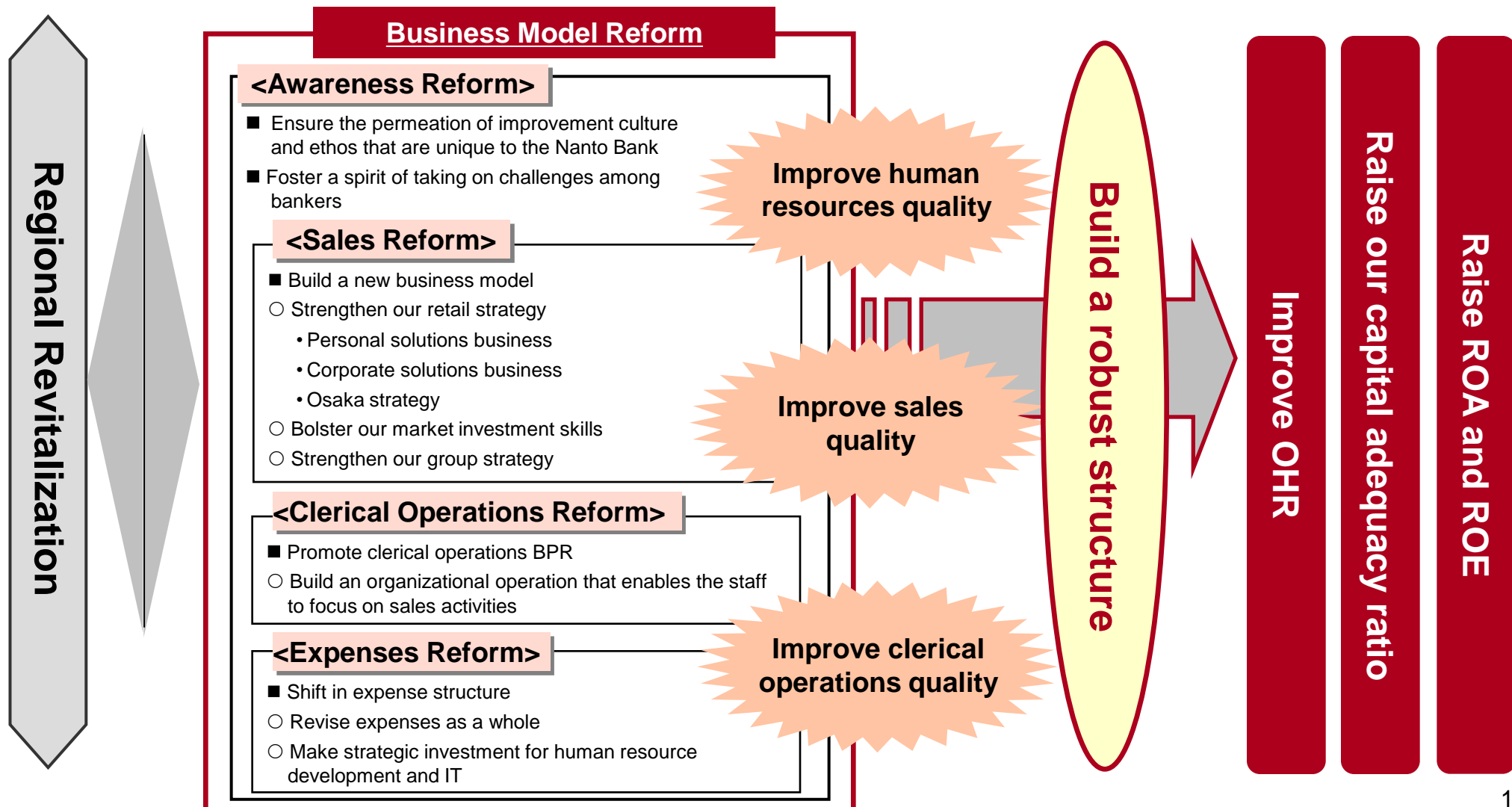
III. Management Strategy

1. Progress of the Medium-Term Management Plan (1) Summary



Plan period: From April 2017 to March 2020

Positioning: 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.



1. Progress of the Medium-Term Management Plan (2) Target Metrics

- ◆ OHR rose because core gross business profits fell—mainly in relation to interest on securities, though expenses were reduced.
- ◆ The non-interest income ratio rose because of efforts directed at the corporate/personal solutions business.
- ◆ In terms of capital adequacy ratio, loans and the market sector’s risk assets increased.
- ◆ In terms of ROA and ROE, first half net income remained almost at the same level.

	FY2016	FY2017		FY2018		<i>FY2019 target</i>
	Full year (results)	Full year (results)	Y/Y change	1H (results)	Compared to FY2017	
OHR	74.45%	77.03%	+2.58%	81.54%	+4.50%	Less than 70%
Non-interest income ratio	10.40%	10.83%	+0.43%	13.87%	+3.03%	20% level
Capital adequacy ratio	9.19%	9.64%	+0.45%	9.50%	-0.14%	Approx. 10%
ROA	0.24%	0.20%	-0.03%	0.15%	-0.05%	At least 0.3%
ROE	4.88%	4.90%	+0.01%	4.61%	-0.28%	At least 5%

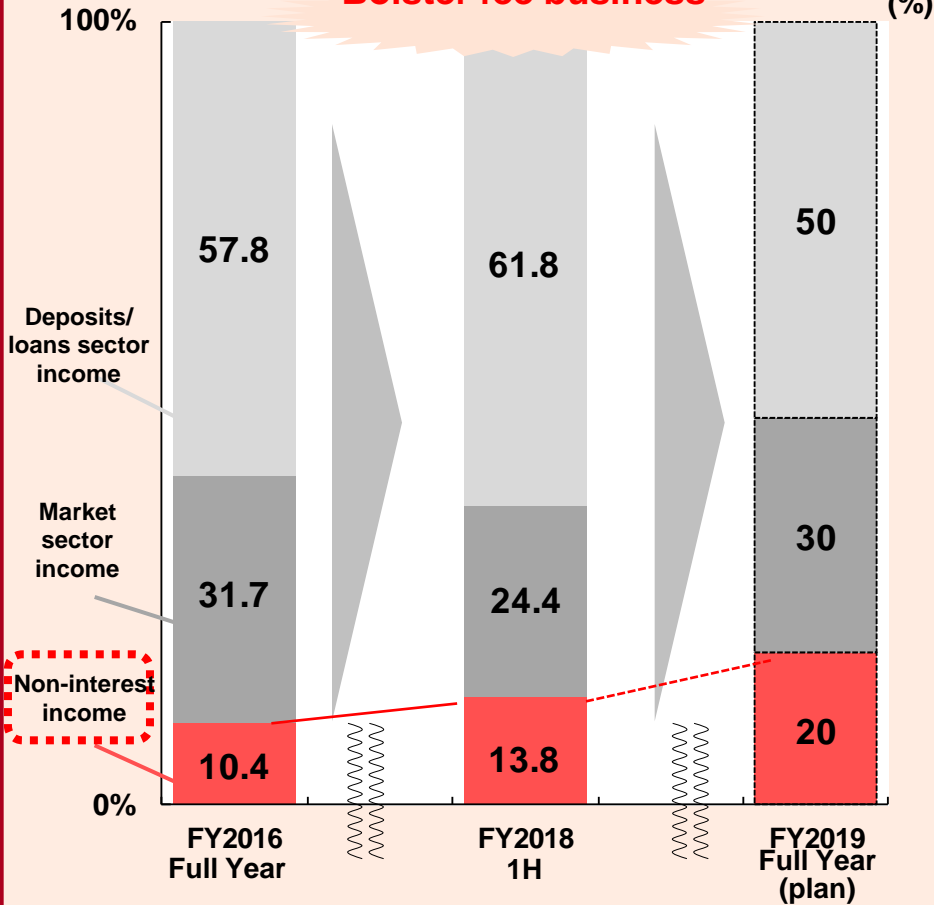
Medium-Term Management Plan

1. Progress of the Medium-Term Management Plan (3) Transforming Our Earning Structure and Loans Portfolio

- ◆ **Change of profit structure:** The non-interest income ratio was raised from 10.4% for the full year of FY2016 to 13.8% for the first half of FY2018.
- ◆ **Change of loan portfolios:** The ratio of retail finance such as retail business loans and personal loans, etc. was raised to 62.2% in the first half of FY2018.

**Profit Structure
(Core Gross Business Profit Basis)**

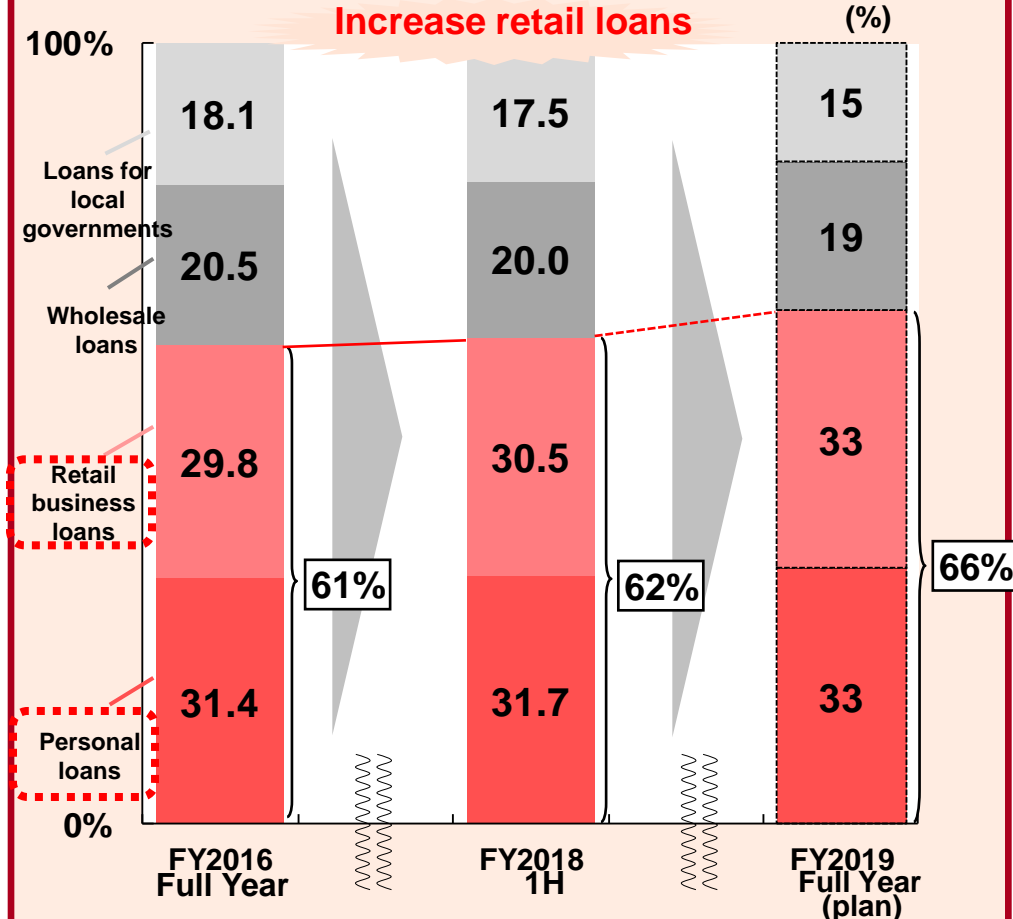
Bolster fee business



Medium-Term Management Plan

Loan Portfolios

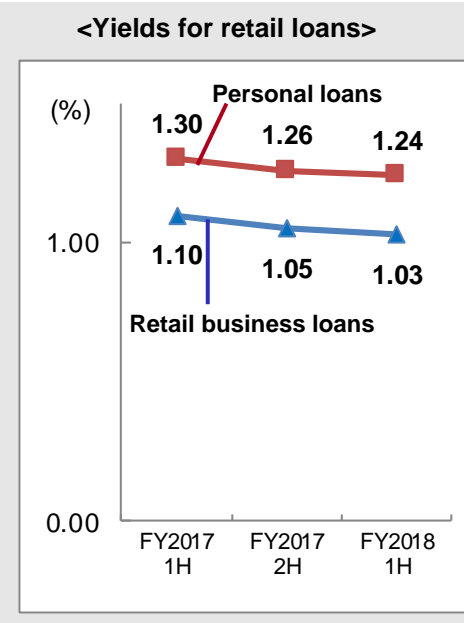
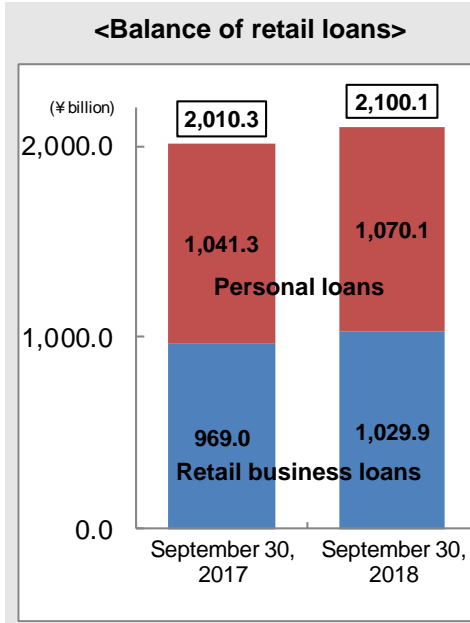
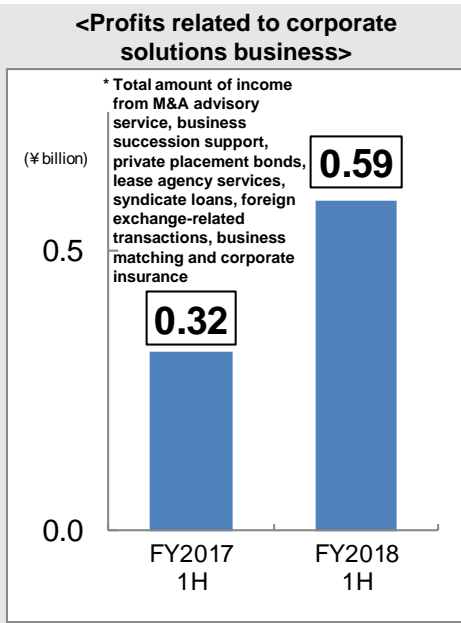
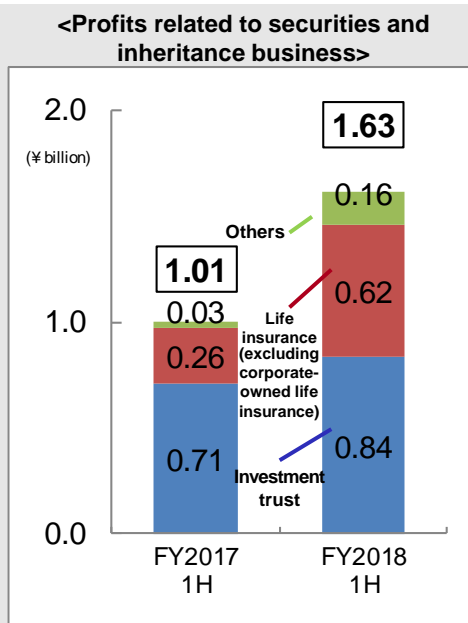
Increase retail loans



Medium-Term Management Plan

1. Progress of the Medium-Term Management Plan (3) Transforming Our Earning Structure and Loans Portfolio (ii)

- ◆ **Change of profit structure:** We continued to step up efforts to increase profits related to securities/inheritance business and to corporate solutions business.
- ◆ **Change of portfolios:** We bolstered retail loans and at the same time strengthened the focus on yield improvement.



Increasing fees and commissions

Increasing deposits/loans and interest income

<Profits related to securities and inheritance business>

- ◆ Strengthening business for the wealthy
- ◆ Stepping up sales making the most of trust operations, securities subsidiaries, and *Hoken No Madoguchi*

<Profits related to corporate solutions business>

- ◆ Stepping up consulting-oriented sales
- ◆ Making all-out efforts for problem-solving sales based on business practicality assessments

<Increasing the balance of retail loans>

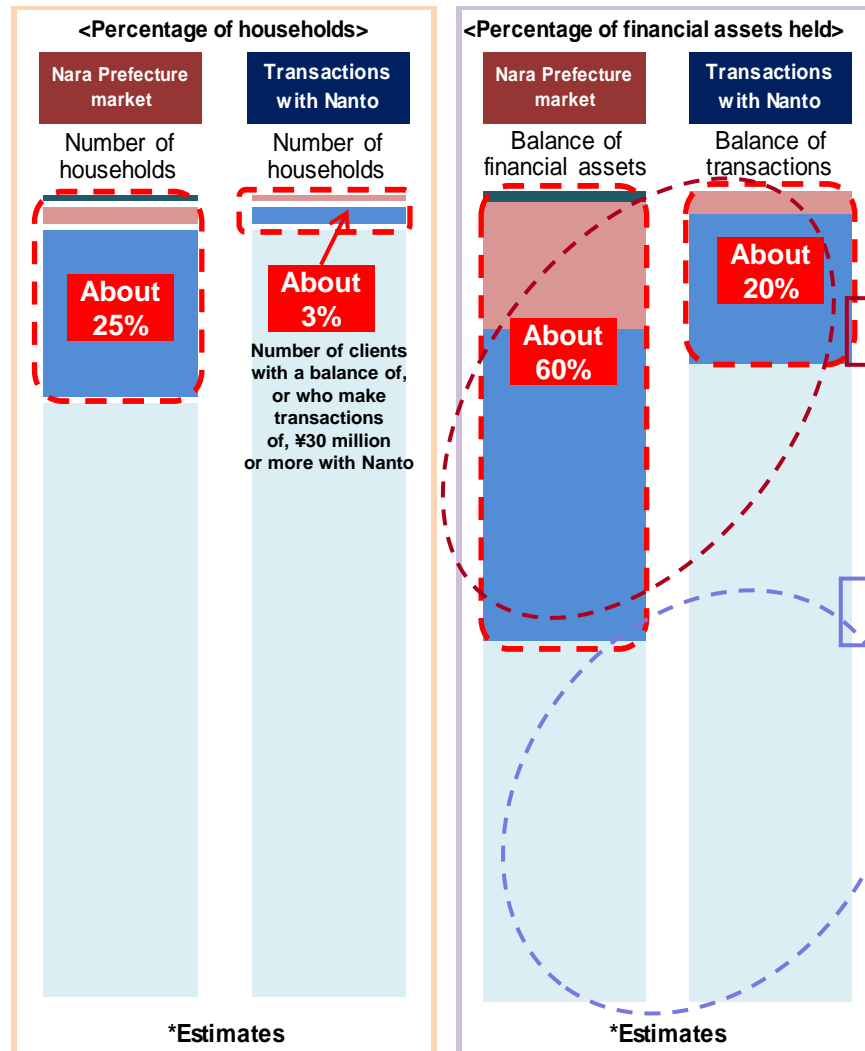
- ◆ Focusing on Osaka to increase business loan finance
- ◆ Increasing customer convenience for personal loans

<Yield improvement>

- ◆ Stepping up solutions-oriented sales for medium-risk clients
- ◆ Improving yields for housing loans

2. Sales Reform (1) Bolster Non-interest Income (i) Securities and Inheritance Business

- ◆ In Nara Prefecture, wealthy families with ¥30 million in financial assets account for about 25% of total households. On the other hand, customers that make transactions of ¥30 million or more with the Bank represent only 3% of total customers
- Developing wealthy people as customers and increasing transactions with them are issues to be addressed.



- ◆ Providing a wide range of financial instruments making the most of the securities subsidiary
- ◆ Supporting smooth succession to assets through trust operations
- ◆ Promoting integrated corporate/personal transactions for business owners
 - Developing and deepening new transactions with the wealthy

Stepping up approaches to the hidden wealthy through data analysis

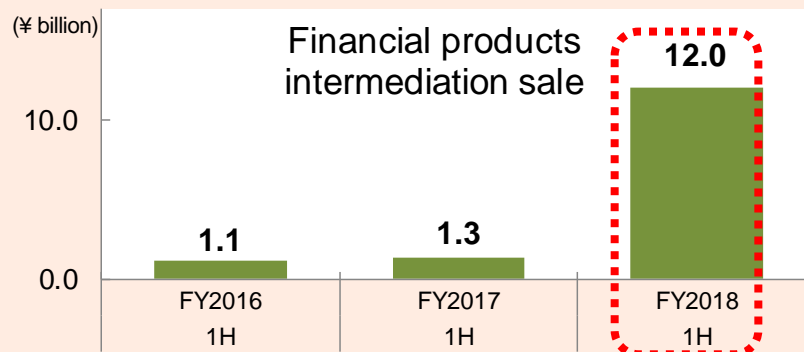
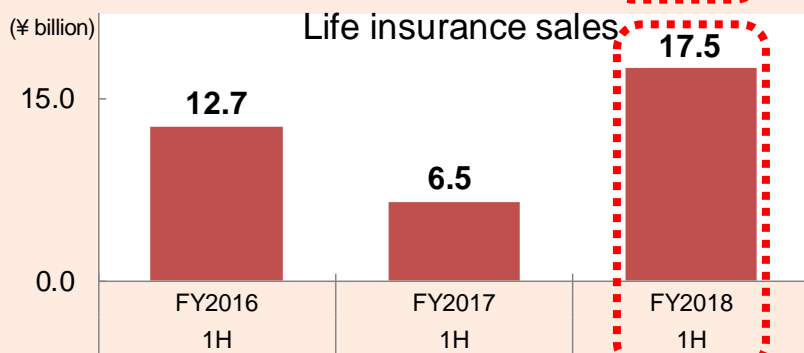
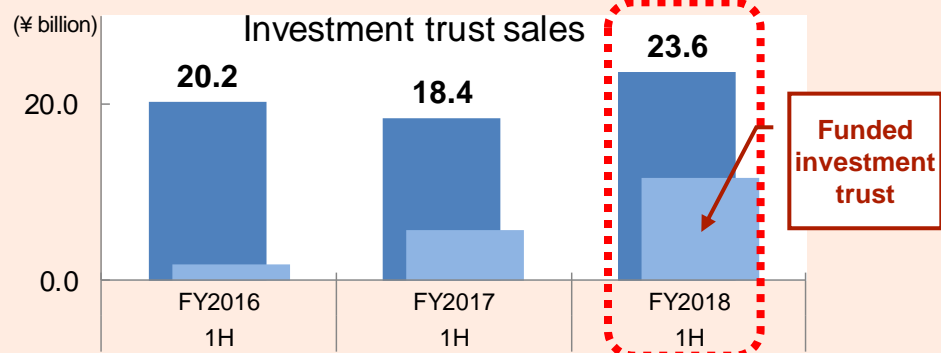
- ◆ Increasing convenience by expanding non-face-to-face sales channels
- ◆ Making the most of *Hoken No Madoguchi* to provide financial services to a wide range of customers who cannot visit the Bank on weekdays
 - Strengthening support for potentially wealthy people

- ◆ Expanding transactions with Nara fans nationwide using Internet branches effectively, thus contributing to regional revitalization in Nara

2. Sales Reform (1) Bolster Non-interest Income (i) Securities and Inheritance Business

- ◆ Strengthening the financial instruments agency sales system in the first half of FY2018 as Nanto's securities subsidiary was scheduled to begin sales operations
- ◆ Making the most of cooperation among banking/trust/securities operations to develop securities/inheritance business based on Nanto's customer base

Assets under Management—Sales Results



Major Initiatives

Trust operations

- ◆ Starting in August to air a series of TV commercials entitled “The People of the Nanto Family” with “inheritance and wills” as its theme



<Trust operations results>

Testamentary substitute trusts	1,207 cases/¥3.8 billion
Calendar-year gift trusts	104 cases/¥1.5 billion
Testamentary trusts	58 cases
Heritage arrangement	14 cases

* April 17, 2017–September 30, 2018

Making Nara Securities Co., Ltd. a wholly owned subsidiary

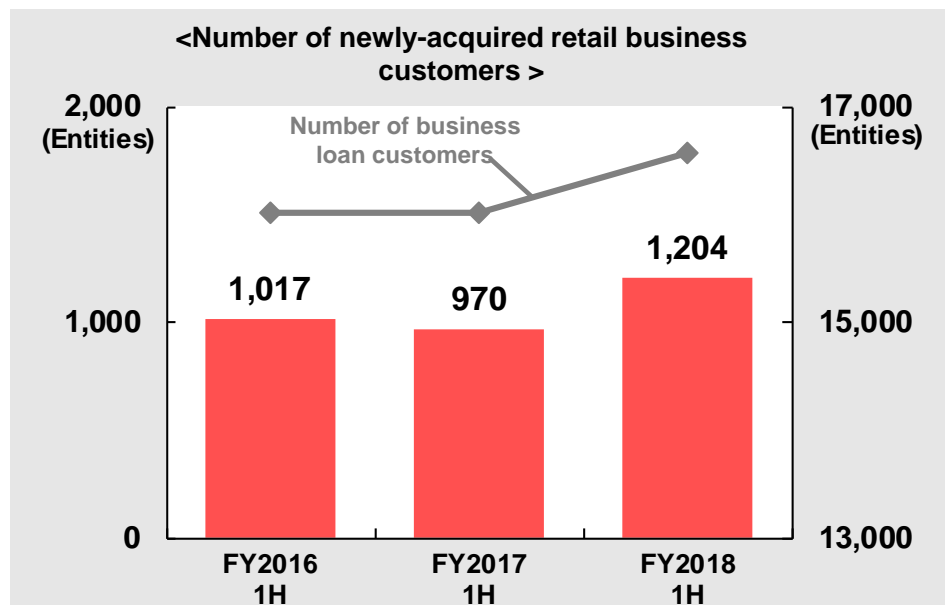
- ◆ The Bank made Nara Securities its subsidiary in October and its wholly owned subsidiary in November
- ◆ Planning to begin sales through cooperation between banking and securities operations around the spring of 2019

Opening offices in cooperation with Hoken No Madoguchi Group Inc.

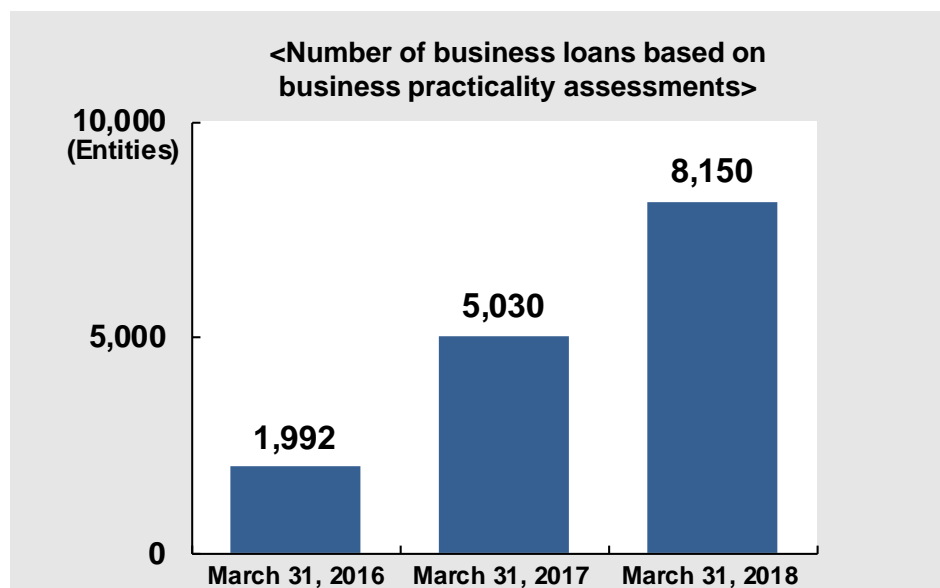
- ◆ The Bank opened two offices in July and one office in November.
- ◆ By establishing a holiday sales system, Nanto strives to acquire asset-building clients who cannot visit its offices on weekdays.

2. Sales Reform (1) Bolster Non-interest Income (ii) Corporate Solutions Business

- ◆ Focusing on expanding the customer base and increasing dialogue with corporate clients by increasing the number of new customers to which retail business loans were granted and that of customers to which loans were granted based on business practicality assessments
- ◆ Make all-out efforts for problem-solving sales based on business practicality assessments in order to bolster corporate solutions business and increase retail business loans



Increase the number of business loan customers



Increase the number of business loans based on business practicality assessments

Bolster our corporate solutions business

Increase retail business loans

2. Sales Reform (1) Bolster Non-interest Income (ii) Corporate Solutions Business

◆ Strengthening consulting-oriented sales to meet diverse needs, thus increasing profit-making opportunities

<Corporate solutions business-related income>

	FY2018 (¥ million)		
	FY2016 1H	FY2017 1H	FY2018 1H
M&A and business succession	59	60	35
Private placement bonds	42	74	107
Lease intermediary service	—	—	134
Syndicated loans, etc.	7	73	189
Derivatives-related	98	80	81
Referral of business alliance partners	19	16	31
Corporate insurance	3	17	18
Total	231	323	597

Strengthening Solutions-Oriented Sales

Bringing M&A needs to light

◆ Efforts to discover managers' needs to sell their business as they become elderly

Making the most of syndicated loans

◆ Making proposals, including not only funding needs but also financial rebalancing

Growth in privately placed CSR bonds

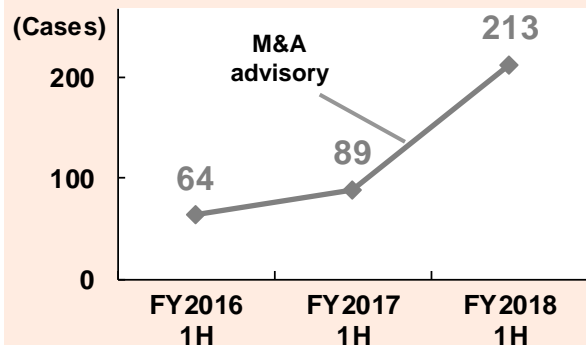
◆ Publicizing the CSR activities of bond-placing companies by donating goods to elementary and junior high schools, etc.

Beginning to handle lease agency services

◆ In April 2018, our sales personnel started to directly make proposals for finance leases that do not transfer ownership of the lease assets to the lessee.

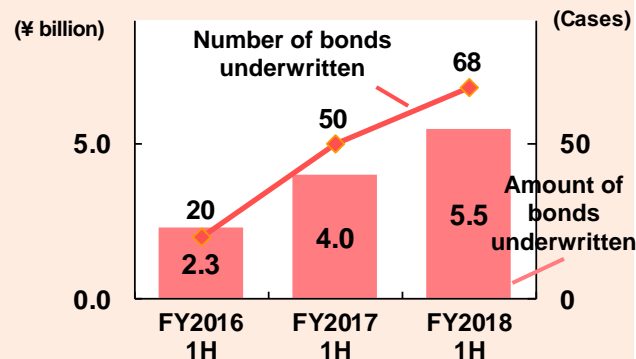
M&A advisory

Support services results



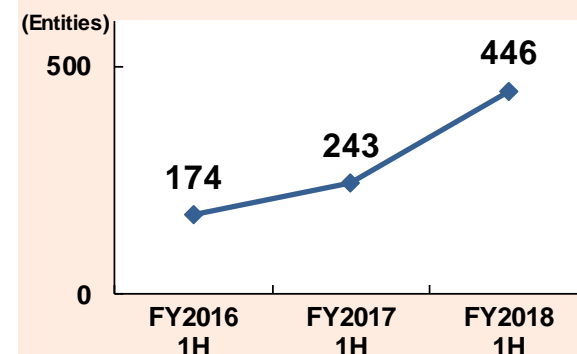
Private placement bonds

Number and amount of bonds underwritten



Lease agency services

New lease customers of Nanto Lease Co., Ltd.



2. Sales Reform (1) Bolster Non-interest Income (ii) Corporate Solutions Business

- ◆ Making the most of investment funds to support companies in developing business at various stages such as foundation and growth
- ◆ Aiming at increasing the corporate value of companies targeted for investment and encouraging synergies with the Bank's operations mainly through business alliances with such companies

Utilization of investment funds

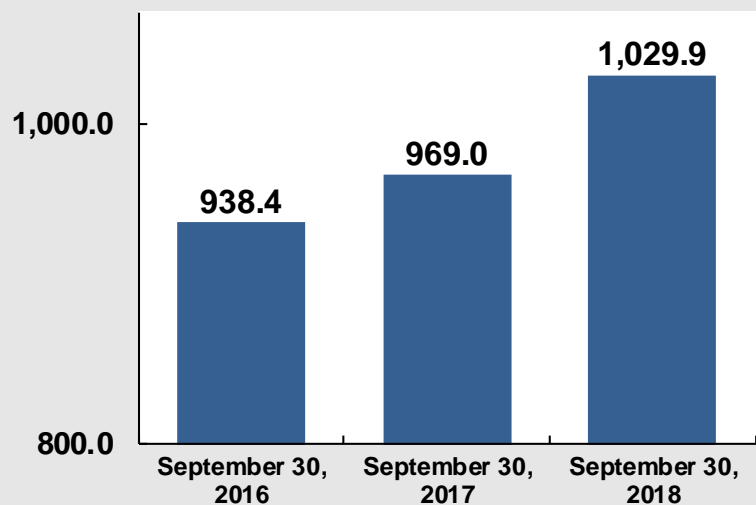
Area	Names of investment funds	Amounts contributed by the Bank	Purpose
Sales areas	Nanto Regional Vitalization Support Funds	¥0.49 billion	Supporting businesses in growing at various stages such as foundation, new business development, growth, listing, and business succession
	Nara Prefecture Tourism Revitalization Fund	¥0.49 billion	Stimulating demand for accommodation in Nara Prefecture, increasing tourism consumption, etc.
	Nanto Senary Industrialization Support Fund	¥0.24 billion	Supporting businesses in the senary industry certified under the Senary Industrialization and Local Consumption of Locally Produced Products
Domestic	Nanto CVC Fund	¥0.99 billion	Supporting businesses at the stage of foundation or growth, which are considered highly likely to contribute to Japan's economy, industry, and regional promotion
	Nanto CVC Fund No. 2	¥2.97 billion	Established in October 2018 by investing ¥3 billion because the Nanto CVC Fund was expected to reach the amount that could be invested
	TM Nippon Renewable Energy Fund 2017 Fund	¥1.0 billion	Promoting infrastructure investments to contribute to revitalization of local economy, including in renewable energy
	All-Japan Fund to Make Japan a Country Built on Tourism	¥0.1 billion	Reforming the operation and management of accommodation facilities and revitalizing venture businesses and traditional industries to make Japan a country built on tourism
Overseas	SBI AI & Blockchain Fund	¥1.0 billion	Increasing the corporate value of companies targeted for investment to help form alliances with promising ones in Japan and abroad and develop new technologies and services
	Nanto Cross-Border VC Investment Partnership	US\$20 million	Investing in Soraa, Inc. and Soraa Laser Diode Inc., both headquartered in California, USA
	Sozo Ventures II-S,L.P.	US\$5 million	Investing in advanced US venture businesses aiming at global business development to promote alliances between such venture businesses and Japanese companies

2. Sales Reform (2) Increase Retail Loans (i) Retail Business Loans

- ◆ The balance of retail business loans exceeded ¥1 trillion.
- ◆ Stepping up approaches to medium-risk customers based on business practicality assessments in an effort to improve profitability

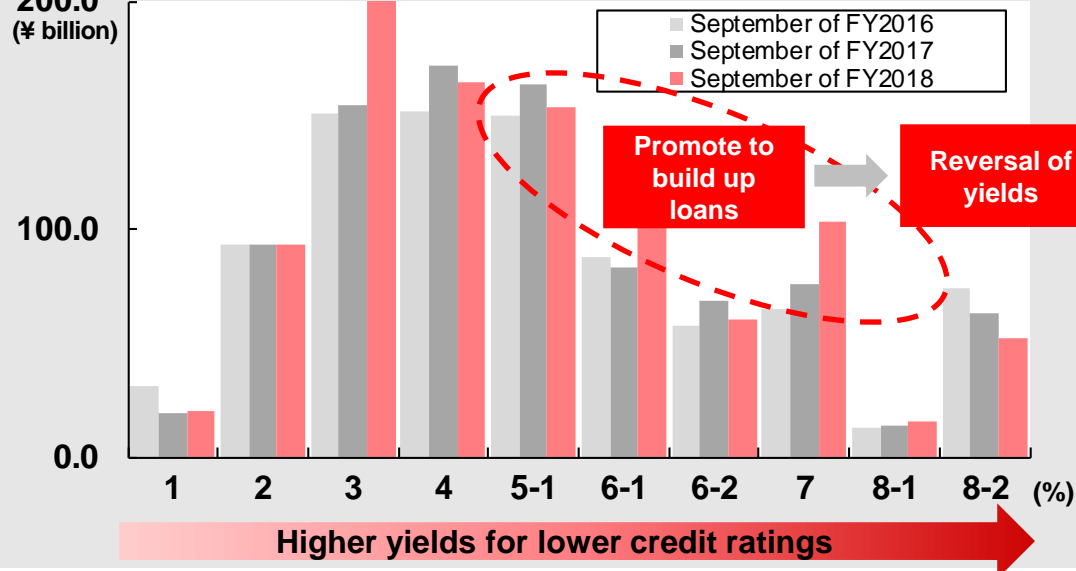
<Balance of retail business loans>

(¥ billion)



<Portfolios by rating>

200.0
(¥ billion)



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
 - Improving fund management by shifting to super-long financing

<Results>

Number signed	18
Amount signed	¥3.04 billion
Average interest rate	2.88%

*September 2017-September 2018

- ◆ Initiatives for short-term continuous loans
 - Working actively for financial rebalancing commensurately with fund uses in order to ensure stable funding

- ◆ “Nanto Vitality Creation Support Fund”
 - Meeting loan needs without relying excessively on financial data, security or guarantees

*Expanding efforts to cover the entire financial support

<Results>

Number signed	330
Amount signed	¥6.16 billion
Average interest rate	2.55%

*October 2015-September 2018

2. Sales Reform (2) Increase Retail Loans (ii) Osaka Strategy

- ◆ Focusing on acquiring new corporate clients and granting business loans to them and at the same time stepping up efforts to provide solutions making the most of relationships that have hitherto been established
- ◆ Forming teams to promote transactions with corporate owners to focus on sales for individuals centered on such transactions

<Branch layout (21 in total)>

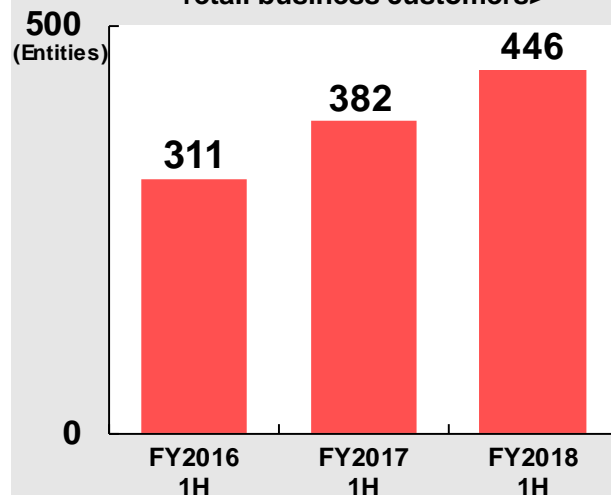


* ■ Branches with an L Plaza base

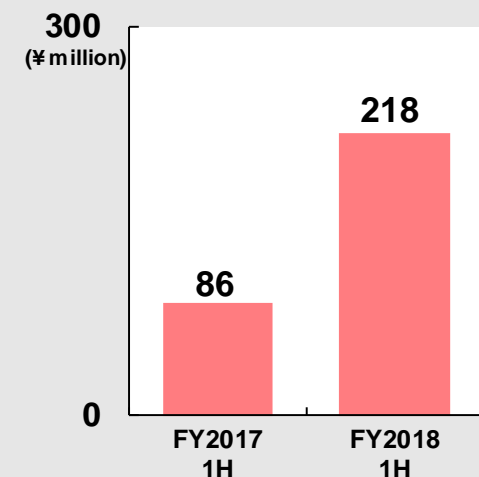
<Number of staff allocated>

Sale branches (21)	293
Corporate sales office	3
L Plaza (housing loans)	14
Total	310

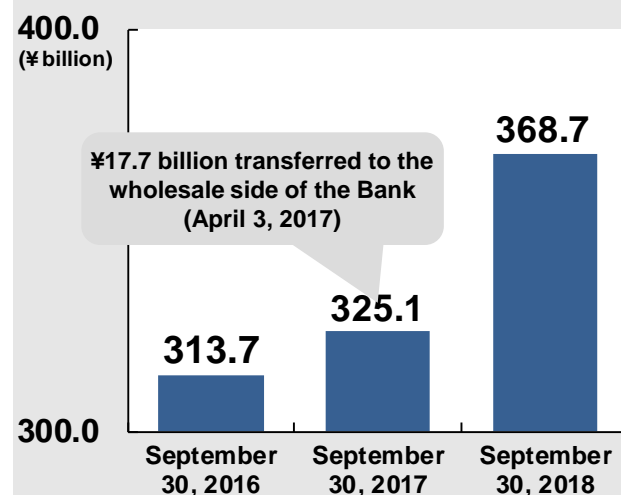
<Number of newly-acquired retail business customers>



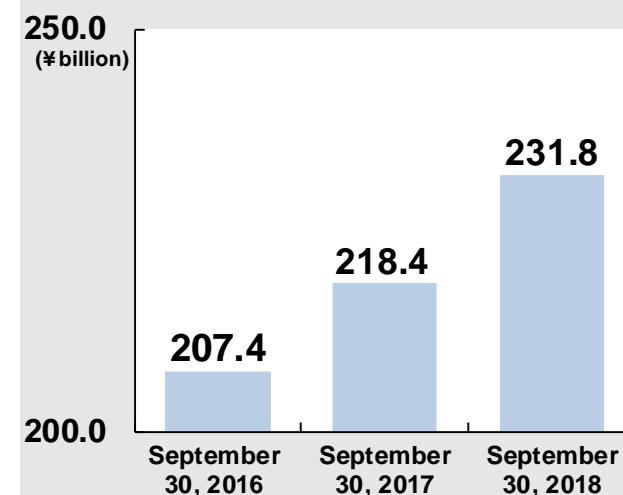
<Corporate solutions business-related income>



<Balance of retail business loans>

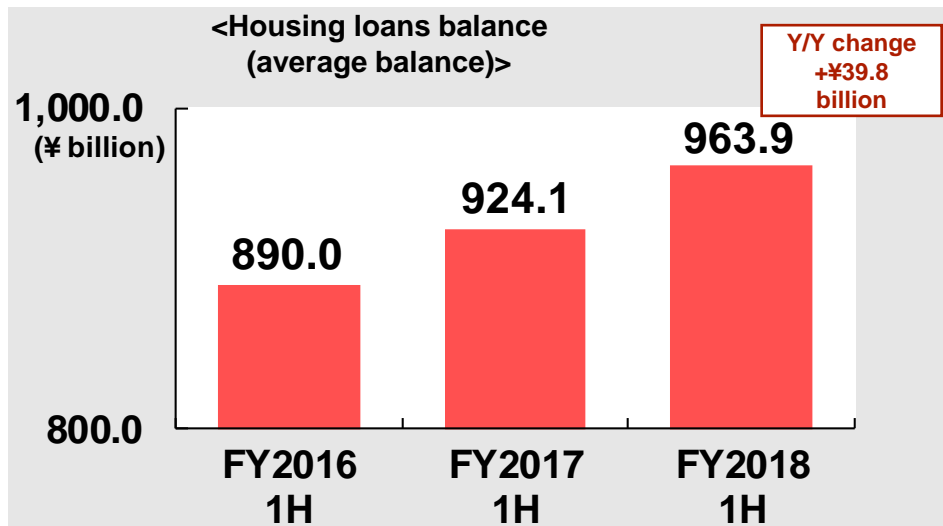


<Balance of housing loans>



2. Sales Reform (2) Increase Retail Loans (iii) Personal Loans

- ◆ Working to maintain balances and yields and at the same time increasing customer convenience and reducing clerical workload by achieving greater operational efficiency

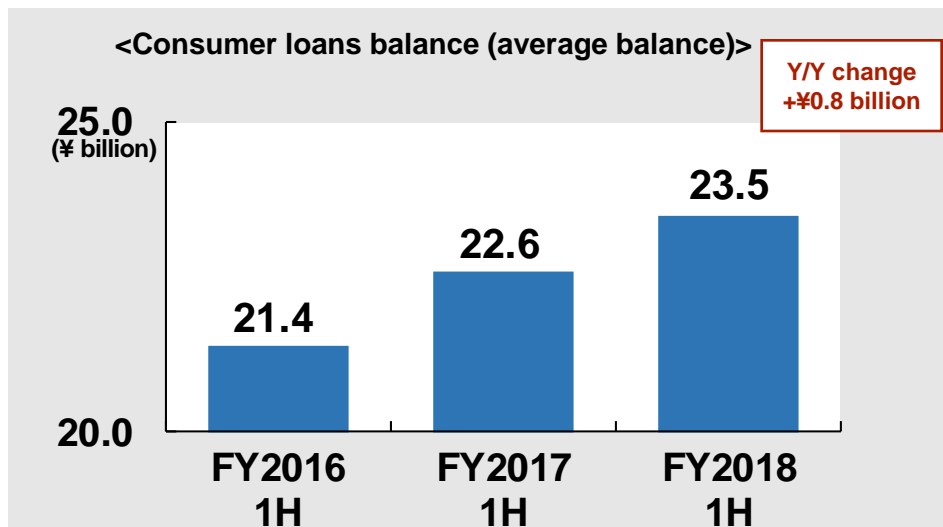


Secure profitability

- ◆ With strictly controlled interest rates and increased efforts to add high-value-added group credit life insurance, fixed mortgage rates continue to recover.

Improve efficiency of business operations

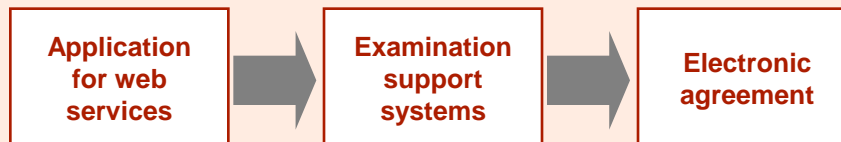
- ◆ Consolidate sales bases of housing loans and streamline operations
- ◆ In the second half of FY2018, housing loans examination support systems will be deployed, reducing the time spent on administrative processing by 40% (which is the equivalent of reducing staff by 25 employees)



* Balance of card loans as of the end of September 2018 (period-end balance): ¥13.5 billion

Launch and expand comprehensive Internet banking services

- ◆ Launch comprehensive Internet banking services where the entire process from application to contract is conducted on the Internet (from April 2018)
- ◆ At the same time, deploy examination support systems, and centralize examination work to a specialized department at headquarters



No need to visit a bank office

- ◆ Internet services are also applied to types of loans for a specific purpose in addition to credit card loans (from June 2018)

2. Sales Reform (3) Channel and Sales Structure

- ◆ Nanto has decided to introduce a block/area sales system to ensure sales and store arrangements that suit markets
- ◆ Expanding services in non-face-to-face sales to strengthen points of contact with customers

Introduction of a block/area sales system

◆ In April 2019, as a decrease in the population and intensifying competition with other banks are expected, the Bank plans to introduce a block/area sales system to respond to changing market needs and achieve customer-oriented sales of higher quality.

◆ The bank aims to establish a system that urges employees at worksites to think on their own initiative and assume responsibility for actions they take. This system is positioned as the most important measure for awareness reform and is a goal that the Bank is working to achieve in its medium-term management plan.

◆ Under the concept of full banking in each area rather than at each branch, Nanto plans to change store types and reorganize stores to ensure efficient, strategic store operation.

<Store reorganization and store type change>

	FY2016	FY2017	FY2019 (Plan)
Store reorganization and store type change (cumulative results)	6 branches	14 branches	Approx. 30 branches
Number of staff members reduced	16	30	Approx. 90

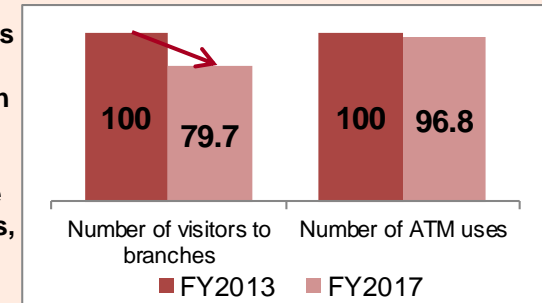
Assigning excess personnel generated through store reorganization to sales operations

Stepping up efforts for non-face-to-face sales

As exemplified by the fact that the number of visitors to branches has fallen by 20% during the past four years, points of contact with customers through face-to-face sales are on the decrease.

On the other hand, non-face-to-face transactions such as online applications for unsecured loans, which account for about 90% of the total, are on the increase.

Number of visitors to branches and that of ATM uses (Indexing numbers with those for FY2013 as 100)



<Increasing non-face-to-face points of contact with customers and working to improve convenience at such points>

- ◆ Initiatives to open online branch
 - ✓ Acquiring transactions with Nara fans, etc. nationwide
 - ✓ Considering how to utilize such branch for regional revitalization such as attracting people to Nara Prefecture
 - ✓ Increasing convenience through transactions without bankbooks
- ◆ Enhancing smartphone applications
 - ✓ Introduction of "Wallet+"
 - ✓ Expanding functions such as account balance inquiries
- ◆ "Fully online loan application system" for unsecured loans
 - ✓ All processes, from applications to contracts, can be completed without visiting a branch
- ◆ Using smartphones effectively to grasp the intentions of customers and to step up sales for them
 - ✓ Announcements on questionnaire surveys, products, and services through short message services (SMS) have begun
 - ✓ Distribution of information on promotional campaigns and other types of content through Line@
- ◆ Introducing a website for specific clients
 - ✓ Greater contact with employees of specific clients

Sales channel development

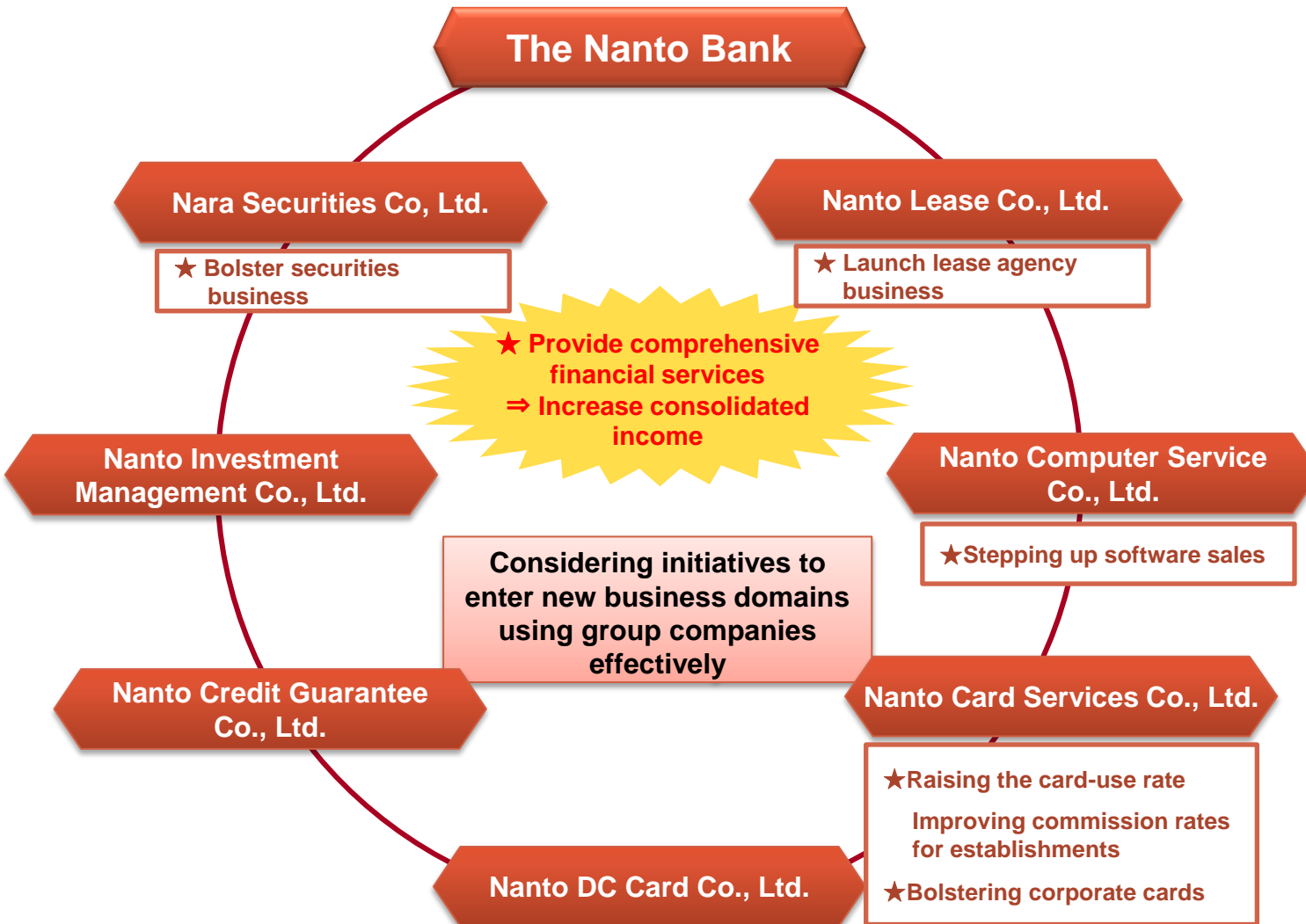
Service expansion

More effective approaches

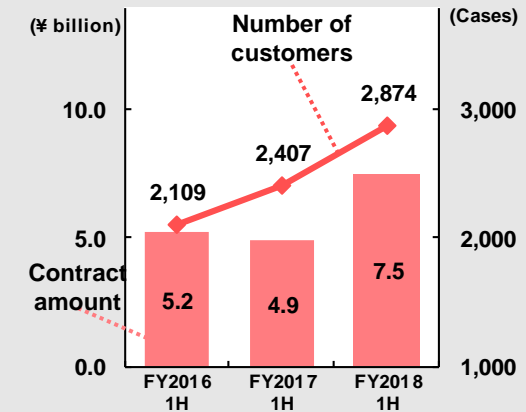
Considering future initiatives to change approaches to customers through omni-channel marketing that makes the most of behavioral history in non-face-to-face channels

2. Sales Reform (4) Group Strategy

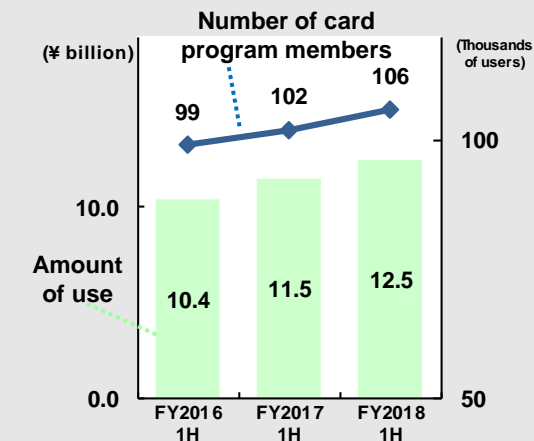
- ◆ Making the most of Nara Securities Co., Ltd., which became our wholly owned subsidiary, and lease agency business, which began this fiscal year, to provide comprehensive financial services on a group-wide basis, thus increasing consolidated income



<Results of Nanto Lease>



<Results of Nanto Card Services>



3. Clerical Operations Reform

- ◆ Aiming at making clerical work, including office administration, efficient by completing the concentration of all sales offices' back-office operations at the headquarters
- ◆ Drastically review administrative processes at headquarters utilizing RPA

Clerical Operations of Branches

	Measures	FY2017	FY2018	FY2019
Front-end administrative processes	Deploy ATMs at banking windows		Start deployment at trial branches	
	Utilize tablets	Finished deploying at investment trust business (from 2015)		Scheduled to be utilized in various registrations
Back-end administrative processes	Centralization to headquarters		Completed roll-out at all the branches	
	Document control center	Centralization of documents of all sales offices		Start operations

Start responding to document inspection requests from tax offices, etc.

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

Reduce clerical staff

◆ Sales office clerk/bank teller

March 2016	March 2017	March 2018	March 2022 plan
470	396	371	230
Y/Y change	-74	-25	-141

Clerical Operations at Headquarters

- ◆ With its 54 robots in operation, RPA, introduced in October 2017, reduced about 5,000 hours of operations annually
→ It will be applied to a wider range of operations
- ◆ Carry out radical overhauls aimed at reducing various meetings and regular reports
- ◆ Promote faster decision-making by deploying electronic approval systems

★ Transformation to a more productive organization

4. Regional Revitalization

- ◆ Provide support for measures and policies of local public entities by leveraging the Bank's expertise as a local financial institution
- ◆ Building a new tourism business model under the leadership of the Tourism Strategy Office, which was established in October 2017

Collaborating with Local Public Entities

- ★ Concluded partnership agreements with 21 local governments and are working on specific measures



Local governments the Bank has concluded partnership agreements with (date of signing agreement)
Nara Prefecture (October 2008), Nabari City (September 2015), Sakurai City (March 2016), Oji Town (March 2016), Gose City (April 2016), Kashiba City (July 2016), Kawakami Village (August 2016), Ando Town (August 2016), Heguri Town (August 2016), Koryo Town (October 2016), Ikaruga Town (October 2016), Yoshino Town (November 2016), Shimoichi Town (February 2017), Yamatokoriyama City (March 2017), Tenri City (March 2017), Gojo City (April 2017), Kanmaki Town (April 2017), Shimokitayama Village (June 2017), Kamikitayama Village (June 2017), Ikoma City (August 2017), Nara City (April 2018)

<Major initiatives in the first half of FY2018>

Partner	Period	Details
Nara City	April 2018	◆ We concluded the Agreement on Cooperation in Utilizing Historical Buildings in Nara City (three-party agreement among The Nanto Bank, Nara City, and NOTE Nara Co., Ltd.), thus stepping up initiatives for town development making the most of historical buildings such as old private houses through public-private partnership.
Ikoma City	May 2018	◆ We established the Platform to Promote Distribution of Vacant Houses in Ikoma (working with Ikoma City and seven organizations, including the city's real estate distribution group, to promote distribution of vacant houses located in the city through markets).
Ikoma City	July 2018	◆ We helped Ikoma City, Ikoma Civic Power., Ltd., and NTT DOCOMO, Inc. to enter into an agreement among them to cooperate in promoting an environmental model city. (The three-party agreement was concluded through our good offices.)
	June–August 2018	◆ We hosted meetings to study the Regional Economy and Society Analyzing System (RESAS) (Kashiba City, Koryo Town, Uda City, Soni Village, Mitsue Village, Tawaramoto Town, Kawanishi Town, and Miyake Town)



- ★ We received a certificate of appreciation from the METI Kansai Bureau of Economy, Trade and Industry in July 2018. The Kansai Bureau favorably evaluated our initiatives for industrial promotion and regional revitalization.

4. Regional Revitalization

Tourism Promotion

★ Create Nara fans and aim for tourism from which the entire prefecture can generate revenue

Utilized tourism revitalization fund

Fund name	Nara Prefecture Tourism Revitalization Investment Limited Business Partnership
Total amount	¥1.0 billion
Objective	Stimulate demand for accommodation in the prefecture by improving the accommodation environment in the tourism industry and increase tourism consumption by revitalizing tourism utilizing attractive local resources, etc.
Membership composition	The Nanto Bank, Ltd. Tourism Revitalization Mother Fund Investment Business Limited Partnership Nanto DC Card Co., Ltd. RD Tourism Solutions Co., Ltd.

➡ ★ Four results for investments in tourism-related companies

Started providing business matching opportunities in tourism industries

◆ Referring clients to tourism-related business operators such as DMOs and travel agencies (10 clients were referred) and receiving commissions if they were matched successfully
The first partnership agreement was made with: Nara Prefecture Visitors' Bureau



★ Excavate hidden tourism resources in the area
★ Boost profitability by building collaborative relationships among the Bank, our business partners and tourism-related business operators

Concluded an agreement with West Japan Railway Company to cooperate in regional revitalization.

◆ The Bank works with JR West to:
(1) Sell the prefecture's specialties through cross-border EC sites (online shopping sites for overseas consumers)
(2) Host publicity events (such as advertising and sale of specialties) for various areas of the prefecture at JR West's stations
(3) Develop attractive towns mainly around JR West's stations

Revitalization of Forestry Business

★ Promote utilizing materials produced in Nara Prefecture and support expanding sales channels

<Major initiatives in the first half of FY2018>

Holding new recruit training programs in the Yoshino area (in April 2018) (Shimoichi Town, Kurotaki Village)	◆ In order to deepen the understanding of forestry and timber-related industries, incorporated a forestry training program in the curriculum and gave lectures on and conducted study tours to see thinning work, etc.
Hosting a meeting for wood business negotiations in the Osaka area (in August 2018) (co-sponsored with Nara Prefecture and the Nara Prefecture Federation of Timber Cooperatives)	◆ Providing opportunities for business negotiations between business operators from the Federation and our clients in the Osaka area
Holding classes to develop wood craftsmen in Nara (seminars for the Bank's employees) (in September 2018) (in cooperation with Kurotaki Village)	◆ Organizing seminars for employees with a team of workers engaged in forestry in Kurotaki Village who cooperated in regional revitalization as their instructors

**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]

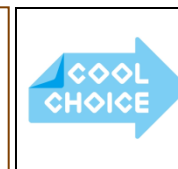
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