

Nanto Report Integrated Report

Fiscal year ended March 2024



Management Philosophy

1. We conduct sound, efficient management.
2. We provide superior comprehensive financial services.
3. We pursue efforts to promote regional development.
4. We seek an identity as a trustworthy bank with strong customer appeal.

Management Vision

“Vitality Creation Bank”

Our mission as a regional financial institution is to contribute to the growth and development of our region and customers. Maximizing all our management and staff capabilities, and creating new value unique to the Nanto Bank Group, we are reinforcing our position as the banking group of choice for customers throughout our region.

Editorial policy

Compiled in pursuit of further understanding among stakeholders of the Nanto Bank Group's strategies for creating sustainable value in the medium-to-long term, this Integrated Report was edited in compliance with the IFRS Foundation's "International Integrated Reporting Framework."

The specific purpose of its creation is to illuminate the path to achievement of our Management Plan, "Nanto Mission and Objectives for the Next 10 Years."

For detailed financial information, please refer to the separately published "Disclosure Supplement."

Scope of coverage

The Report presents key information concerning the Nanto Bank Group's management strategies, business model, business conditions, valued stakeholders, primary risks and opportunities, performance and outlook, and governance.

Covered period

April 1, 2023 ~ March 31, 2024

Date issued

July 2024

Precautions concerning future predictions

This report contains forecasts and statements concerning the future prospects for the Nanto Bank Group's business strategies and financial condition. These forecasts and statements involve risks and uncertainties stemming from their dependence on future events. Please be aware that the actual results may differ materially from those foreseen by the Nanto Bank Group.





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Compiling the Nanto Report

Icons representing the eight categories of content advocated by the IFRS Foundation's "International Integrated Reporting Framework" have been employed to further clarify understanding of the Nanto Bank Group's corporate culture.



Organizational overview and external environment
What is the nature of the operating environment, and how is the Bank organized to respond?



Risks and opportunities
The real risks and opportunities affecting our ability to create value in the short, medium and long term, and ways of dealing with them.



Outlook
What are the challenges and uncertainties for executing strategies, and how might they impact the Bank's business model and future performance?



Governance
How does the governance structure ensure short-, medium- and long-term value creation?



Strategies and resources allocation
What are our goals, and how do we plan to reach them?



Basis for creation and presentation
How were the contents of the Report quantified and evaluated, and how were they selected?



Business model
What is the business model, and how resilient is it?



Performance
To what extent is the Bank achieving its strategic objectives, and what is the effect on capital?

Nanto Bank Profile (as of March 31, 2024)

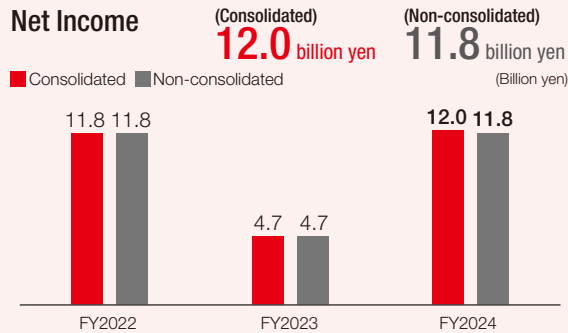
Established: June 1, 1934
Headquarters: 16 Hashimoto-cho, Nara, Japan
Capitalization: ¥37,924.15 million

Nanto Bank Co., Ltd. was established on June 1, 1934 through a merger of Sixty-eight Bank Co., Ltd., Yoshino Bank Co., Ltd., Yagi Bank Co., Ltd. and Gose Bank Co., Ltd.

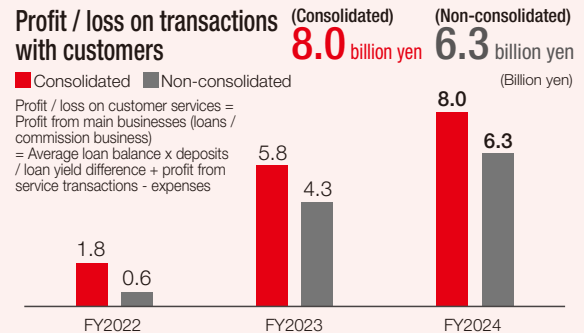
Today, the Bank and its Group offer comprehensive financial services, including leasing, trusts, securities and consulting, in addition to the banking business (deposits, loans, exchange, etc.), with Nara prefecture and the surrounding region as its primary base of operations.

Information Highlights

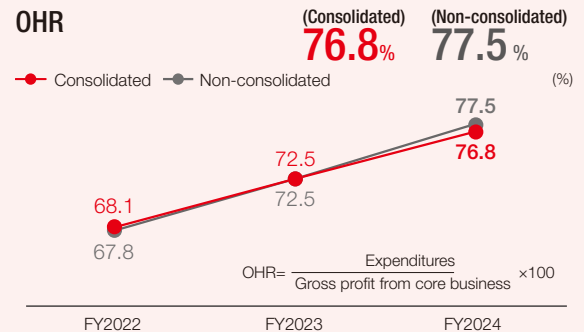
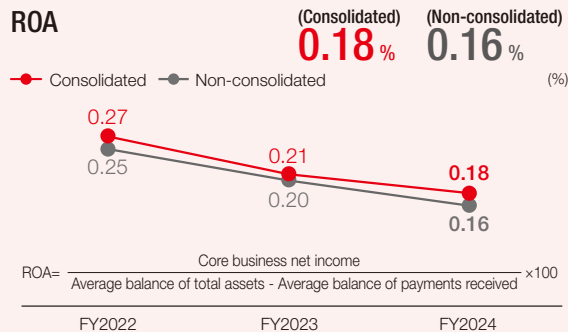
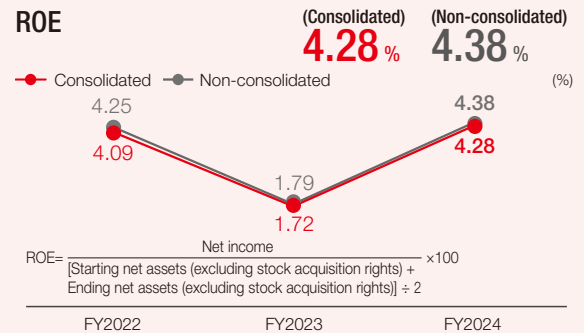
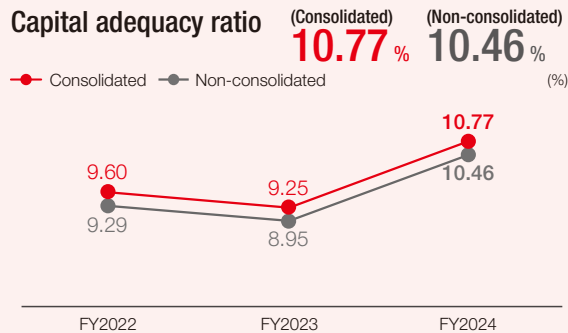
Fiscal Year Ending March 31, 2024 Financial Highlights



Although net interest income turned downward in fiscal 2023, consolidated net income grew by 7.3 billion yen from the previous year to 12.0 billion yen, boosted by an increase in net fees and commissions, gains/losses on bond transactions, gains/losses on stock transactions, and lower credit-related expenses.



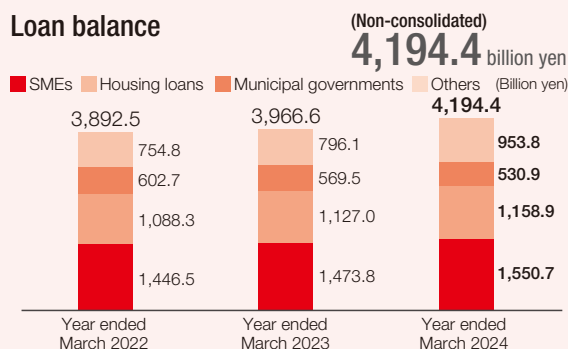
Consolidated net business profit on customer service operations increased by 2.1 billion yen from the previous year to 8.0 billion yen, as increases in interest on loans and bills discounted and net fees and commissions more than offset an increase in operating expenses.



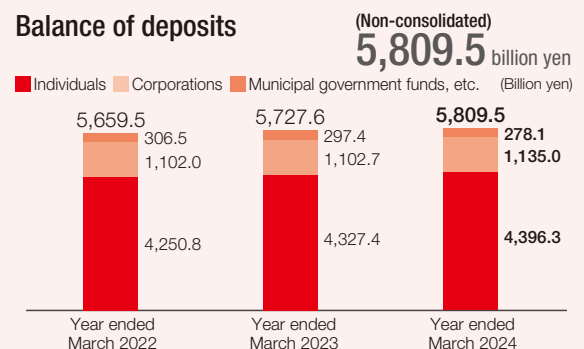
The capital adequacy ratio was 10.77% on a consolidated basis and 10.46% on a non-consolidated basis.

* From March 31, 2024, the Bank changed its credit risk measurement method from the Standardized Method to the Fundamental Internal Rating Method.

Both ROA and OHR decreased from the previous year due to a downturn in core business profit stemming from lower interest and dividends on securities, higher expenses, and a decrease in other net operating income. ROE increased, on the other hand, due to upturns in net business profit and net income.



Loans and bills discounted increased by 227.7 billion yen from the previous fiscal year to 4,194.4 billion yen, driven mainly by loans to small and medium-sized enterprises and housing loans.



Deposits totaled 5,809.5 billion yen, an upturn of 81.8 billion yen from the previous fiscal year, mainly reflecting growth in retail deposits.

*For detailed financial information, please refer to the separately published "Disclosure Supplement."

Organizational
overview and external
environment

Governance



Performance

Non-financial Highlights (non-consolidated)



Environment

E

Rate of CO₂ emissions
reduction
(FY2013 → FY2023)

-48.5%

(Emissions for scopes 1 and 2)
(Increase of 0.5 point from
the previous year)

*Electricity consumption decreased from the previous year, but
emissions rose due to an increase in the emission coefficient.

CO₂ reduction through
renewable energy-related loans
(FY2023)

Approx. **60,000** tons CO₂
(Number of loan transactions/
amount: 4 loans/3.6 billion yen)



Society

(End March 2024)

S

Percentage of
female executives
(Section manager and above)

16.0%

(Increase of 1.2 point from
the previous year)

Number of certified personnel
participating in vitality creation*

693

Percentage of employees 30.7%
(Increase of 92 from the previous year)
(Increase of 4.3 points)

*Applied information engineer, SME management consultant,
real estate consultant, FP level 1, bookkeeping level 2, and
equivalent or higher qualifications



Governance

G

Number/
ratio of outside directors
(As of June 27, 2024)



5 (41.6%)

Cross-shareholding

March 31, 2015 March 31, 2024

Percentage in net assets (market value)

38.3% ▶ 27.5%

Book value*

51.5 billion yen ▶ 28.4 billion yen

Number of issuers*

129 ▶ 75

*Listed stocks only



“Unconventional Human Resources” nurtured within our Group maximize Its Corporate Value

President (Representative Director)
Takashi Hashimoto

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Outlook

Introduction

The Nanto Bank Group's business environment continues to confront concerns with such geopolitical risks as the situations in Ukraine and Palestine on the global stage as well as with such challenging developments as the historic depreciation of the yen against the U.S. dollar, rising stock prices, worsening labor shortage, cost of living increase and changes in monetary policy such as the lifting of the negative interest rate policy and removal of yield curve controls in the Japanese market. Accompanying these factors, the normalization of social and economic activities stemming from the end of the coronavirus pandemic are accelerating, and formidable trends such as digitalization and concern with environmental issues are advancing at a faster pace than ever.

It was against this backdrop that Nanto Bank celebrated its 90th anniversary on June 1, 2024. We wish to take this opportunity to express our sincere gratitude to our stakeholders for their warm support and patronage over the years.

Throughout our long, nine-decade history, we have remained committed to our Management Philosophy, which exhorts us to "pursue efforts to promote regional development" and "seek an identity as a trustworthy bank with strong customer appeal." We are responding by working to achieve what we can do, and what we alone can do, step by step. For the Nanto Bank Group to continue to be selected and relied on by local residents over the next 10 to 20 years, however, we must continue to demonstrate the significance of our presence in the community by "exceeding the expectations" of our stakeholders as officers and employees of the Nanto Bank Group.

We have produced this Integrated Report to serve as a tool for deepening dialogue with our stakeholders by illuminating the role the Nanto Bank Group intends to play in the region and the future it seeks to realize.

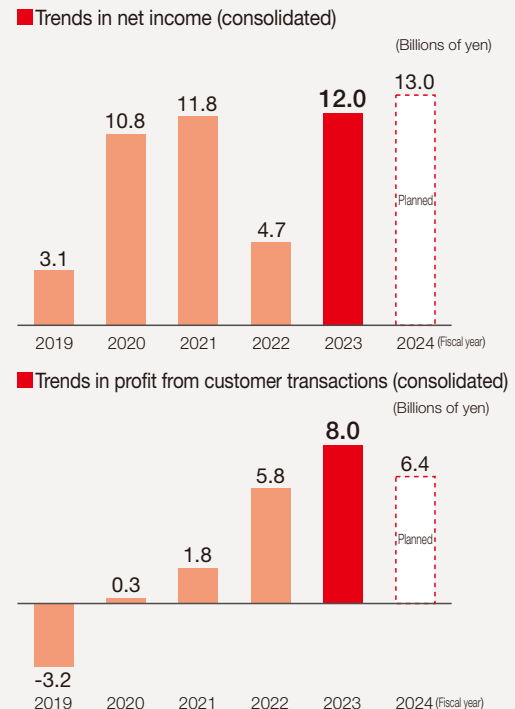
Progress under the Management Plan

Guided by an awareness that “sustainable Group growth can be achieved only with regional development,” the Nanto Group has been working since April 2020 to realize its Management Plan, “Nanto Mission and Objectives for the Next 10 Years.” The Mission has three guiding objectives: “Pursuit of regional development, cultivation of vitality-creating human resources, and enhancement of profitability,” and three concrete goals: an increase of Nara prefecture’s GDP, development of management talent, and improvement of ROA.

We achieved a return to profitability in our “customer service business,” which had been in the red for many years, three years ahead of schedule in FY2021. In December 2021, we set a new interim target of 3 billion yen in non-consolidated profit from transactions with customers, and we are now working to establish a stable earnings base to achieve this goal.

Consolidated net profit from transactions with customers registered 12.0 billion yen and profit from customer service operations 8.0 billion yen for the fiscal year ended March 31, 2023, a result evidencing steady improvement of the Group’s earnings structure.

This year marks the final fiscal year of the interim targets set by the current 10-year Management Plan, and it is strategically positioned as a year that will serve as the foundation for a revised plan for the second 5-year half. We are responding with continued efforts to enhance the Nanto Bank Group’s corporate value.



Exceeding Stakeholders' Expectations

The Nanto Bank Group’s Management Plan, “Nanto Mission and Objectives for the Next 10 Years,” calls for an increase in Nara Prefecture’s GDP and adheres to the idea that prefectural development is an appropriate role for the Nanto Bank Group to play as a regional financial institution.

In its efforts to contribute to regional development, the Group maximizes the use of its unconventional human resources and other management capital to provide added value by solving the problems facing our customers and local communities. To ensure customers’ continued selection of the Group in the future, we must “exceed the expectations” of our stakeholders, including our shareholders, customers, regional community residents, and employees.

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Becoming a corporate group that encourages employees to maximize their abilities and value

Enhancing the corporate value of the Nanto Bank Group will require a “reformation of awareness” among our executives and general employees. For the Group to achieve sustainable development, it will be essential that each of us be prepared to “think and act independently,” which means determining, implementing, and achieving results proactively.

Our responses to this need have included proactively transferring employees outside the Bank to businesses in other categories and recruiting career professionals with the aim of fostering a spirit of challenge in our employees and breaking with the conventional approach of simply following precedents and fearing change. Career employee recruitment has never been a part of the Group’s culture, but 27 employees (as of March 31, 2024), including executives, are currently working actively in this area.



This year, we introduced a new award for “initiatives worthy of unconventional human resources.” Many members of our staff have responded by becoming active in areas beyond the scope of conventional bank employees, which we consider to be one of our accomplishments. We believe that diversification of human resources is an important factor for the development of our region and our Bank that will lead to “changes in the mindsets” of our officers and employees.

In April of this year, moreover, we revised our personnel system with the aim of attracting a diverse workforce without regard to gender or age.

The former personnel system was inflexibly seniority-based and characterized by substantial gender-based wage differences. These wage differences fell into three categories: career-track positions, specified positions, and clerical positions, with most of the first positions held by men and the second and third positions held by women. This issue has now been resolved by integrating the career-track and specified positions.

As concerns the seniority system, a minimum number of years of experience was set for promotion according to employee qualifications. The number of years for promotion to section manager was predetermined, for example, and no promotion was possible until a certain age. This requirement of a minimum period of employment has now been abolished, however, and replaced by a new system in which employees are evaluated according to their abilities rather than their age.

This renovation of our personnel system may seem only natural to other companies, but we see it as a first step toward sustainable development of the Nanto Bank Group by significantly altering perceptions of the roles of its executives and employees.

Remaining necessary to our customers

To remain necessary to our customers will mean continuing our efforts to know them better and respond to their changing issues and needs. As digitalization spreads to more and more aspects of daily life, we see the attitudes of customers who rely on financial institutions changing markedly as well. Customers are increasingly using smartphones and other digital devices to experience a wide variety of highly

convenient services, and using their experience as a yardstick to judge the quality of services offered and evaluate their benefits.

Since the digital native generation will account for approximately 60% of the working population by 2030, we must change to meet the needs of younger generations in addition to those of our traditional customers.

In April, we released a new banking application we developed to enable customers to access the same services as at the bank counter comfortably with their smartphones from wherever they happen to be. This new app features state-of-the-art security with improved identity verification accuracy and uses biometrics and facial recognition for various services. Since its release, we have received a constant flow of feedback from customers on ways to improve the convenience of our services further. We take these issues seriously and are pursuing efforts to refine our services with maximum speed.

A customer survey on the “Financial Services You Want from Nanto Bank” conducted last year, meanwhile, found that many of our customers who work during the daytime wanted “consultations on holidays” and “online consultations,” which are face-to-face individual consultations reflecting their lifestyles. In order to respond to customers’ requests for consultations on asset formation, in October last year we began offering NISA and iDeCo consultations at “Hoken no Madoguchi @ Nanto Bank” counters located in commercial facilities, and “online consultations” for customers who are unable to visit our branches.

We will continue to provide services that exceed customer expectations by accurately grasping customer needs and thoroughly pursuing CS improvements.

Remaining necessary to regional community members

To remain necessary to our regional community will require us not only to enhance and improve our services by incorporating feedback from our customers, but also to revitalize our regional economies and contribute to our local communities.

The aging of the region’s farmers, increasing trend toward farmland abandonment, and low level of spending by day-trip tourists compared to neighboring prefectures are just a few examples of the issues facing our region that cannot be resolved simply by solving the problems of individual customers.

For the direct resolution of these issues, we will not only support our customers, but will also strengthen ties with our local communities by working proactively toward the creation of local businesses.

This fiscal year, we are focusing on fostering entrepreneurs who aspire to solving local social issues, in particular, while also working to create new businesses.

Meanwhile, we are working proactively to support and brand businesses that take advantage of



Nara Prefecture’s unique resources and traditional industries, such as its historical heritage, cultural assets, shrines and temples, local sake, Yamato vegetables, and timber.

These efforts to revitalize the region may not be immediately visible in large numbers, but we believe they are an indispensable part of our mission as a regional financial institution.

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To meet the expectations of our shareholders

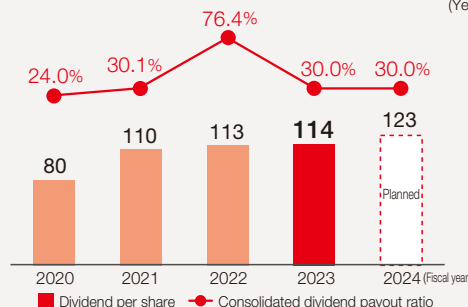
Currently, the Group's P/B ratio is hovering at around 0.4x. We recognize the importance of meeting shareholders' expectations and enhancing the Group's corporate value.

In our efforts to this end, we have formulated an action plan for both ROE and PER for the current fiscal year. We will continue to implement initiatives to raise expectations for the future by practicing sustainable management, which includes transforming the awareness of our executives and employees and resolving local issues.

In addition, the Bank's capital adequacy ratio has increased as a result of a transition of our credit risk measurement from the Standardized Approach (SA) to the Foundation Internal Ratings-based Approach (FIRB) as of March 31, 2024. We will work to maximize returns with appropriate risk-taking applied, as this will enable us to enhance profitability further while maintaining soundness.

As concerns shareholder returns, the annual dividend per share for fiscal 2023 will be 114 yen, an increase of 1 yen from the previous year, and we plan to increase the dividend by 9 yen to 123 yen in fiscal 2024. In addition, as announced this May, we will repurchase 1 billion yen in treasury stock this fiscal year. The planned total return ratio is roughly 38%, and we will continue our efforts to return profits to shareholders and improve our capital efficiency.

■ Trends in dividends and the consolidated dividend payout ratio (Yen)



Conclusions

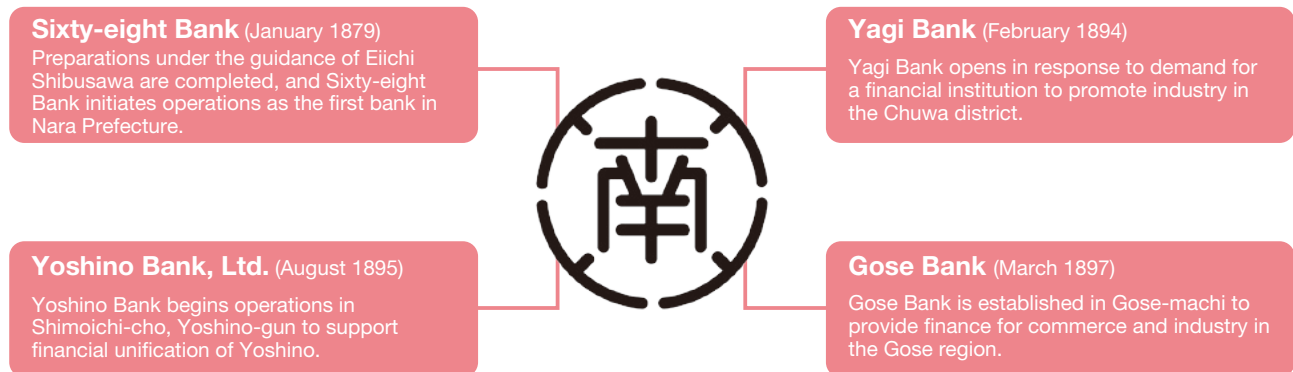
In the “world with interest rates” to which the Nanto Bank Group finds itself returning, our operating procedures will necessarily change significantly. Deposits will become increasingly important to funding, requiring us to take more sophisticated approaches to both lending and market operations. After many years of dealing with negative interest rates, interest rate hikes are circumstances that neither we nor our customers have experienced in recent memory years. Hence, we will need to be more attentive to our customers and to engage them actively in dialogue.

We see this as a major turning point that will significantly alter the future of the Nanto Bank Group. Our management has the responsibility of responding to the changes accurately in a timely manner, with a view 10 to 20 years into the future.

We are keenly aware as a regional financial institution of our role in supporting our regional economy, and we are committed to supporting our customers from a long-term perspective tailored to the characteristics of each area of the region, with the importance of increasing shareholder value always in mind. I ask you sincerely for your continued support as we strive to achieve sustainable Group growth and regional development by leveraging the continued efforts of all our officers and employees to take the initiative in implementing change and rising to new challenges.

■ Nanto Bank's Origin Story

Nanto Bank was founded in 1934 through a merger of four banks: Sixty-eight Bank Co., Ltd., which had its origins in the national bank; Yoshino Bank Co., Ltd., which supported local finance; Yagi Bank Co., Ltd., which helped revive the Chuwa district; and Gose Bank Co., Ltd., which supported commercial and industrial enterprises.



The emblem represents the merger of the four banks into a single entity. The four Katakana characters “ト” surrounding the initial Chinese character nan (“south”) in “Nanto” represent the four banks that merged to form it: Rokuhachi (Sixty-eight) Bank, Yoshino Bank, Yagi Bank, and Gose Bank. Adopted in April 1934, the emblem symbolizes their unity and development as a single entity.

■ 90th Anniversary commemorative projects

On the occasion of its 90th Anniversary, Nanto Bank is undertaking various commemorative projects to express its gratitude to all of its stakeholders.

Commemorative project concept

“Sustainable interactions between the Bank and its stakeholders as we look forward our 100th Anniversary”

We want our stakeholders to be excited, and we know we can provide this excitement only by exceeding their expectations. Continually exceeding expectations will create sustainable connections between the Bank and our stakeholders that will remain strong a decade from now and far into the future.

Wide-ranging search for ideas for use of the current Main Building

With our Head Office sales department and headquarters functions scheduled to be relocated to the new Main Building in the spring of 2025, we organized a “Nanto Nara Future Idea Contest” to solicit a wide range of opinions on the best ways to use the current Main Building and activate the neighboring area in the future.

*The current Main Building was completed in April 1926 as the Nara branch of the former Sixty-eight Bank. It was designated a Registered Tangible Cultural Property of Japan in 1997.

Professional suggestions

Help us by applying advanced expertise to the future and propose ideas, methods and concepts for the future use of Nanto Bank's current Main Building.

General suggestions

Please submit original proposals for future use of Nanto Bank's current Main Building employing varied methods of expression.

Schedule

Selection period

Thursday, July 11 to early August 2024



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Contributing to regional development through donations to local governments

We marked the occasion of the 90th Anniversary of our founding by making a major contribution to regional development, which is an important aspect of our Mission. This involved donation of a total of 100 million yen to local governments for their regional development projects by July 1, 2024.

For municipalities besides Nara Prefecture, Nara City and others where our headquarters are located, we employed the “Local Community Creation” tax system (the corporate version of the “Furusato” hometown tax system) in the donation process.

Donation recipients	
Local governments in Nara Prefecture (40 recipients)	Nara Prefecture, Nara City, Yamatotakada City, Yamatokoriyama City, Tenri City, Kashihara City, Sakurai City, Gojo City, Goshu City, Ikoma City, Kashiba City, Katsuragi City, Uda City, Yamazoe Village, Heguri Town, Misato Town, Ikaruga Town, Ando Town, Kawanishi Town, Miyake Town, Tawaramoto Town, Soni Village, Mitsue Village, Takatori Town, Asuka Village, Kanmaki Town, Oji Town, Koryo Town, Kawai Town, Yoshino Town, Oyodo Town, Shimoichi Town, Kurotaki Village, Tenkawa Village, Nosegawa Village, Totsukawa Village, Shimokitayama Village, Kamikitayama Village, Kawakami Village, Higashiyoshino Village
Local governments outside Nara prefecture (2 municipalities)	Kizugawa City, Ide Town

Creation of the 90th Anniversary logo

On June 1, 2024, we celebrated the 90th Anniversary of our foundation. Soliciting ideas for a commemorative logo and catchphrase inhouse, we chose a design and catchphrase that evoke a “bridge to an infinitely exciting future” in the years to our 100th Anniversary and beyond.



90th Anniversary poster and special site

The Anniversary poster shows our current Main Building, which has served as the Bank's head office for almost a century. The strong attachment all the Group's officers and employees, including our alumni, feel for this estimable old building make it an appropriate symbol to represent the Bank. The photo was taken in April 1926, when its construction as the Nara Branch of the Sixty-eight Bank was completed. In yet another effort to promote deeper understanding of the Bank, a special site has been established on our website.



Please read
code for the 90th
Anniversary
special site →



Outside directors and young employees engage in opinion exchange.

The outside directors and young and mid-career sales branch employees used the occasion of the Bank's 90th Anniversary to engage in a free exchange of opinions. The meeting provided an opportunity for the employees to express their frank opinions on issues they consider important in their daily work as well as for members of management and employees to share their awareness of issues and their thoughts on the Bank's culture.



Opinion Exchange on Second Five Years of the Management Plan



*At the time of the opinion exchange meeting

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Outlook

In December 2019, the Nanto Bank Group introduced its Management Plan, “Nanto Mission and Objectives for the Next 10 Years,” for the planning period from April 2020 to March 2030, including interim targets for the five years through March 2025.

In light of recent changes in the surrounding environment, our leadership, including our outside directors, held a meeting to exchange opinions on the appropriate direction for the Group to take in the upcoming final five years of the 10-year Management Plan.

Direction set by the Management Plan to accommodate changes in the operating environment

President: Our current Management Plan, which covers a 10-year period, identifies three objectives for achievement:

“regional development,” “cultivating of human resources that create vitality,” and “improvement of profitability.” During the first five years of the Plan, the Bank has focused on attaining profit from non-consolidated customer service operations, or, in other words, profit from our core businesses. Now, however, such changes in monetary policy as the lifting of the Bank of Japan’s negative interest rate policy and the elimination of yield curve controls have significantly altered the Group’s business environment. In the five-year second half of the Plan, therefore, we intend to respond to these changes and pursue our Mission through achievement of the three objectives enumerated in the Plan.

Ishida: When operating in the interest rate-free financial environment that prevailed until recently, it was difficult to secure earnings in either the market management or loan sector due to the low rates of interest on loans resulting from monetary easing. We have consequently sought to diversify our revenue sources to augment those achieved through a business model based on traditional deposit-and-loan operations by expanding the role of the commission business. Interest on deposits represents a cost for banks, but with the resurgence of interest rates, we have reached a turning point toward an environment in which banks can once more secure returns that exceed the cost of deposits. This will require us to reconsider our funding and investment strategies.

Aoki: We have successfully leveraged our network of branches in Nara prefecture to create opportunities for face-to-face contact with customers. This has involved establishing a structure that enables customers to entrust deposits to us and leveraging the structure to secure a high share of the bank deposits in Nara prefecture. If we are to maintain and expand this high share of deposits into the future, it will be important to attract young customers who are less likely than their elders to visit our branches, as well as to upgrade and enhance the convenience of our online banking and other services. We can strengthen and stabilize our funding base further by augmenting the functions of the new banking app we introduced this April, while working at the same time to enhance the non-financial services provided through the app in order to ensure that they match the lifestyles of our younger generations.

Nakayama: With the end of the interest rate-free financial environment we operated in for so long, many of our staff are experiencing a “world with interest rates” for the first time. Strengthening our deposit and loan business will require us to clarify our plans for the Bank and for the effects of revenues generated by the deposit and loan business, and to ensure that the plans are disseminated Groupwide and fully understood by our staff. We also need to reinforce our digital strategies to take advantage of the Bank’s non-financial infrastructure, such as its local networks, which are thought to be among its primary strengths. The Group’s profitability will be enhanced further by maintaining its brick-and-mortar branches and providing services tailored to the specific needs of customers, not only the elderly, but others who prefer face-to-face services as well.

Kakutani: This may be obvious, but it will be important to begin by informing our staff that, in a world with interest rates, accumulating deposits can be expected to yield a stable income from loans and market operations. It will also be essential to explain the ins and outs of lending rates in an environment of rising interest rates fully to customers. We are starting with efforts to establish systems to ensure that all our staff understand the changes in the interest rate environment properly, and that each of them can respond with certainty and speed.

Important role of human resources in differentiating our business practices from the competition's

President: I expect “human resources” to be a key word in the next Management Plan. The cornerstone of our organization is not a formal organizational theory, but rather a full awareness by every member of the issues at hand, enabling them to think independently about how they can best do their job without considering their position as a “bank officer or employee” and to take up challenges without hesitation. Nurturing human resources who take up difficult challenges willingly without fear of failure will contribute to revitalization of the organization, while at the same time showing that we are serious about encouraging regional customers to choose Nanto Bank.

Kasuya: In my opinion, our most important issue is to secure the fulfillment and growth of our executives and employees. Solving the wide range of issues faced by our customers requires expertise. The value we provide customers is directly linked to the ability of our executives and employees to improve their individual skills and act on their own initiative. Investing in our human capital and transforming our corporate culture into a vibrant one that encourages frank, cheerful communication will enable the Group to apply its strengths to regional development and contribute to its sustainable growth.
I feel certain that we will be able to differentiate ourselves from other bank groups through persistent efforts pursued by every officer and employee with a sense of mission, pride, and determination.

Nishimura: When it comes to human resources, we need to consider the specific human resources development measures we want to pursue in connection with our strategy of strengthening new and existing businesses. Besides opportunities to attract new customers, there are also openings for customers to transfer their deposits from competitors to us, supported by an abundant market in terms of deposit retention and mainstay corporate customers. If customers are to choose Nanto Bank Group, it will be essential for the Group's officers and employees to continue to provide them with added value and to instill an attitude of trust as well as to provide services that exceed their expectations, which we recognize as the key to differentiating Nanto Bank Group from other banking organizations.

Sugiura: To construct an optimal portfolio, it will be essential to refine the strategies pursued in the various areas of the Nanto Bank Group's operating base (Nara, Osaka, and Tokyo areas) based on a careful analysis of the human resources situation and the competition environment. We will continue our efforts to develop the human resources necessary to realize our strategies, and to differentiate ourselves from our competitors by providing sophisticated consulting services that address the issues and needs of our customers and enhance their corporate value.

Honda: Under the negative interest rate environment, the Bank focused on strengthening the acquisition of corporate service profits. Looking back over the years from fiscal 2020 to the present, we see a definite change in staff awareness and behavior as well as in results. Going forward, it will be important to address settlement deposits in areas outside the prefecture. I'd like to see us create a virtuous cycle that leads to an increase in credit lines and acquisition of service transactions by gaining an understanding of the actual status of corporations through settlement deposits. Especially in light of the strong correlation between service transactions and mainstay corporate transactions, I believe there is room for the Group to maintain its high market share in Nara prefecture while also maximizing use of its resources to increase its mainstay operations in eastern and southern Osaka.

Funaki: As we enter a world with interest rates, we are reevaluating the importance of deposits, but we recognize that they can only be profitable if they are invested in loans and other assets that can be expected to generate returns commensurate with the risk. Structured finance can produce reasonable returns today, for example, but there is a possibility that the yield will decline as the competition intensifies in the future. Adopting this perspective leads to a realization that a constant search for new investment targets and methods will be required, and, at the same time, that we need human resources who can rigorously examine them. We believe we can differentiate ourselves from other banks by educating personnel in various sections of our organization,

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Outlook

including sales, administration, investment management, and planning, to understand our objectives and their own respective roles in achieving them, and by continuing to grow to maximize the corporate value of the Nanto Bank Group.

Our objectives

- Ishida:** It is important that the organization set higher goals for the second half of the Management Plan at the formulation stage, and that it thoroughly examine the potential for realizing the Plan with respect to these higher standards. In seeking to enhance the corporate value of the Nanto Bank Group, we must first improve the profitability of the Bank and ensure that the Plan is sustainable in terms of investment and returns to our stakeholders.
- Nakayama:** Since the Management Plan represents a clear message from the management team, It is essential to speak of our dreams with determination and courage. The business environment is changing rapidly against the background of a declining birthrate and aging population, but I believe that the Plan should take an ambitious stance in terms of the profit level it aims for in order to motivate our executives and employees.
- Handa:** In the past, the Bank has introduced many initiatives that resemble those of other banks, but we now have an opportunity to create and promote successful instruments that are unique to Nanto Bank. Nara prefecture is a market with abundant retail deposits, and we need to consider the profit level we are targeting by taking advantage of their characteristics and those of other changes in the financial environment.
- Kasuya:** It is difficult for even a large volume of deposits to exert a notable positive effect on profits in an environment of negative interest rates, a fact that has caused various difficulties for our market operations. In the area of market investment income, we are striving to achieve stable income by further improving our own investment capabilities while taking risks fully into consideration.
- Aoki:** In the future, the Bank should increase its focus on non-financial services that can improve the performance of its clients. Specifically, while making proposals related to business expansion, we will offer services that take over labor-intensive administrative tasks, thereby increasing our clients' borrowing capacity. This will support growth of our loan business and, thus, growth of our clients, the Nanto Bank Group, and the regional economy as well.
- Yokotani:** Our efforts to maximize the Bank's corporate value should begin with a determination of the optimal portfolio, followed by backcasting from this portfolio to increase our deposits, loans, market operations, and other offerings. Elevating the Group to a higher stage will require us to view indicators such as ROE from a higher perspective and to verify and revise our plans on a case-by-case basis. Improving returns to stakeholders is another important issue for maximizing corporate value. I believe it's time for us to consider reviewing our policy in this area.
- President:** During the coming five years of the Management Plan, our major themes, long-term vision, and aspirations will remain the same, including continued sustainable growth of the Nanto Bank Group and regional development. We see the return to a world with interest rates as a generally positive development for financial institutions. The significance of deposits for our core deposit-and-loan business has been diluted for some time, but it has now increased once again. I believe that the most important way of expanding our operating base will be to employ and upgrade the Bank's infrastructure, including the infrastructure supporting our non-financial services, and to work steadily to solve our customers' problems. It is only to be expected that the Nanto Bank Group will seek to boost its own profitability in order to increase shareholder value, but we will also work to enhance our corporate value by resolving issues that can contribute to revitalizing local markets and create the human resources we need to implement these initiatives.

Progress under the Management Plan

Overview of the Management Plan

In December 2019, the Nanto Bank Group introduced “Nanto Mission and Objectives for the Next 10 Years,” its Management Plan for the planning period from April 2020 to March 2030.

The Nanto Mission focuses on three objectives: “developing the region,” “creating vitality-creating human resources,” and “improving profitability” with the specified short-term goals of increasing Nara Prefecture’s GDP by approximately 350 billion yen, creating 350 management personnel, and achieving ROA (non-consolidated) of 0.35% or higher, respectively.

Having achieved our interim (first-half) targets set in December 2021 ahead of schedule, we introduced new interim targets for fiscal 2024, as follows: “3 billion yen in consolidated business profit from customer service operations,” “OHR under 70%,” “ROE of 4.0% or higher,” “non-consolidated ROA of 0.25% or higher,” and “1,000 employees with qualifications related to vitality creation”.

Progress toward our interim targets

■ Interim targets for fiscal 2024 and status of achievement

	FY2022 results	FY2023 results	FY2024 plan	Interim target (FY2024)
Profit from customer transactions (consolidated)	5.8 billion yen	8.0 billion yen	6.4 billion yen	3.0 billion yen
ROE (consolidated)	1.72%	4.28%	4.51%	Above 4.0%
Number of employees with qualifications related to vitality creation	601	693	1,000	1,000
OHR (consolidated)	72.5%	76.8%	74.0%	Below 70%
ROA (non-consolidated)	0.20%	0.16%	0.20%	0.25% or above

Consolidated net business profit from customer service operations for fiscal 2023 increased by 2.1 billion yen from the previous year to 8.0 billion yen, mainly due to increases in interest on loans and fees and commissions, and ROE registered 4.28%, surpassing the interim target. OHR and ROA deteriorated, on the other hand, due to a decrease in core business profit resulting from declines in interest and dividends on securities and increased expenses. In fiscal 2024, we expect to achieve our interim targets for net business profit from customer services, ROE, and the number of qualified employees in positions related to vitality creation. Our progress in OHR and ROA leaves something to be desired, however, since our core business profit is expected to fall below our target due to increased investment in human capital and other factors.

Results for fiscal 2023 and forecast for fiscal 2024

Interest on loans to customers

Interest on loans and bills discounted increased by 2.8 billion yen from the previous fiscal year to 37.1 billion yen in fiscal 2023, boosted by an increase in the average balance of loans and improved loan yields on foreign currency-denominated loans. Net fees and commissions also increased by 0.3 billion yen year-on-year to 7.3 billion yen due to higher income from corporate solutions and other factors.

In the expenses’ column, moreover, personnel expenses grew by 200 million yen year-on-year in the wake of increases in starting salaries and the salary base, while property and equipment expenses grew by 500 million yen due mainly to an upturn in IT investment.

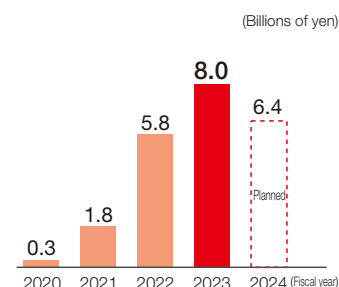
As a result, with the improvement in non-consolidated business profit from customer service operations, consolidated business profit from customer service operations increased as well by 2.1 billion yen from the previous fiscal year to 8.0 billion yen.

As concerns revenue in fiscal 2024, we plan to increase interest income on loans and bills discounted to 37.7 billion yen, up 0.6 billion yen from the previous year, by expanding the volume of loans outstanding, and by raising net fees and commissions to 8.0 billion yen, up 0.6 billion yen from the previous fiscal year, due to an expected increase in corporate solutions revenue.

In the area of expenses, meanwhile, we are projecting an increase in personnel expenses of 0.8 billion yen to 21.9 billion yen due to higher investment in human capital, including base salaries, and a rise in property expenses of 1.4 billion yen to 15.8 billion yen due to the construction of a new Main Building and IT investment, among other factors.

We consequently anticipate a decrease in profit from consolidated customer services for fiscal 2024 by 1.5 billion yen from the previous fiscal year to 6.4 billion yen.

■ Trends in profit from customer transactions (consolidated)



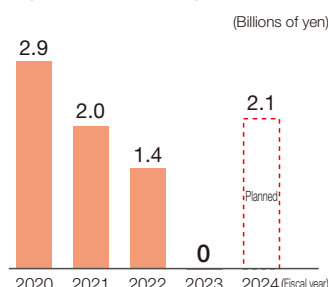
Credit-related expenses

Our credit-related expenses were 0.06 billion yen, a decrease of 1.4 billion yen from the previous fiscal year resulting from a reversal of allowances for loan losses by large customers owing to their efforts to support their core businesses during the coronavirus pandemic.

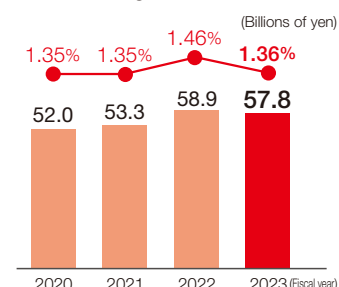
The Bank’s non-performing loan balance fell by 1.0 billion yen from the end of the previous fiscal year to 57.8 billion yen as of fiscal 2023, with a resulting non-performing loan ratio of 1.36%.

In fiscal 2024, we plan to raise new accruals by 2.0 billion yen from the previous year to 2.1 billion yen in response to higher prices and the start of full-scale repayment of pandemic-related loans, among other factors.

■ Trends in credit-related expenses (non-consolidated)



■ Trends in non-performing loans outstanding and the NPL ratio





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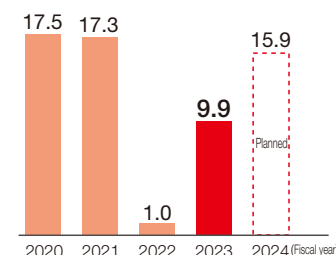
Outlook

Market division earnings

In fiscal 2023, market segment income increased by 8.9 billion yen from the previous year to 9.9 billion yen due to an improvement in gains/losses on bond sales as a result of portfolio restructuring through sales of foreign bonds, which had been the inverse in fiscal 2022, despite a decrease in gains/losses on mutual fund redemptions. The breakdown is income of 10.5 billion yen and capital income of -0.5 billion yen.

In fiscal 2024, we plan to increase market segment income by 5.9 billion yen year-on-year to 15.9 billion yen due to improved capital gains and increased income.

Market sector revenue trends (non-consolidated)
(Billions of yen)

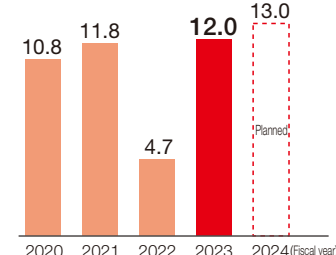


Net income

Consolidated net income for fiscal 2023 was 12.0 billion yen, up 7.3 billion yen from the previous year, due to an increase in net interest income from customer service operations, a decrease in credit-related expenses, and an improvement in market sector earnings.

Consolidated net income in fiscal 2024 is expected to register 13.0 billion yen, an increase of 0.9 billion yen from the previous year, due to a projected improvement in market sector earnings and despite a decrease in customer service business profit and an increase in credit-related expenses.

Trends in net income (consolidated)
(Billions of yen)



Capital policy

Basic policy

We aim to enhance the medium- to long-term corporate value of the Nanto Bank Group by maintaining financial soundness and achieving a balance between strategic investments for sustainable growth and shareholder returns.

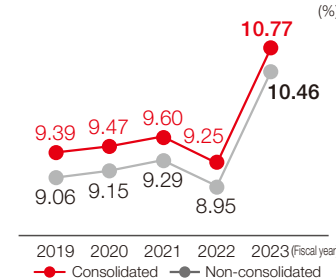
Capital adequacy ratio

The Group's capital adequacy ratio was 10.77% on a consolidated basis and 10.46% on a non-consolidated basis.

We will continue to strive to maintain an appropriate capital adequacy ratio and to manage capital efficiently.

*Our approach to credit risk measurement was changed from the Standard Approach to the Basic Internal Rating Approach as of March 31, 2024.

Trends in the capital adequacy ratio
(consolidated and non-consolidated)
(%)



Shareholder return policy

The year-end dividend for the fiscal year ended March 31, 2024 was 74 yen, which together with the interim dividend of 40 yen, brought the annual dividend per share to 114 yen, an increase of 1 yen over the previous year's results.

The annual dividend planned for fiscal 2024 is 123 yen per share, meanwhile, as determined in accordance with the shareholder return policy.

Shareholder return policy (announced February 2022)

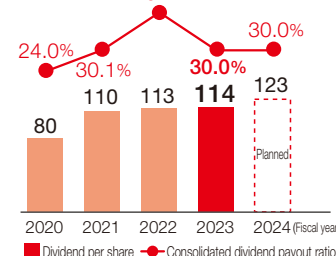
Maintain a stable dividend of ¥80 per share, while targeting a dividend payout ratio of 30% of net income attributable to shareholders of the parent company

Details of a share buyback conducted in May 2024

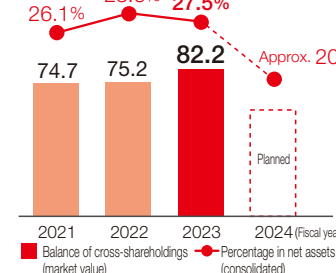
The total return ratio is expected to be approximately 38% as a result of both our acquisition of treasury stock for the purpose of returning profit to our shareholders and our enhancement of corporate value through improved capital efficiency achieved by executing flexible capital policies in response to changes in the business environment.

- Total share acquisition cost: **1 billion yen** (maximum) ● Total number of share acquisitions permitted: **450,000** (maximum)
- Period of acquisition: May 13, 2024 - July 31, 2024

Trends in dividends and the
consolidated dividend payout ratio
(Yen)



Trends in the market value of cross-shareholdings
and the ratio of cross-shareholdings to net assets
(Billions of yen)



Cross-shareholdings

Cross-shareholdings are held when they contribute to the sustainable growth and maintenance/enhancement of the corporate value of both the company generating the stocks and the Nanto Bank Group, and when holding them is judged necessary to the Group's business strategy.

The ratio of the Bank's market value-based cross-shareholdings to consolidated net assets declined from 38.3% at March 31, 2015 to 27.5% at March 31, 2024. The Bank is targeting a reduction of this ratio to around 20% by end March 2025 as part of efforts to reinforce awareness of capital efficiency in the Bank's management.

Nara prefecture, the Nanto Bank Group's core business base

Nara prefecture, the Group's primary base of operations, is an inland prefecture situated in the middle of the Kii Peninsula in central Japan and distinguished by a range of towering mountains known as the "roof of the Kinki region" in the south. Although it has no airport or port facilities, the prefecture is characterized by strong resistance to natural disasters.

Characteristics of Nara prefecture

Tourism resources

- Number of rooms in Japanese inns and hotels **10,232** 44th place in Japan

Challenges

The region is currently attracting a relatively small number of overnight visitors, an important segment of the tourism industry. This raises the challenge of transforming the prefecture from a daytime tourist destination to a tourism hub that visitors choose as a home base for visiting various destinations in the region.

- World Heritage sites **3** No.1 in Japan
- National Treasures/ Important Cultural Properties **1,334** 3rd place in Japan
- Historic sites and natural monuments **149** No.1 in Japan
- Number of annual tourists **24.15** million

Potential

Blessed with numerous world-famous cultural and historic sites, including World Heritage sites and National Treasures, Nara has the potential to attract many more tourists and travelers than it does now, thus generating such economic benefits as revitalization of the local economy and job creation.

Economy and industry

- GDP (real) **3,631.0** billion yen 37th place in Japan
- Number of private businesses **47** thousand 40th place in Japan
- Number of employed residents **491,084** 37th place in Japan
- Per capita income **2,501** thousand yen 39th place in Japan
- Agricultural output **39.1** billion yen 45th place in Japan

Challenges

Nara prefecture's economy remains among the smallest in Japan. To improve this situation, job creation and local economic revitalization by promoting local industries and establishing new businesses and startups will be required.

- Ratio of forest area **76.8%** 6th place in Japan

Potential

The prefecture has an abundance of forest resources, which provide it with the potential to create new economic value by leveraging its wealth of natural resources, especially under current circumstances in which interest in its natural resources is growing.

Sources: "FY2020 Prefectural Accounts," Cabinet Office; "2021 Economic Census," Ministry of Internal Affairs and Communications (MIC); "Nara Prefecture Today: 2023"; "2023 Basic School Survey," Ministry of Education, Culture, Sports, Science and Technology (MEXT); "2019 National Household Survey," MIC; "National Census for 2020," MIC; "2023 Report on Survey of Construction Starts," Ministry of Land, Infrastructure, Transport and Tourism (MLIT)



Household finances and living conditions



- Percentage of consumer spending (purchasing) outside the prefecture

19.1 %
No.1
in Japan

Challenges

With consumer spending flowing out to neighboring regions such as Osaka and Kyoto, Nara prefecture faces the challenge of revitalizing personal consumption within the prefecture.

- Financial assets per household

15,645 thousand yen

2nd
place in Japan

- Ratio of owner-occupied households

74.1 %
6th
place in Japan

Potential

The standard of living in the prefecture is relatively high. An affluent population with ample per-household financial assets and a high percentage of owner-occupied homes offers the potential to increase consumer spending and accelerate the flow from savings to investment.

Human resources



- Ratio of women in the labor force

46.8 %
47th
place in Japan

- Nara prefecture's overall employment rate

72.7 %
45th
place in Japan

Challenges

In addition to the problems raised by a shrinking working-age population due to a declining birthrate and aging population, a large number of Nara's human resources have been leaving for neighboring prefectures such as Osaka and Kyoto. This makes the creation of employment opportunities, improvement of the working environment, and human resources development high-priority challenges for Nara prefecture.

- Percentage of high school graduates obtaining higher education

64.5 %
8th
place in Japan

Potential

The prefecture's high educational level provides rich soil for producing excellent human resources, thus supporting the potential to diversify the region's industrial structure and increase its companies' competitiveness.

南都銀行

Materialities (Priority Issues)

Besides focusing on our core business of providing financial services to support our regional customers, the Nanto Bank Group's Board of Directors discusses sustainability issues that must be addressed globally and the wide-ranging challenges facing local communities. It has now identified the following materialities to be prioritized along with specific themes to be addressed in consideration of their importance to our Group and its stakeholders. The contents of the list will be revised periodically to reflect changes in the business environment.

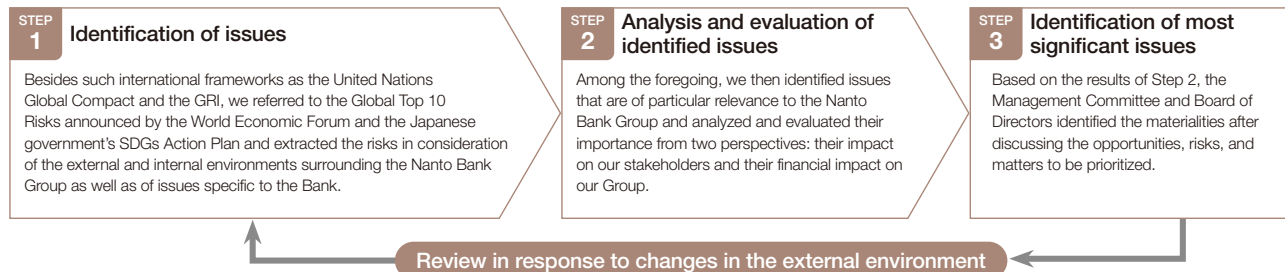
Risks (● Most threatening risks; ○ Threatening risks)

Opportunities (● Most promising opportunities, ○ Promising opportunities)



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Materiality determination process



Materialities (Priority Issues)

Opportunities

- Increased demand for environment-related businesses and other activities aimed at decarbonization
- Cultivation of regional environmental awareness through proactive environmental conservation efforts
- Increased demand for funds for investment in disaster prevention infrastructure
- Growing need for protection against wind and/or flood disasters and other environmental changes, and resulting opportunities to provide insurance and other financial products and services to support environmental protection measures in preparation for disasters

Responding to the Effects of Accelerating Climate Change



Opportunities

- Increased customer demand for non-financial services, including M&A, asset succession, and employee placement services
- Increased number of business opportunities benefiting from the region's wealth of tourism resources
- Increased number of business opportunities stemming from new job creation in cooperation with local governments and other external organizations
- Increased demand for funds to support customers' cash management and core businesses, and greater number of opportunities to provide new services

Realizing Sustainable Growth of Our Regional Economy



Opportunities

- Growing demand for asset-building services from members of the younger generation
- Increased opportunities to provide services that meet customers' need for inheritance services and diversifying bequest and donation needs
- Steady demand for products and services responding to homeowners' growing needs
- Increased opportunities for provision of new products and services employing digital technologies

Realizing a Convenient, Prosperous Society



Opportunities

- Expansion of the business territory through acquisition of highly specialized IT, risk management, and other personnel
- Provision of high value-added services through utilization of diverse human resources
- Provision of greater opportunities for women with potential for social advancement

Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources



Opportunities

- Improved awareness of investors' needs obtained by creating more opportunities for constructive dialogue with shareholders and investors

Preparing for Increasingly Varied and Complex Risks



Fiscal 2024 Action Plan

Value Creation Process

Sustainable management developed together with the community

The Nanto Bank Group has been continuously implementing its Management Plan for the 10-year period that began in 2020 in pursuance of our declared missions to facilitate “**pursuit of regional development,**” “**fostering of vitality-creating human resources,**” and “**enhancement of profitability,**” setting our “Vitality Creation Bank” management vision as the pillar of Group operations.

Realizing development of sustainable management in cooperation with the community requires the Group to deploy its management capital, including “unconventional” human resources, to address the issues faced by our customers, the community, and society at large.



INPUT

Materialities

Operating capital

Business activities

Responding to the Effects of Accelerating Climate Change



Realizing Sustainable Growth of Our Regional Economy



Realizing a Convenient, Prosperous Society



Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources



Preparing for Increasingly Varied and Complex Risks



Customer base

- Large share of deposits and loans in Nara prefecture

Deposits **50.0%**Loans **49.9%**

- Chosen as the main bank by businesses operating in Nara Prefecture

60.78%

(Teikoku Databank National Corporate “Main Bank” Trend Survey 2023)

Human resources base

- Number of employees supporting the Bank’s management philosophy **2,257**
- Number of employees with qualifications related to vitality creation **693**

Financial base

- Strong capital adequacy ratio

Capital adequacy ratio Consolidated **10.77%**Non-consolidated **10.46%**

(End March 2024)

Nanto Mission



Pursuit of regional development



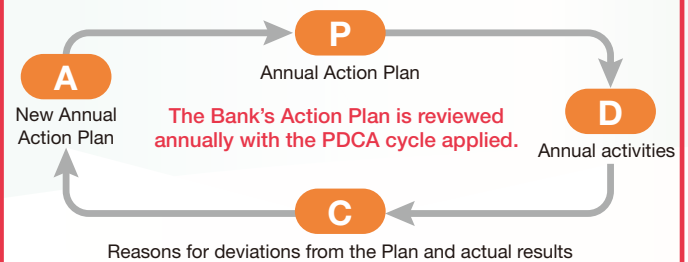
Fostering of vitality-creating human resources



Profitability enhancement

Intermediate goals (fiscal 2024) P.26-27

Fiscal 2024 Action Plan

Strengthening Profitability
P.44-63Local Market Revitalization
P.38-43Cultivating “Unconventional” Human Resources
P.28-31Control of Net Assets
P.64-65Practicing Sustainable Management
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Governance / Compliance

P.66-81

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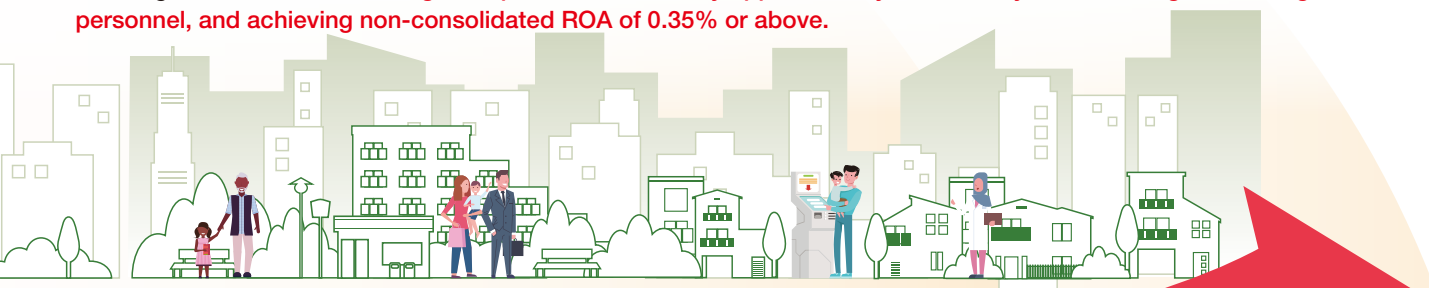
Performance



Outlook

Our “unconventional” human resources resolve issues faced by our customers and the community, and tackle social issues by commercialization and other means.

Through these problem-solving undertakings, we provide our stakeholders with added value and contribute to development of our operating region. We believe that repetition of this cycle will eventually lead to achievement of Nanto Bank’s goals for 2030: **increasing Nara prefecture’s GDP by approximately 350 billion yen, cultivating 350 management personnel, and achieving non-consolidated ROA of 0.35% or above.**



OUTCOME

Value we are offering all our stakeholders

Goals to be achieved by 2030

Customers

- Supply of funds in accordance with the borrower’s business characteristics
- Financial products and services to support affluent living
- Provision of management personnel
- Creation of new business opportunities

Local community

- Collaboration as a leader in regional development with local governments, businesses and educational institutions
- Lively town development and business creation

Employees

- Realizing flexible workstyles
- Providing opportunities for active engagement outside the business of banking

Shareholders

- High market rating
- Continuing stable dividends



Nara prefecture GDP*¹
Increase of approx.
¥350 billion



Management
personnel cultivation*²
350



ROA (non-consolidated)
0.35% or above

*¹ To be achieved by the end of fiscal 2026, so that the achievement will be announced in 2029 (Nara prefecture’s GDP is usually announced approximately two-and-a-half years after the relevant fiscal year-end).

*² Human resources who can share management decision-making with local customers

Nanto Bank Group's Sustainable Management

The Group's Sustainable Management concept calls for leveraging our financial and non-financial capital to co-create value with our stakeholders, while working to achieve sustainable enhancement of the Group's corporate value and sustainable development of our local communities. We have constructed our Groupwide "Basic Sustainability Policy" with this concept as the cornerstone.

■ Basic Sustainability Policy

- Sustainability is itself at the heart of the Nanto Bank Group's Management Philosophy.
- Guided by our Management Philosophy, we will continue to provide our stakeholders with added value through solutions to their social and environmental issues.
- We will contribute to realization of sustainable local communities while striving to achieve sustainable growth and enhance our corporate value over the medium to long term.

■ Sustainability Management Structure

The Nanto Bank Group does not view efforts to achieve sustainability as special activities but, rather, as business activities themselves. We are consequently addressing sustainability issues through the execution of our business. The Management Committee takes the lead by identifying specific themes for action based on the Basic Sustainability Policy instituted by the Board of Directors and the Group's key priorities, and the relevant departments work together to implement specific measures in accordance with the themes.

■ Long-term sustainability KPIs

The Nanto Bank Group has established long-term KPIs with roots in its Basic Sustainability Policy.

Sustainable finance to fiscal 2030

Amount of investment:

1 trillion yen



Scope

Finance contributing to issue solution in the environmental and social fields
Finance to support and promote customers' SDG compliance

The Nanto Bank Group's target for CO₂ emission reduction by FY2030

75% or higher
compared to fiscal 2013



The Nanto Bank Group's target for CO₂ emission reduction by 2050: Net zero
Scope: Scopes 1 and 2

Ratio of female managers (section manager level and above) by fiscal 2027

20%



■ SDG policy

We act proactively to solve social problems facing the region as necessary for realization of sustainable local communities by meeting the objectives of the Nanto Mission: "regional development," "cultivation of vitality-creating human resources," and "profitability enhancement."

Priority targets

Of the 17 SDGs, the Nanto Bank Group has selected seven as priority targets, focusing on goals that are closely related to our business domain and business strategies and goals that address sustainable local environmental conservation.



[Job satisfaction and economic growth]

Regional commercialization efforts; financial access and service expansion



[Building a foundation for industrial and technological innovation]

Improving customer convenience through FinTech, others



[Responsibilities for production and use]

Pursuing sustainable consumption and production



[Concrete measures to address climate change]

Realization of a decarbonized society



[Superior quality education for all]
Promoting and expanding financial and economic education



[Creating communities where people can continue to live agreeably]

Facing local issues and contributing to economic and community revitalization



[Safeguarding our natural abundance]

Preservation of our sustainable forest environment

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Performance

Loan policy

We will carefully assess loans that may have a negative impact on the natural or social environment and strive to reduce or avoid these impacts. As a regional financial institution, we will provide appropriate knowledge and support to customers who are sincerely addressing environmental and social issues.

We will exercise due caution when extending loans to the following industries and sectors that are considered to have a significant impact on the natural or social environment.

- | | |
|---------------------------------------|--|
| 1. Weapons | No loans shall be made to companies that manufacture inhumane weapons such as cluster munitions for use in war for killing and destroying human beings, etc. |
| 2. Coal-fired power generation | In principle, we will refuse financing for the construction of new coal-fired power plants. In cases in which construction of high-efficiency power plants is required by national energy policy, etc., we will carefully consider whether or not to finance the projects on a case-by-case basis. |
| 3. Deforestation | When financing development that involves deforestation, the Bank will carefully consider whether or not a project involves illegal logging and the environmental impact of any logging. |

Endorsement /participation in external initiatives

The Task Force on Climate-related Financial Disclosures



Principles for Financial Action for the 21st Century



External recognition

Platinum Kurumin Certification



“White 500” certification as an excellent health management corporation



B rating in CDP 2023 Climate Change Survey

The CDP, an international NGO that evaluates and certifies companies' environment-related strategies and initiatives, gave us a “B” rating based on its annual Climate Change Survey.

“Charter of Conduct” basic guidelines

In addition to our Basic Sustainability Policy, we have compiled basic guidelines as a “Charter of Conduct” to be followed by employees in the conduct of their banking business.

The Bank's public mission

In recognition of the importance of banks' public missions, we strive continually to establish unwavering trust through sound business practices.

Superior-quality financial service provision

We will respond to our customer needs through our customer-oriented business operations by providing such stable functions as infrastructure to support customers' economic activities and enhancing our sophisticated services further. We will also contribute to economic and social development at home and abroad with high-quality financial services that effectively protect customers' profits, such as services that improve their security and secure their business continuity in the event of disasters. These include preparations for incidents of terrorism, cyber attacks and natural disasters that threaten the lives of citizens and corporate business operations.

Strict compliance with laws, rules, and regulations

We are fastidious in our compliance with all laws, rules and regulations and carry out sincere and fair corporate activities that avoid violating social norms.

Communication with society

We will disclose management and other information in a positive, effective, and fair manner as well as through constructive dialogue with the Bank's wide-ranging stakeholders. Striving to enhance our own corporate value, we will communicate with residents throughout society to secure their understanding and trust.

Respect for human rights

We respect the human rights of all people.

Diverse human resources; safe, healthy workplaces

We implement systems and flexible work styles that promote the success of diverse human resources. We ensure a comfortable work environment, moreover, that takes employee health and safety into consideration.

Efforts toward human resources development and contribution to financial and economic education

We engage proactively in human resources and skills development, and support employees' autonomous career development. We also contribute to improvement of society's financial literacy through participation in financial and economic education.

Efforts to address environmental issues, etc.

We act proactively to establish sustainable natural and social environments that are highly resilient to changes in the global environment and social conditions.

Contribution to social participation and development

Recognizing that a bank can survive and develop only within the context of society, we behave as a “good corporate citizen” living in harmony with society. We participate actively in society and contribute to its development.

Preventing relations with antisocial forces and responding to threats such as terrorism

We shall resolutely confront antisocial forces that threaten the order and safety of civil society and counteract any and all relationships with such forces. Facing down threats of terrorism and other threats to the international community, we shall strive to enhance our money laundering-prevention and anti-terrorism financing measures.

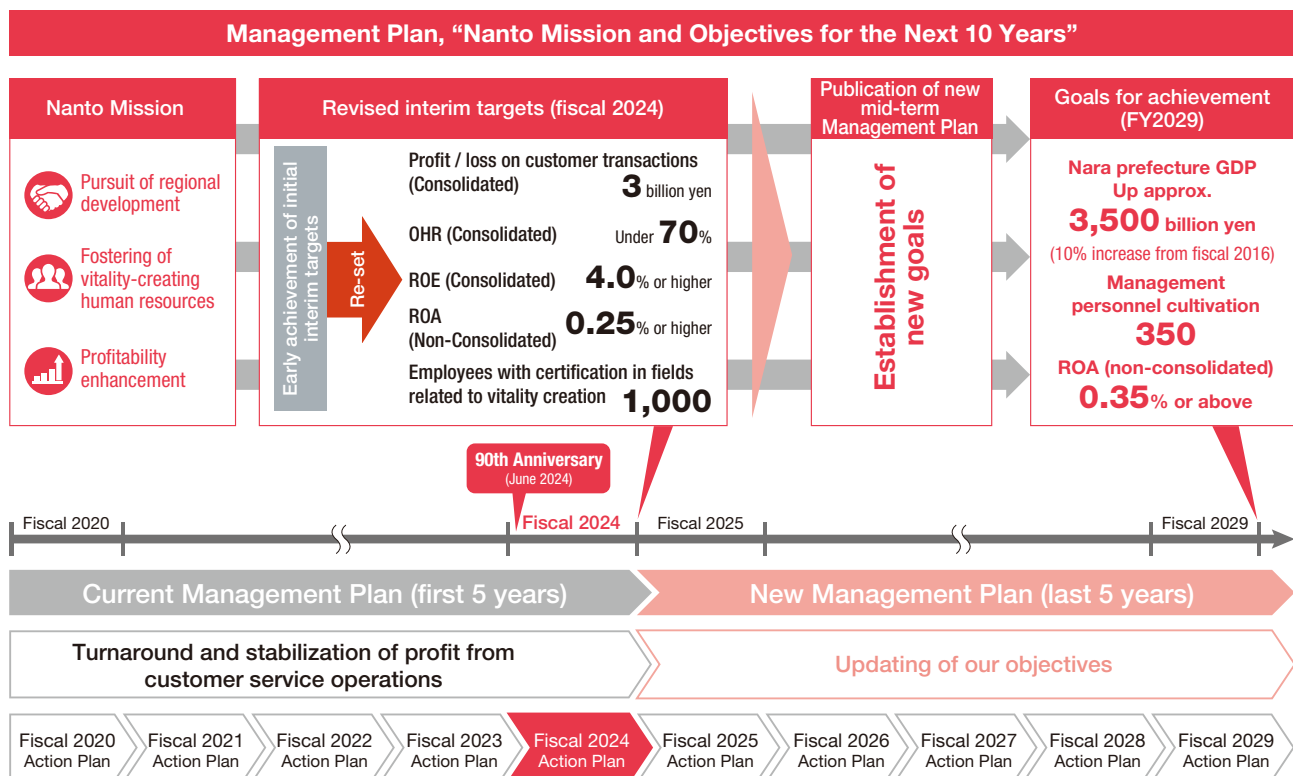
Management and Action Plans

■ Overview of the Management Plan

In December 2019, the Nanto Bank Group announced its Management Plan, “Nanto Mission and Objectives for the Next 10 Years,” which covers the planning period from April 2020 to March 2030.

The Mission centers on three primary objectives: “regional development,” “cultivation of vitality-creating human resources,” and “improvement of profitability,” with the specific goals of increasing Nara prefecture's GDP by approximately 350 billion yen, cultivating 350 management personnel, and achieving non-consolidated ROA of 0.35% or greater, respectively.

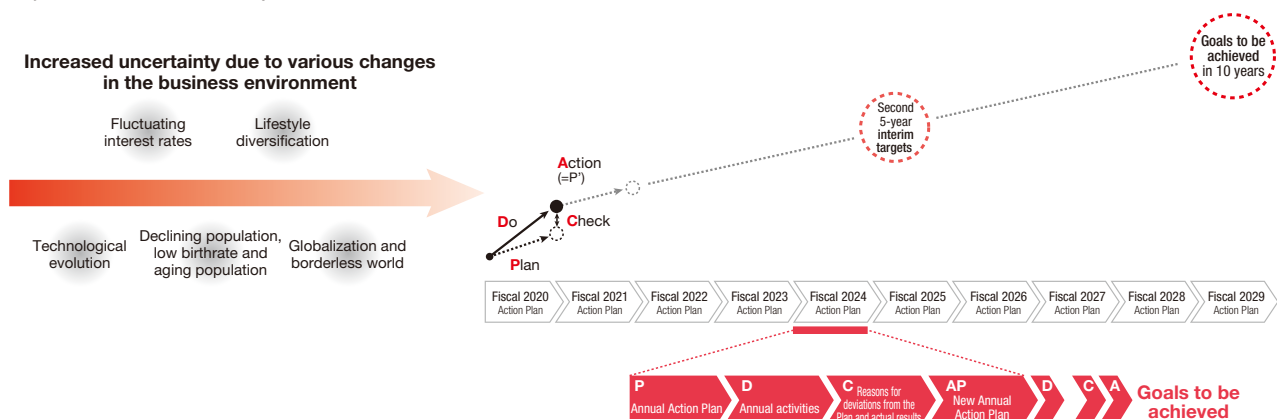
Moving quickly, the Group achieved the interim goals set for the first five years of the Plan well ahead of schedule. It responded in December 2021 by setting new interim targets for fiscal 2024: “3 billion yen in consolidated business profit from customer services,” “OHR below 70%,” “ROE of 4.0% or greater,” and “non-consolidated ROA of 0.25% or greater.” It also added a call for “cultivation 1,000 employees with qualifications related to vitality creation.”



■ Concept of the Action Plan

Fulfilling our mission in today's highly uncertain business environment will require us to clarify our goals and to implement the PDCA cycle at every stage.

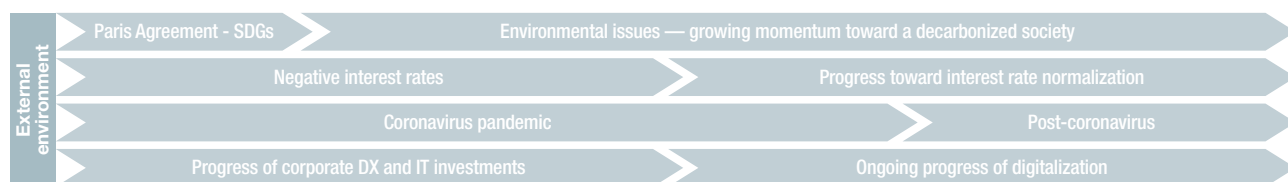
We will formulate and announce an Action Plan for each new fiscal year as we work to achieve our interim targets and objectives for the next 10 years.





■ Changes in the Action Plan

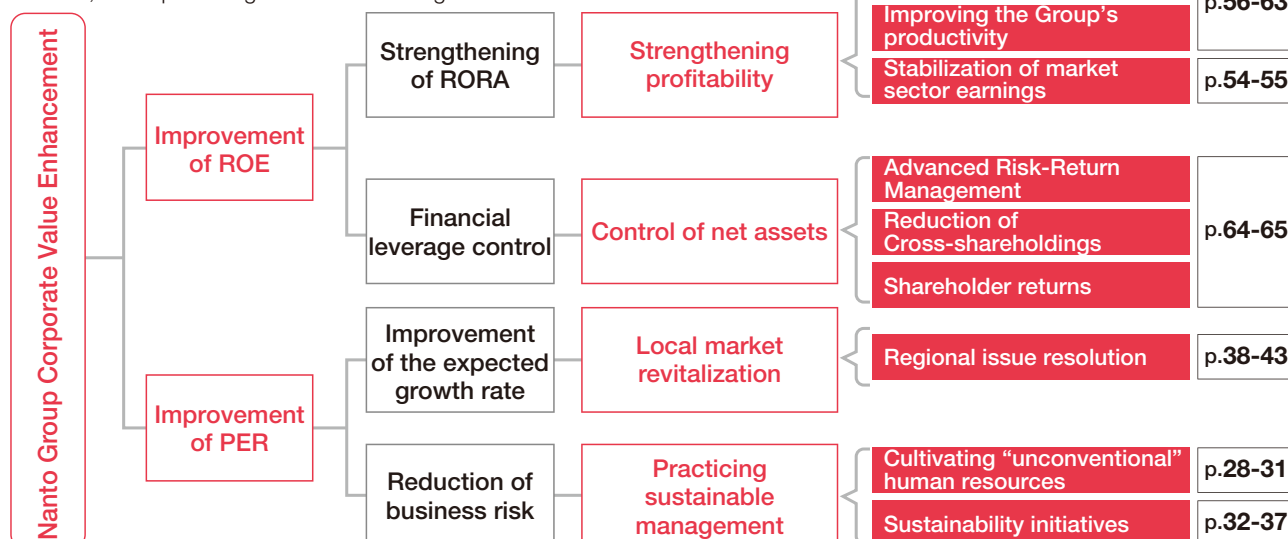
Our Action Plan is formulated annually to reflect the current environment surrounding the Nanto Bank Group, as recently exemplified by the coronavirus pandemic and negative interest rates, as well as the external environment, including growing awareness of such long-term concerns as environmental issues and sustainability.



Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
<p>■ Deep strategy cultivation – Strategy sophistication ~Nanto Mission establishment~</p> <ul style="list-style-type: none"> ● Productivity improvement ● Business succession ● Asset formation <p>■ Channel strategy ~Cost and resources optimization~</p> <ul style="list-style-type: none"> ● Store network reorganization ● Administrative reform ● IT optimization <p>■ Commercialization strategy [Tackling local challenges]</p> <ul style="list-style-type: none"> ● Tourism ● Business creation <p>■ Market operation strategy [Market operations that complement core business earnings]</p> <p>■ Human resources strategy [Cultivation of unconventional human resources to realize the Plan]</p>	<p>■ Comprehensive financial support during the coronavirus pandemic</p> <p>■ Regional development initiatives and profitability</p> <ul style="list-style-type: none"> ● Productivity improvement ● Asset formation ● Support for commercialization <p>■ Reinforcement of the management base</p> <ul style="list-style-type: none"> ● Securing and developing human resources ● Improving operational efficiency ● Enhancement of risk management and governance <p>■ Construction and management of a portfolio capable of earning a stable yield of 1% or greater</p>	<p>■ Customer base expansion</p> <ul style="list-style-type: none"> ● Supporting customers' productivity improvement ● Supporting customers' asset formation ● Supporting customers' commercialization ● Improving customer convenience <p>■ Strengthening of human resources development</p> <ul style="list-style-type: none"> ● Cultivation of unconventional human resources <p>■ Reinforcement of the management base</p> <ul style="list-style-type: none"> ● Strengthening market operations ● Improving the Group's productivity ● Enhancement of risk management and governance ● Responding to climate change issues 	<p>■ Value-added contribution to customers</p> <ul style="list-style-type: none"> ● Enhancement of customers' corporate value ● Customer asset formation ● Improvement of convenience <p>■ Supporting sustainable growth of local communities</p> <ul style="list-style-type: none"> ● Business creation in local communities ● Tackling climate change issues <p>■ Strengthening of “market investment”</p> <ul style="list-style-type: none"> ● Restructuring of market operation portfolio <p>■ Creation of human resources</p> <ul style="list-style-type: none"> ● Cultivation of unconventional human resources <p>■ Strengthening of management foundation</p> <ul style="list-style-type: none"> ● Enhancement of risk management and governance

■ Fiscal 2024 Action Plan

Based on the PBR logic tree, we have incorporated both ROE and PER into our Action Plan for fiscal 2024. The Plan defines specific actions to be taken under each of four themes selected to raise the corporate value of the Nanto Bank Group: “enhancing profitability,” “controlling net assets,” “revitalizing local markets,” and “practicing sustainable management.”



A corporate group that encourages its staff to maximize their abilities and value



Officer in Charge, Personnel Department
Director, Managing Executive Officer
Haruyuki Kakutani

To realize sustainable management that grows with the community, the Nanto Bank Group must deploy its management capital to address and resolve issues facing its customers, the community, and society as a whole.

The Group's most precious management capital is its human resources. As the needs and values of our customers continue to diversify, we seek to become an organization with employees who are prepared to solve the problems of the community and our customers. This means an organization that is brimming with unconventional human resources who possess both the diverse skills and experience, inside and outside the financial sector, and the ability to create new value independently.

In June 2024, the Bank went a step further in its efforts to create and develop unconventional human resources through provision of growth opportunities and diversification of human resources by soliciting examples of initiatives worthy of unconventional human resources from our employees, with awards presented to those who submitted the best examples. The idea was to create a cycle of creation,

penetration, and retention of unconventional human resources among all our Group employees to encourage them to think more deeply about the meaning of unconventional human resources.

We also revised the personnel system to support employees' autonomous career development and willingness to take up challenges by creating an environment in which every employee, regardless of age or gender, can feel “job satisfaction” and maximize their abilities.

Under the resulting new personnel system, we have introduced a system of evaluating the advanced skills, diverse values, and experience of unconventional personnel as part of our efforts to develop a corporate culture that creates unconventional human resources.

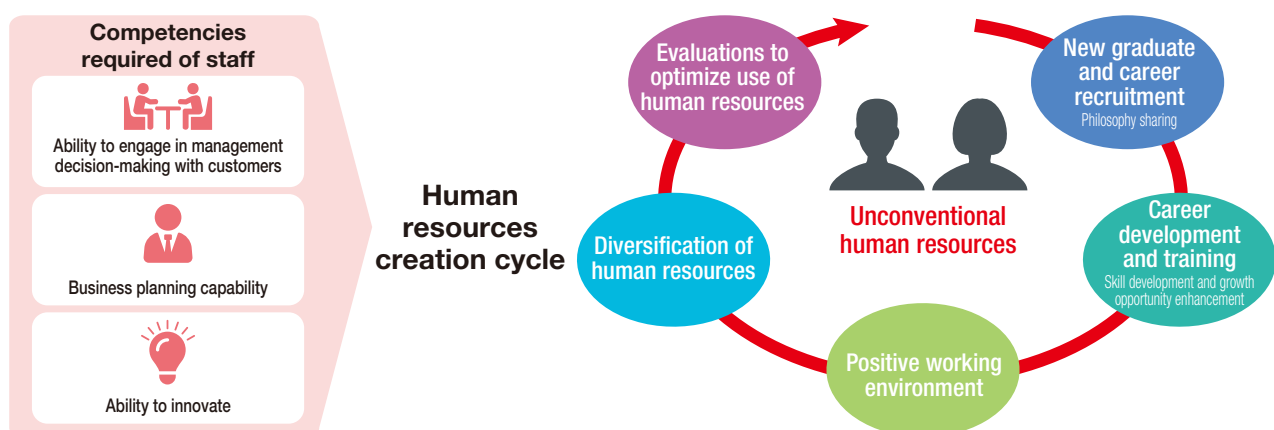
In conjunction with the revision of our personnel systems, we introduced “Exceeding expectations” as a core value for human resources, and clarified once again the image of human resources that the Nanto Bank Group seeks. We will encourage our employees to act in continual awareness of five keywords: “proactivity,” “challenge,” “creativity,” “discoverability,” and, as the foundation for all of them, “integrity.”

As we go forward, we hope to create a Bank brimming with unconventional human resources by encouraging all our employees to act proactively in everything they do, always keeping in mind the need to exceed the expectations of our customers and colleagues.

■ Nanto Bank Group's human capital management initiatives

Human resources are the Group's most important management capital, and it is essential that we secure and develop skilled, highly qualified human resources to realize our Management Plan. We are working to diversify our human resources by providing opportunities for growth through increased external secondments, trainee dispatches, and exchanges among our Group companies, as well as through a sideline system and expanded career recruitment. With the ongoing diversification of customer needs and values as well as of community issues, meanwhile, we are seeking to create an organization brimming with unconventional human resources by cultivating employees who can support the sustainable growth of our customers and communities by equipping them with various skills and experiences extending beyond the framework of finance.

■ Unconventional human resources creation cycle



■ Recognition for initiatives worthy of unconventional human resources

In its efforts to establish a cycle of creation, penetration, and retention of unconventional human resources, the Bank publicly solicited examples of initiatives worthy of unconventional human resources from all the Group's employees and presented awards for the best examples. (Initiative from April 2020 to March 2024)

Business
modelStrategies
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Performance

New graduate/career recruitment Recruitment of human resources who share our Group's Philosophy

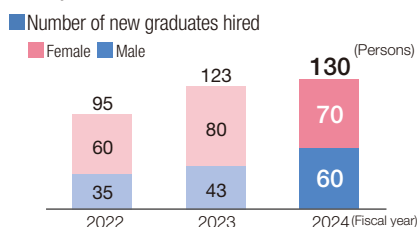
Nanto Bank is committed to developing a working environment that adequately rewards employees with a passion for community development and willingness to improve their capability and value. We seek to imbue our personnel with our Management Philosophy and Vision, and to encourage them to play active roles in our various Group companies.

At the same time, we envision a reduction in employee workloads and a natural decrease in our employment rolls as we expand the application of digital technologies and other new approaches. This makes it especially important for every individual staff member to achieve a high performance level, and for all our Group companies to shift their human resources to high value-added operations by adopting the so-called "smart work" style and digital technologies to improve their operating efficiency and productivity.

Responding to demand for further improved knowledge and skills in various business areas, we are working to strengthen our recruitment of new graduates and career professionals as well as conducting Group-wide human resources development and personnel exchanges.

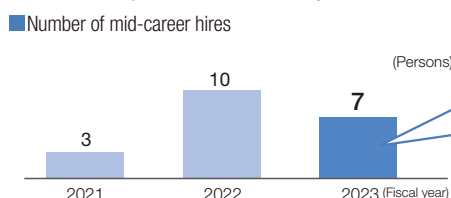
New graduate recruitment

All our Group employees are growing toward their goals and participating actively in a variety of fields.



Recruiting more mid-career hires

We are strengthening recruitment for mid-career positions through the use of both recruitment agencies and direct recruiting and by increasing the number of open positions. Efforts to revitalize our organization include hiring promising personnel with advanced expertise and an ability to make an immediate impact in the sales arena.



Previous jobs	Number
Regional banks	3
Financial firms	3
General companies	1

Career development and training Helping employees improve their skills and build on their experience to provide added value to customers

Training program	Purpose
Joint career training with other banks	<ul style="list-style-type: none"> ● Considering personal career plans through exchanges with female executives of other banks ● Cultivating awareness of the need for management positions
Women's career training	<ul style="list-style-type: none"> ● Understanding the basic concept of a career, and considering a personal career plan ● Cultivating awareness of potential for management positions
Joint training with other companies	<ul style="list-style-type: none"> ● Expanding horizons and forming personal networks outside the Bank through exchanges with employees of other organizations ● Fostering an awareness of leadership

[FY2023]

Total hours of training	35,929
Number of trainees	4,229
Training expenses	64,791 thousand yen

We support autonomous career development by offering various types of training to foster awareness.

Developing growth opportunities

Main initiatives	
<ul style="list-style-type: none"> ● Increased number of secondments ● Dispatching trainees ● Exchanges among Group companies 	

We promote the growth of young employees by dispatching them to external companies/institutions where they can acquire management literacy and other skills.

We also actively promote secondments within the Group to provide opportunities for acquiring specialized skills.

■ Personnel seconded to other organizations in their forties (3) ■ Exchanges among Group companies (4)



■ Trainees dispatched (11)



(End March 2024)

Main initiatives	
<ul style="list-style-type: none"> ● Support for acquisition of qualifications that contribute to problem-solving ● Training to strengthen logical thinking skills, joint training with other companies 	

We encourage the acquisition of qualifications that contribute to problem-solving through the provision of learning opportunities such as preparatory courses to help employees acquire specialized knowledge to respond to customers' diverse values (varied needs).

We offer a variety of training programs to help employees improve their thinking skills, acquire new perspectives through exposure to diverse cultures and values, and expand their horizons.

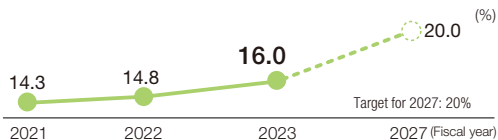
Cultivating “Unconventional” Human Resources

Friendly work environment Initiatives to improve work styles and retain staff

Full realization of a variety of leave programs

Since April 2024, we have been fully implementing planned leaves and summer and winter vacations, including consecutive leaves, which have been doubled from one to two periods of seven consecutive days a year. We are also creating a culture that encourages full use of various types of leave, including male maternity leave and family support leave.

■ Percentage of women in management positions (above the rank of section chief)

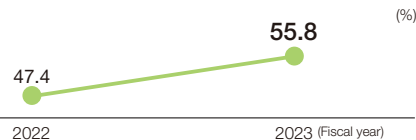


Expansion of childcare support systems

We are expanding various childcare support systems to make it easier for employees to seek career advancement while balancing work and child-rearing.

- Paternity leave system
- Expanded family support leave system
- Fertility treatment leave system
- Expanded child nursing care leave system
- Expanded period during which employees can benefit from childcare support programs such as shorter working hours

■ Percentage of male employees taking childcare leave or family support leave (5 days or longer)



Diversification of human resources Responding to increasingly complex and varied customer issues by increasing the number of staff with diverse values

Promoting gender equality and other diversity initiatives

Nanto Bank is working to raise awareness and develop systems that enable a diverse range of human resources, including women, to play an active role.

We are pursuing initiatives to achieve a balance of work with childcare, including the introduction of paternity leaves.

Employment of personnel with disabilities

In August 2018, Nanto Bank established Nanto Challenged Co., Ltd. as a wholly owned subsidiary committed to promoting employment of people with disabilities by creating environments in which they can enjoy safe, rewarding work experiences.

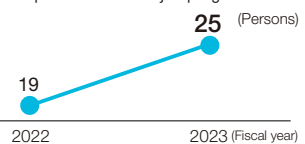
In February 2019, the new company was certified as a special-purpose subsidiary.

Promoting a system for side business activities

Acting from a belief that diverse experience, advanced expertise and skills, personal connections, and networks acquired through side-business activities conducted in addition to employees' banking responsibilities are indispensable, we have established an environment that allows employees to engage in side jobs.

Eligible side jobs
Qualification-related: Lecturing, translation, interpreting, consulting, etc.
Internet-related: Web design, programming, YouTuber, etc.
Others: Sales of handcrafted products (ornaments, paintings, etc.), musical activities, etc.

■ Participants in the side job program



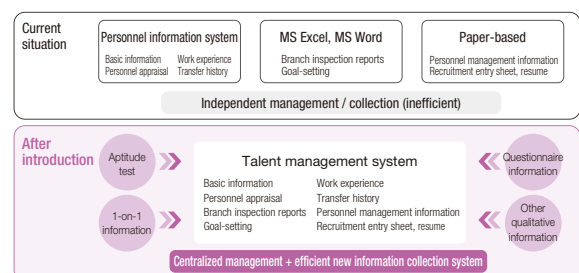
Evaluations to make the most of human resources Accept and evaluate staff with viewpoints and ideas different from your own

Centralization of human resources information

Deployment of a talent management system

We have introduced a talent management system for purposes of centralizing the consolidation, accumulation, and visualization of personnel data and implementing strategic personnel policies (recruitment, training, assignment, and promotion) based on the data.

The system assesses the qualifications, experience, and abilities of employees comprehensively, and optimizes our deployment of human resources by assigning the right personnel to the right positions.



Recipients of the Award for Examples of Efforts Worthy of Unconventional Human Resources

VOICE



Kashiba Branch
Keiko Ueda

My motivation for starting a side business was my desire to energize working people and to help them lead fulfilling lives through work. I thought conducting training programs would be an effective way of developing human resources and transmitting knowledge about finance to working people. I had no experience as a training instructor, so I took recurrent education courses at a university and participated in exchange meetings with managers from other industries to acquire the requisite skills. I then worked with the president of a local company to create training programs, and we succeeded in enrolling large numbers of trainees in the programs concerned with human resources development and finance.

I received positive feedback from the participants, who said such things as, “I learned about organizational management in depth,” or, “I learned why investment is necessary to protect money.” These responses gave me confidence in my ability to help people manage their organizations and design their life plans. I expect to continue to apply this experience in my primary business.

Besides contributing to human resources development and organizational revitalization at the participating companies, the program contributed to improving financial literacy in the region.

As a sideline, she planned and conducted human resources development training on her own initiative at local SMEs. This involved holding financial seminars and contributing to improved financial literacy among employees of SMEs, while at the same time contributing to her core business by promoting NISA.

Business
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Performance

2024 Revision of the personnel system

Personnel system revision

(Main revisions)

Course classification and promotion	<ul style="list-style-type: none"> ● Integration of career-track and specified positions ● Elimination of minimum tenure
Career paths and workstyles	<ul style="list-style-type: none"> ● Establishment of a new career challenge system that lets employees apply for jobs they want to experience. ● Introduction of a flextime system
Benefits and welfare	<ul style="list-style-type: none"> ● Increase in child allowance from 20,000 yen to 30,000 yen per child ● Introduction of a new refreshment leave and paid leave accumulation system

Wage increase

(Main details of the wage revision)

Starting salary	<ul style="list-style-type: none"> ● Increase from 230,000 yen to 260,000 yen for university graduates
Salaries and bonuses	<ul style="list-style-type: none"> ● Average increase of 8.5% for all the Bank's employees ● Salaries for employees under 30 years old: Increase of 14.5% on average
Part-time employees	<ul style="list-style-type: none"> ● Increase of 13.3% on average

Reflections on the past four years

Fiscal 2020

- Establishment of an Unconventional Human Resources Development Office
- Conducting Group discussions to foster awareness of issues
- Support for acquisition of qualifications that can contribute to problem-solving
- Expansion of trainee dispatching

Fiscal 2021

- Expansion of career recruitment
- Introduction of a sideline employment system
- Creation of secondment opportunities for young employees
- Increased exchanges among Group companies
- Training to strengthen logical thinking skills

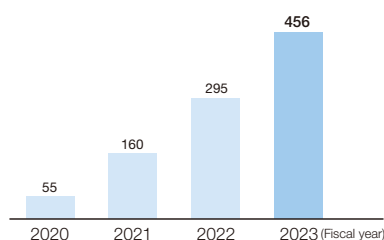
Fiscal 2022

- Introduction of a talent management system
- Active participation in inter-company training programs

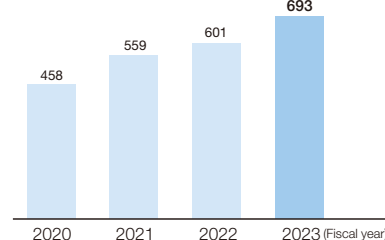
Fiscal 2023

- Consideration of personnel system revision
- Public solicitation of initiatives worthy of unconventional human resources
- Establishment of male maternity leave and infertility treatment leave systems
- Increase in wages (beginning and regular salary)

■ Number of participants in training programs designed to enhance logical thinking skills (Persons)



■ Number of personnel with qualifications related to vitality creation (Persons)



■ Number of initiatives worthy of unconventional human resources



VOICE



Yao Branch

Azusa Kato

I am motivated by a desire to serve and please our customers in an “all-Nanto” way, making the most of the Bank's resources, and to become the first person they think of when problems arise.

When I was assigned to my current branch and entrusted with corporate clients for the first time, I consulted with my supervisor and senior staff on what I needed to do to gain the trust of business owners. I began by studying the business models of our clients and the industries in which they operate. As I continued to engage in dialogue with managers based on my personal hypotheses and issues, I was asked for ideas on creating an environment in which women can work comfortably. I was pleased to hear such comments as, “No other bank is so considerate of the company,” or “I haven't told anyone yet, but I need to discuss this with you.” I don't believe this was a result of my efforts alone, but rather the fruit of Group-wide efforts we conducted in cooperation with others around us.

Contributing to improved ES (employee satisfaction) among client companies with our own ideas

In addition to proposing a management philosophy and measures to disseminate it to small and medium-sized companies, we proposed and introduced infertility treatment leave, child nursing leave, and other measures. We even exceeded the scope of our responsibility in such ways as proposing solutions to issues faced by cosmetics manufacturers.

Supporting customers' sustainable management

■ Basic policy

Awareness of the importance of sustainable management that takes into consideration stakeholders ranging from company employees to local communities and supply chains is growing quickly, even among small and medium-sized enterprises (SMEs).

The Nanto Bank Group pursues introduction of sustainable management that contributes to enhancing its customers' corporate value and provides sustainable finance as a means of achieving it. In its pursuit of "sustainable management development in cooperation with local communities," the Group contributes to realization of sustainable local communities through its own decarbonization efforts and those of its customers in response to the SDGs.

Initiatives for resolving customer management issues

We work with customers in our communities to solve their management issues by constructing systems that enable us to identify issues and coordinate solutions to help them realize their aspirations.

Consulting for SDG introduction Declaration recipients: 770 (As of March 31, 2024)

- Consulting services to promote SDG management by analyzing customers' SDG initiatives and supporting preparation of an SDG Action Declaration

Number of consulting proposals: 142 (fiscal 2023)

- Consulting service provision in cooperation with our Group companies to help customers resolve their management issues

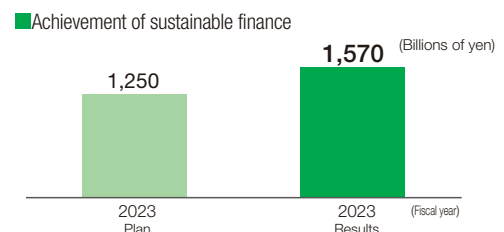
Number of business matching referrals: 109 (fiscal 2023)

- Business matching provision as a means of solving issues to help customers implement sustainable management

Sustainable finance

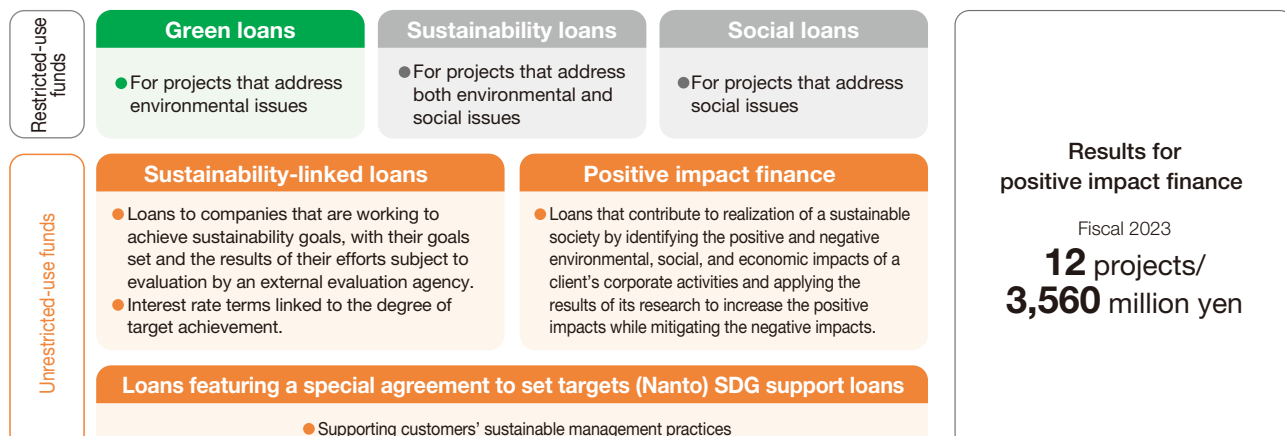
In order to strengthen our financial support for solution of the environmental and social issues facing our customers, we have set a target amount for sustainable finance as a "long-term sustainability KPI" and begun working to achieve it.

Target amount	1 trillion yen (cumulative total investments and loans executed)
Period	8 years (FY2023-FY2030)
Scope	Financing that contributes to solving issues in the environmental and social fields <ul style="list-style-type: none"> ● Environmental: Renewable energy, energy conservation, ZEB, ZEV, etc. ● Social: Regional revitalization, local development, startups, business succession, BCP measures, etc. Financing to support and promote customers' SDG initiatives



ESG-responsive financing products offered by the Bank

Financing to encourage resolution of environmental and social issues is referred to as ESG-responsive financing. It is classified into targeted financing involving limited funds and financing appropriate for wide-ranging purposes. The Bank offers the following products of this type:



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Performance

Stakeholder Voice

Case studies of positive impact finance

Kajita Corporation profile

Established in 1921. Head Office and Osaka Head Office (Chuo-ku, Osaka). As a general construction company engaged in planning, design, supervision, and construction of building projects, Kajita Corporation has constructed a Nara Head Office in Gose City, Nara prefecture, and established an estimable track record in Nara prefecture. In 2019, although unlisted, the Company joined the Japan Federation of Economic Organizations (Keidanren). It is also a member of the Japan Construction Industry Association and the Architectural Institute of Japan. Kajita practices sustainable management of a style it developed in-house based on its corporate motto, “Spirit like a plumb bob.”

Kajita Corporation Group
Astase-Kajita Corporation
President and Representative Director
Yahiko Kajita



Pursuing the Kajita Group's unique sustainable management with a “Spirit like a plumb bob.”

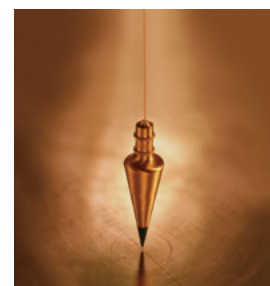
Nanto Bank's application of positive impact finance

I first learned about the SDGs, or “sustainable development goals,” when Kajita Corporation joined Keidanren in 2019, and I immediately recognized the SDG program as an estimable initiative. Looking further back, I recollect the word “sustainable” from my participation in the Japan JC in 1993, when “sustainable economic development” was already discussed as an important theme. Japan's economic bubble was in the process of bursting at the time, putting the construction industry in recession, so the importance of sustainable management was keenly felt. Since that time, the concept of “sustainability” has constantly undergirded Kajita's efforts to be the “company of choice” and the “inevitable company” in our field. These are, in fact, the key words I myself use in business promotion.

Later, when we joined Keidanren in 2019, we reaffirmed the importance of “sustainability” through the SDGs and reconfirmed that our efforts had not been mistaken. Our sustainable management is not a mere formality but has, instead, been consistently thorough in its essential and substantive efforts, as suggested by the “6S Movement” (described by six Japanese words: *seiri* (organizing), *seiton* (tidying up), *seiso* (cleaning), *seiketsu* (cleanliness), *shinsuke* (discipline), and *shukan* (habit)). On the occasion of the 100th anniversary of its founding in 2021, when Kajita Corporation was already making more in-depth contributions to the local community, including donating to local schools and the City of Gose and actively engaging in various volunteer activities, Nanto Bank proposed implementing positive impact financing. We took advantage of this opportunity to publicize the Kajita corporate group's sustainable management, both internally and externally.

The Kajita Group's style of sustainable management

Our corporate motto, *sagefuri no kokoro*, translates literally as, “Spirit like a plumb bob,” which we consider to be the very essence of sustainable management. It means that we pursue what is right, not only for ourselves but also for our customers, cooperating companies, the community, and society as a whole. To this end, it is important for us to “put ourselves fully in other people's shoes,” a philosophy that is understood not only within the Company, but also by our customers and partner companies. Most notably, it enables us to work as one with our partner companies, who fully understand this philosophy. We are also proud of the fact that we have been able to continue to have operated in the black since our establishment, not by chasing short-term profits, but by staying grounded and working toward sustainable management with a down-to-earth mindset. Customers and subcontractors who share our philosophy frequently seek opportunities to work with us, and I believe this is because they are attracted by our mutual philosophies. Each partner company is uniquely managed based on a way of thinking resembling a “spirit like a plumb bob,” and we have much to learn from them. We will continue to pursue sustainable management in the Kajita Group's unique way, guided by our “spirit like a plumb bob,” in order to achieve sustainable growth together with our customers, cooperating companies, and local residents.



* “Plumb bob” A construction tool used to confirm whether or not columns or other pillars are perfectly vertical.

Expectations of Nanto Bank

My expectations of Nanto Bank are for them to learn more about the companies with which they do business. We'd be pleased if their branch managers and staff would pay in-person visits to our factories and work sites to learn about our operations and the philosophy and ideas we value. I'd like them to experience our company's business and policies firsthand by visiting our construction sites. And if what they see and hear there gives them any good observations or impressions of our company, we'd like them to share them with other companies. If they tell us what would be useful for corporate growth in our area, I believe we can contribute more to the development of our local companies. In fact, Nara Prefecture and Gose City are home to many attractive areas and places, but I sense a lack of ideas and investment to take advantage of them. I hope you will work with us to develop the region by inviting people with the wisdom to revitalize it, such as talented consultants from outside the region, to participate.

Initiatives Addressing Climate Change Issues

■ Enhancement of information disclosure in accordance with the TCFD recommendations

Governance

The Group has formulated a “Basic Sustainability Policy” as a foundation for addressing sustainability issues, and the Board of Directors is discussing matters to be prioritized contained in the Policy. The Board has identified “addressing the escalating problem of climate change” as one of the Group’s top materialities (priority issues).

The Board of Directors examines the conclusions reached at the semi-annual meetings of the Executive Committee to determine their appropriateness in light of the Group’s Management Strategy.

Strategy

The Group is committed to acting in unison to address climate change issues as a means of providing value to our stakeholders through fulfillment of the three objectives defining our Mission: “pursuit of regional development,” “fostering of vitality-creating human resources,” and “enhancing profitability.”

As a member of the community, we will actively support both the Bank’s decarbonization efforts and those of our customers.

In our own efforts to this end, we have set targets for reducing CO₂ emissions and begun promoting such initiatives as upgrading our air-conditioning systems, switching to LED lighting, and introducing eco-cars.

In our efforts to help regional customers pursue decarbonization and the SDGs, meanwhile, we actively propose environment-related loans and solution-related products and work with them to solve their business challenges.

Risks and opportunities

We assessed the risks and opportunities associated with climate change based on several public scenarios,* including the 1.5°C and 4°C scenarios. The timeline is analyzed for the short term (5 years), medium term (10 years), and long term (30 years).

		Contents	Temporal perspective
Risk	Transition risk	Increase in credit costs (credit risk) resulting from negative effects of tighter climate change regulations and changes in the tax system on customers’ business and financial conditions, as well as damage to the value of real estate collateral due to non-compliance with environmental regulations.	Short- to long-term
		Increase in credit costs (credit risk) due to the impact of technological innovations and market changes focusing on decarbonization on customers’ business and financial conditions	Short- to long-term
		Decrease in the Bank’s corporate value due to insufficient responses to climate change (operational risk related to damaging rumors)	Short- to long-term
	Physical risk	Increase in credit costs (credit risk) due to damage to real estate collateral resulting from large-scale windstorms, floods, or other natural disasters, as well as suspension of business and/or adverse effects on business stemming from damage to customers’ operating bases, etc.	Medium- to long-term
		Increase in restoration costs (operational risk related to tangible assets) stemming from damage to the Bank’s bases by large-scale windstorms, flood disasters, or other natural disasters.	Medium- to long-term
Opportunity	Increase in customer demand for capital investment in decarbonization projects		Short- to long-term
	Increase in demand for funds for infrastructure investment in disaster-prevention measures		Short- to long-term
	Increase in opportunities to offer disaster preparedness insurance products and financial products and services related to environmental protection stemming from growing numbers of windstorms and flood disasters that lead to increasingly environmentally conscious customer behavior		Short- to long-term
	Increase in business opportunities for services such as solution provision to support customers’ decarbonization efforts		Short- to long-term

* Referenced public scenarios

1.5°C scenario with progressive decarbonization: IEA NZE2050, IEA APS, NGFS Net Zero2050, IPCC SSP1-1.9, SSP1-2.6

4°C scenario with warming exceeding 4°C: IEA STEPS, current NGFS policies, IPCC SSP5-8.5



* The Task Force on Climate-related Financial Disclosures (TCFD) was established in December 2015 by the Financial Stability Board (FSB) at the request of the G20 finance ministers and the central bank governors. The TCFD published its final report offering recommendations to encourage voluntary disclosure by companies in June 2017. These recommendations targeted not only financial companies but the corporate sector as a whole.



Governance

Business
modelRisks and
opportunitiesStrategies
and resources
allocation

Performance



Outlook

Scenario analysis

A scenario analysis was conducted for the risks and opportunities shown below.

Our assessment of the analysis results suggested that there was only a limited financial impact of transition risk and physical risk. Since the analysis is based on certain assumptions, however, we will continue to upgrade our analysis methods and expand the scope of coverage.

	Transition risk	Physical risk
Risks to be analyzed	Increase in credit costs due to impacts on customers' business and financial conditions of tightened regulations, changes in taxation systems, and other such factors.	Damage to real estate collateral due to flooding, and increased credit costs due to suspension or stagnation of business operations resulting from damage to customers' sales offices
Scenarios	IEA*1 / NZE (1.5°C scenario), SDS (2°C scenario)	IPCC*2 / RCP8.5 (4°C scenario), RCP2.6 (2°C scenario)
Portfolio to be analyzed	Electricity and gas sectors	Business loans in the Bank's operating region
Analysis methodology	Projected future financial impacts and estimated additional credit costs based on transition scenarios	Additional credit costs due to damage to collateral and reduced sales, estimated by determining inundation risk based on collateral property and customer location
Analysis results	Increased credit costs to 2050, cumulative total up to approx. 2.1 billion yen	Increased credit costs to 2050, cumulative total up to approx. 6 billion yen

*1 IEA (International Energy Agency) *2 IPCC (Intergovernmental Panel on Climate Change)

Carbon emissions-related assets

The percentage of carbon-related assets (excluding renewable energy generation projects) measured as a percentage of the Bank's loans according to the Revised TCFD Annex is as shown below (as of March 31, 2024).

Energy	Transportation	Materials & buildings	Agriculture, food & forest products
2.5%	3.4%	24.4%	3.0%

The calculations are based on the Bank of Japan's industry classification, which has been revised this fiscal year with reference to the Ministry of the Environment's Industry Classification Table. They may differ from the results of calculations based on the GICS (Global Industry Classification Standard).

Risk Management

The Group recognizes that addressing climate change is a central issue for sustainable regional development. The Bank's climate change risk is classified into two categories, credit risk and operational risk, each of which is incorporated into the items for monitoring by the ALM Committee and Operational Risk Management Committee, respectively, to enhance appropriate risk management.

Furthermore, in October 2020, the Group established a financing policy which clearly states that it will not, in principle, engage in financing for the construction of new coal-fired power plants. It also states that it will provide financing for projects involving deforestation only after carefully considering whether or not its engagement is proper based on the intended project's lawfulness and its potential environmental impacts.

Loan policies for industries and sectors with significant environmental and social impacts

We will carefully assess loans that may have a negative impact on the natural or social environment and strive to reduce or avoid these impacts. As a regional financial institution, we will provide appropriate knowledge and support to customers who are sincerely addressing environmental and social issues.

We will exercise due caution when extending loans to the following industries and sectors that are considered to have a significant impact on the natural or social environment.

1. Weapons

No loans shall be made to companies that manufacture inhumane weapons such as cluster munitions for use in war for killing and destroying human beings, etc.

2. Coal-fired power generation

In principle, we will refuse financing for the construction of new coal-fired power plants. In cases in which construction of high-efficiency power plants is required by national energy policy, etc., we will carefully consider whether or not to finance the projects on a case-by-case basis.

3. Deforestation

When financing development that involves deforestation, the Bank will carefully consider whether or not a project involves illegal logging and the environmental impact of any logging.

Indicators and Targets

CO₂ emissions of the Nanto Bank Group (Scopes 1 and 2)

The Nanto Bank Group has been working to reduce CO₂ emissions and, as shown below, has revised its reduction target for FY2030 from 50% or greater to 75% compared to FY2013. We have also set targets of net zero CO₂ emission (scopes 1 and 2) by FY2050.

CO₂ emissions in FY2023 were 5,164t-CO₂, a reduction of 48% from FY2013.

Group CO₂ emission reduction targets

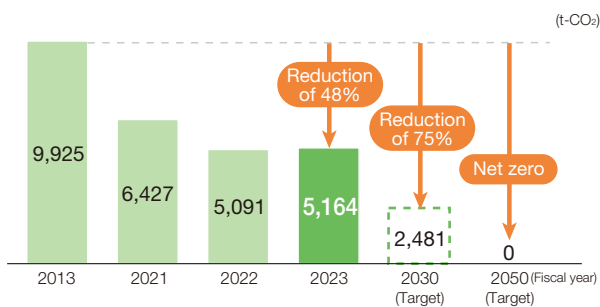
Reduction of **75%**
by FY2030 compared to FY2013

By FY2050
Net zero

FY2023 actual result

Reduction of **48%**

Group's CO₂ emissions (Scopes 1 and 2)



Calculation items		(t-CO ₂)			
		FY2013	FY2021	FY2022	FY2023
Scope 1 Direct emissions	City gas, LP gas, gasoline, heavy oil	1,584	1,509	1,517	1,410
Scope 2 Indirect emissions	Electricity	8,341	4,918	3,574	3,755*
Total		9,925	6,427	5,091	5,164

*Electricity consumption decreased compared to FY2022, but the cost of emissions increased. Electricity consumption: FY2022: 11,120,000 kwh; FY2023: 10,070,000 kwh

Group's CO₂ emissions (Scope 3)

As shown to the right, the Nanto Bank Group initiated calculation of Scope 3 in FY2022 and calculation of Category 15 in FY2023.

We are considering appropriate calculation methods to extend the scope of calculations to other categories in the future.

Scope 3

Calculation items		(t-CO ₂)	
		FY2022	FY2023
Category 6: Business travel		90	87
Category 7: Commuting		2,222	1,965
Category 15: Investments and loans*		Not yet calculated	8,895,074
Total		2,311	8,897,125

*Category 15 covers the Bank on a non-consolidated basis.

Scope 3 Category 15 calculation

When it comes to financial institutions, Scope 3 accounts for a large proportion of indirect emissions from investments and loans and is considered an important indicator in efforts to address climate change. We have been working on the calculation of emissions from Category 15 (investments and loans) based on the PCAF standard*, and in fiscal 2023, we conducted calculations for loans to domestic business corporations.

The results of these calculations are used in dialogues (engagement) with our business partners to encourage them to reduce their emissions as a means of contributing to decarbonization of society. We intend to continue our efforts to expand the scope of our calculations and refine our calculation methods further. (Emission calculation results may change in the future due to revisions of the calculation methods, supplier disclosure status, and other factors).

*A standard developed by the Partnership for Carbon Accounting Financials (PCAF), an international initiative, to measure and disclose GHG emissions in the investment and loan portfolios of financial institutions

Subject of calculation

Loans to domestic corporations (excluding project finance) as of September 30, 2023

Loans for which the financial data required for the calculation is insufficient are excluded, and loans subject to calculation account for 97% of loans to domestic corporations.

Calculation methodology

Calculated in accordance with the PCAF standard. The following calculation formulae are used for every company to which we provide loans or investment funds.

$$\text{Volume of emissions} \times \frac{\text{Loan amount}}{\text{Total amount of financing}}$$

Carbon intensity is calculated by dividing the volume of emissions by the amount of financing.

Understanding emissions

The emissions of each company to which we have provided loans or financing were calculated using a combination of the bottom-up and top-down methods.

- Bottom-up method: A method employing emission data disclosed by the individual company
- Top-down method: Estimate by multiplying each company's sales by an average emission factor (using the Ministry of the Environment's emissions intensity database).

The data quality score as defined by PCAF is 2.9, and we will continue our efforts to improve its accuracy going forward.

Main category	Sub-categories	Loan amount (million yen)	Carbon intensity (tCO ₂ /loan amount)	Emissions (tCO ₂)
Energy	Oil and gas	46,700	5.8	272,689
	Coal	0	—	0
	Power utilities	26,676	11.1	295,854
Transportation	Air cargo	472	3.9	1,838
	Passenger air freight	2,768	3.6	9,866
	Ocean transportation	25,904	4.0	104,776
	Rail transportation	69,117	0.3	20,487
	Trucking services	39,596	8.4	331,000
	Automotive & parts	35,020	1.9	67,011
Materials & buildings	Metals & mining	84,963	16.5	1,404,736
	Chemicals	123,719	6.0	746,907
	Construction materials	16,004	17.8	284,934
	Capital goods	306,827	6.9	2,108,628
	Real estate management & development	239,737	0.3	79,162
Agriculture, food, forest products	Beverages	20,518	1.2	25,071
	Agriculture	491	10.2	4,990
	Processed foods & meat	45,687	8.7	399,568
	Paper and forest products	42,316	6.4	269,846
Others	Others	838,121	2.9	2,467,712
Total		1,964,637	4.5	8,895,074

Efforts to Revitalize Local Communities

■ Revitalization of local industries

A bird's-eye view of the industrial structure of Nara prefecture and its surrounding region reveals that each of its industries, from primary to tertiary, faces its own challenges.

Nanto prefecture, in particular, which is the main base of operations of the Nanto Bank Group, is experiencing an aging population, a shortage of business leaders, and increases in abandoned farmland and abandoned forests.

Besides providing third-party support to customers engaged in businesses in various industries, the Nanto Bank Group is itself taking the initiative to resolve local issues as a business operator.

Efforts to revitalize agriculture (primary industry)

Nara Mirai Design, a member of the Nanto Bank Group, is engaged in smart agriculture, a farming approach aimed at establishing sustainable agriculture and attracting more newcomers to the field. Smart agriculture increases the value of agricultural products through initiatives such as organic farming and application of Japan's 6th industrialization policy, while reducing labor and production costs through the use of robotics and ICT.

We obtained JAS organic certification with the cooperation of local farmers in just two years. Among successes, a sake brand we planned and developed in collaboration with local businesses using sake rice we cultivated ourselves has already been adopted by department stores, hotels in Nara prefecture, and Michelin-star restaurants. Collaboration with the local community is advancing steadily through the likes of agricultural and welfare cooperation and arable-livestock cooperation.

Nara Mirai Design Agribusiness Department initiatives

Organic agriculture

High profitability due to relative scarcity
Consideration for the environment



Sales channels

Participation in organic rice business meetings organized by the Kinki Regional Agricultural Administration Office, FOOD EX JAPAN, and other organizations aimed at expanding the sales channels and raising sales prices.

Demonstration experiment to promote the use of organic rice

Organic farming is practiced in a collaborative venture by four neighboring farmers. A model case is being formulated as a means of spreading organic farming.

6th industrialization

Agricultural product branding
Sales channel expansion



Sake brewing

Sake produced from the rice harvested on local farms is served in luxury hotels and major airlines and sold at over 40 retail outlets including department stores.

Developing new products using soybeans

New products using locally harvested soybeans, such as miso, soy sauce, and soybean meat, are under development.

Agriculture and welfare cooperation

Resolving labor shortages in the agricultural sector
Creation of employment opportunities



Cooperation with welfare facilities

Cooperation initiated between the farm and nearby welfare facilities
Outsourcing of soybean and green onion harvesting, etc., to help alleviate labor shortages and support the independence of people with disabilities.

Cooperation between arable and livestock farming

Promotion of recycling-oriented agriculture
Effective use of local resources



Pelletizing of livestock manure

Cattle manure, formerly treated as waste, can now be converted into a resource, and a system has been developed to circulate compost derived from cattle manure within the region, contributing to cultivation of high-quality soil.

A prototype was completed in December 2023, and a demonstration experiment was conducted at the Nara Mirai Design Field this year.

Business
modelStrategies
and resources
allocation

Performance

Initiatives to revitalize the forestry and lumber industries (primary & secondary industries)

In another effort to increase Nara prefecture's GDP, we are applying the resources of the Nanto Bank Group to revitalize the forestry and lumber industries, major industries in the prefecture, through Nara Mirai Forestry.

Local issues stemming from the decline of the forestry and lumber industries

Shortage of
forestry workers



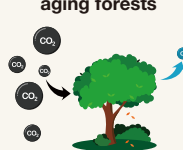
Inadequate roads



Difficulty in maintaining
succession of small
sawmills



Decrease in CO₂
absorption due to
aging forests



Environmental issues
caused by
neglected forests



Achieving sustainable growth of local economies Responding to the problem of intensifying climate change

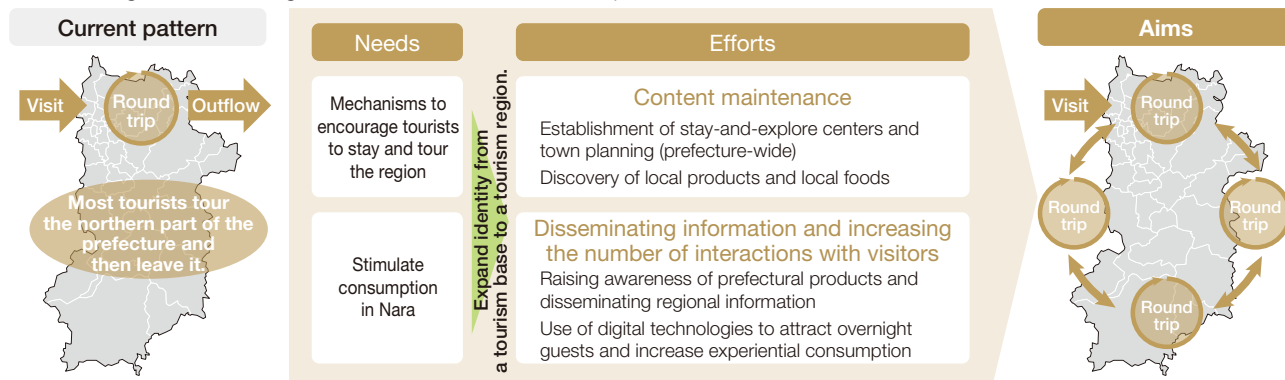
[Initiatives of Nara Mirai Forestry] (Established August 2023 as a preparatory company)

Nara Mirai Forestry is considering projects based on the following three issues as it prepares to take the lead in solving regional issues:

- Promoting revitalization of the forestry and timber industries in Nara prefecture
- Establishment of a platform for cooperation with local governments and companies (in the timber industry and other fields) in areas such as human resources exchange and know-how
- Increasing CO₂ absorption and disaster prevention/mitigation through appropriate forest management activities

Efforts to revitalize the tourism industry (tertiary industry)

We are working to transform Nara prefecture from a “day-trip tourist destination” to a “stay-and-explore tourist destination,” with the aim of raising the GDP through an increase in tourism consumption.



[Nara Mirai Design Tourism Division]

Maintenance of stay-and-explore tourist facilities

- Support for the opening of tourist facilities using the Nara Old Private Houses Fund (actual results: Naramachi, Tawaramoto-cho, Gose City, etc.)

*Plans for FY2024: Accommodation facilities (Mt. Wakakusa, Nara City), dining facilities (Imai-cho, Kashihara City), beer brewery (Goi-cho, Kashihara City)

- Creation of high value-added tourist attractions throughout the Kii Peninsula

Dissemination of information via the Web and increasing interactions among more people

- Operating the “Narawashi” (Japanese customs) e-commerce site and participating in events within and outside the region to disseminate information and increase awareness of prefectural products
- Dissemination of tourism information through the “Ee Koto Nara” information media

Tourism DX Initiatives

“Nara Sightseeing DX” project to promote tours and local economic circulation

In July 2024, a proposal made by the Nara Visitors Bureau, Mitsubishi Research Institute, and Nanto Bank Group for a “Demonstration Project for the Creation of Advanced Tourist Attractions to Revitalize Local Economies through Tourism DX” was adopted by the Japan Tourism Agency for fiscal 2024.

By maximizing the effects of the Tourism DX platform, we are working to promote visitor tours, enhance regional tourism business management, and improve the earning power of the region.

Business Creation Initiatives

■ Impact funds

The Nanto Bank Group is committed to cultivating entrepreneurs to support local business startups.

One such initiative, the Yamato Social Impact Fund, was established in October 2022 with the aim of fostering large numbers of developers and practitioners of local issue solutions through formation and management of a fund dedicated to solving problems facing Nara prefecture and the surrounding region.

Initially established with 500 million yen, the fund has invested in four companies that are working to improve automobile drivers' safety and extend the healthy life expectancy of the elderly. In April of this fiscal year, the fund's total endowment was increased to 1 billion yen.

Besides providing financial support for developers, we focus on acceleration programs organized to nurture entrepreneurs.

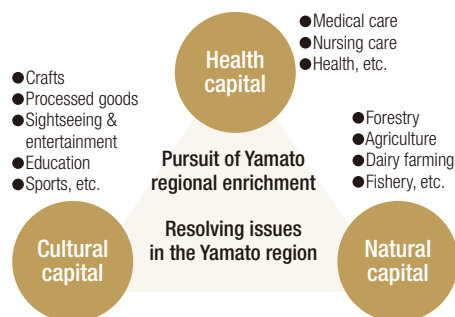
In the course of a six-month program, the Bank serves as a companion providing active support for entrepreneurs aimed at creating as many solutions to local issues as possible and effecting social impact.

Role of impact funds in resolving local issues

Yamato Social Impact Fund

A fund designed to foster more practitioners of solutions to local issues by establishing and managing impact funds for solving issues in the Yamato region.

(Yamato region: Nara prefecture and surrounding areas)



Investment commitment	1 billion yen
Unlimited liability partner	Nanto Capital Partners Co., Ltd., Capital Medica Ventures Co., Ltd.
Investment target	Startup companies that solve problems in the Yamato region
Date of establishment	October 1, 2022
Investment period	10 years (investment eligibility period 5 years)

Image of impact fund process



■ Nanto Success Road

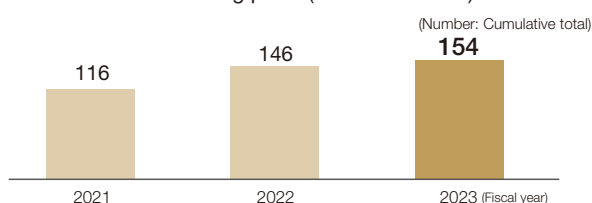
The Nanto Success Road Business Plan Commercialization Support Project, which invites individuals and corporations seeking to start or develop new businesses to submit business plans that contribute to the local economy and society, has convened a total of 10 times.

The project's New Business Development Category invites business plans from individuals and corporations seeking to develop new businesses in the Bank's business areas. In addition, a new Start-up Category has been organized recently to accept business plans formulated by entrepreneurs nationwide to solve social issues in Nara Prefecture and its surrounding region (Yamato region) for the 10th edition of the program.

Startup creation initiatives

The Yamato Social Impact Acceleration Program offered by the <Nanto>Success Road Startup Division fosters impact-oriented entrepreneurs desiring to contribute to solving regional issues.

■ Number of award-winning plans (Cumulative total)



Roundtable Discussion



Contributing to development of the local economy and society by supporting entrepreneurs who aspire to solve social issues

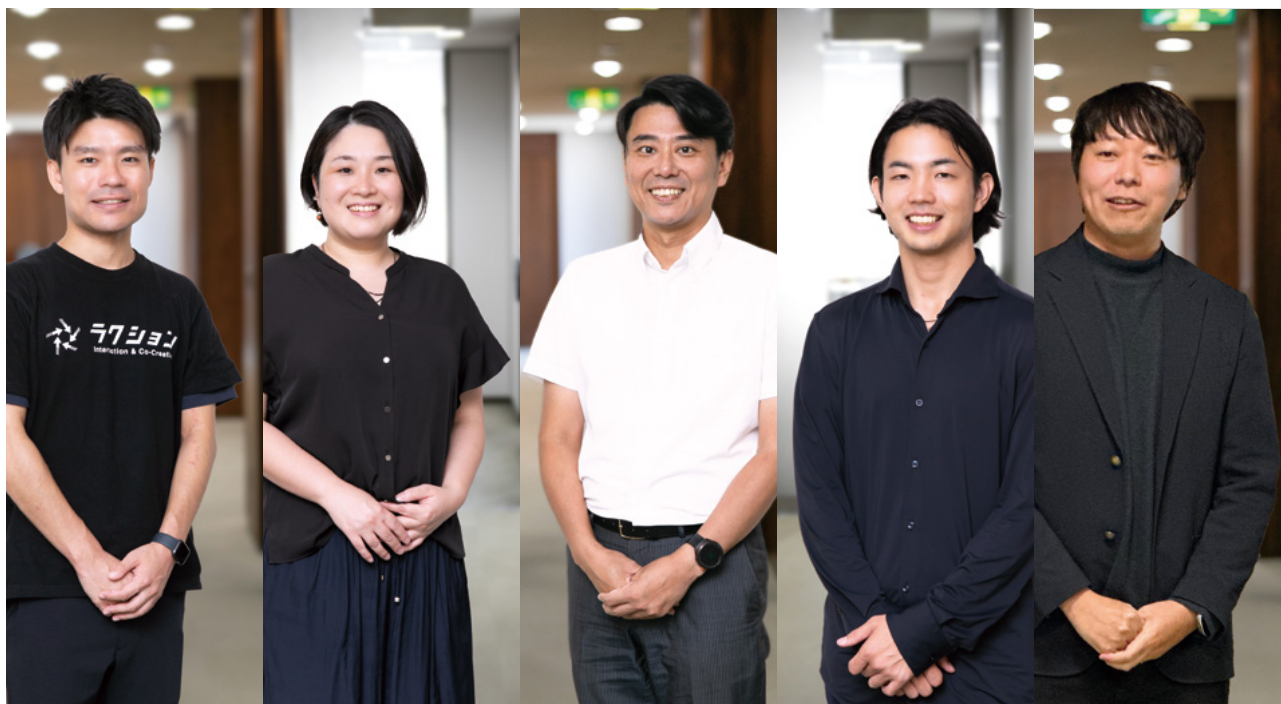
Nara prefecture ranks 40th in Japan in the number of private-sector business establishments with approximately 47,000, and its out-of-prefecture employment percentage is third highest in Japan, indicating an outflow of labor talent to neighboring cities. The percentage of small businesses is higher than the national average, moreover, and the number of listed companies is only 7, which is too few to promote satisfactory economic expansion and corporate growth.

Under these circumstances, the Nanto Bank Group perceives a need to expand our business by supporting new business ventures as a means of realizing regional development, a basic tenet of the Nanto Mission.

Nanto Capital Partners, a Nanto Bank Group member company, discovers and supports startups that are dedicated to solving regional issues in accordance with its mission of “bringing new value to Nara through investment.” More than just an investment company, however, it also serves as a hub connecting entrepreneurs with local businesses.

The Nanto Bank Group is directing particular efforts this fiscal year to fostering entrepreneurs who aspire to solving local social issues. In February 2024, Nanto Bank and Nanto Capital Partners launched the joint “Yamato Social Impact Acceleration Program” (details on page 43). Through this initiative, we are generating and supporting entrepreneurs from Nara and elsewhere in Japan who are ready to take on new challenges.

In the roundtable discussion presented here, Atsuyuki Sakai, President of Nanto Capital Partners, and representatives of four companies selected in the 10th “Nanto Success Road” startup campaign discussed regional economic revitalization and collaboration with startups.



IKETEL, Co., Ltd.
President and Representative Director
Eisuke Matsumoto

Mashichoi Co., Ltd.
Representative Director
Fumiko Takemoto

Nanto Capital Partners Co., Ltd.
President and Representative Director
Atsuyuki Sakai

Tale Navi Co., Ltd.
Director/Founder
Shohei Oniki

RelyonTrip Co., Ltd.
Representative Director and CEO
Akihito Nishimura

Established 2021
Head office: Kita-ku, Osaka
Engages in product development for the manufacturing industry and cloud development to support DX.

Established 2022
Head office: Heguri-cho, Ikoma-gun, Nara Prefecture
The company develops and sells safe, secure nutrition beverages that even babies can enjoy.

Established 2023
Headquarters: Nara City
Founded to solve problems facing tourism in Nara, Tale Navi engages in planning of proposal tourism and café management.

Established 2019
Headquarters: Yodogawa-ku, Osaka City
RelyonTrip develops and operates tourism and dining apps for regional revitalization.

Why did you decide to help tackle Nara prefecture's issues?

Sakai: Although Nara prefecture's business start-up rate is higher than the national average, there is room for further improvement. There are only seven listed companies in Nara prefecture, moreover, too few to adequately support expansion of the local economy and corporate growth in the region. Against this backdrop, the Nanto Bank Group is, as a regional financial institution, in a position to support new business formation and help new businesses grow.

We are implementing an acceleration program for selected entrepreneurs who are committed to solving social issues in the Yamato region.* We invite you to share your own motivations and ideas with us.

*Nara prefecture and its surrounding regions



Matsumoto: I started my business in 2021 because I believed, based on my experience in Japan and around the world, that ongoing major changes in Japan's social conditions were making various regional and social issues increasingly apparent and eroding our affluent lifestyle. At first, I thought that increasing the number of people who were continuously involved in the community would lead to its revitalization, but I soon learned that it is also essential to strengthen our local industries and consolidate people, money, and information. It occurred to me that changing Japan's manufacturing industry, in particular, which accounts for about 20% of its GDP, would be the quickest way to accomplish this, and I am now developing and providing specialized cloud services for product development work in the manufacturing industry.



Another reason why I am tackling local issues in Nara prefecture is that Nara is a prefecture with many standard values from a national perspective. Measured in terms of industrial structure, the percentage occupied by the manufacturing industry equals the national average, and the population and geography are also around the median among Japanese prefectures. I consequently believe that if we create a successful model in Nara, we will be able to replicate its operations in other regions.

Takemoto: I have long considered women's employment conditions in Nara Prefecture, where the rate of female employment is the lowest in Japan, to be a major issue. I have the good fortune to live in Nara. In my experience, several women around me who were highly motivated to work have given up their dreams when confronted with the prospect of balancing work and child-rearing, since most jobs of the kind they wanted were in Osaka and the commute would have been too time-consuming. This led me to establish a company in 2022 to develop and market a safe, reliable vegetable-based nutrition beverage that even babies can enjoy. I hope we can contribute to solving the employment issues by letting everyone in Nara know that mothers can also start their own businesses while raising children.

Oniki: I'm working to improve the quality of Nara's tourism industry with the aim of solving such problems as the high number of tourists relative to spending on tourism. This is a difficult challenge that many people have tackled in the past, but my approach will be to start by finding solutions that are deeply rooted in Nara prefecture's rich history and culture. Among specific examples, I established a company in 2023 to plan proposal-based tourism and manage a café. I want to use the knowledge and network I have acquired through this program to make more people aware of Nara prefecture's tourism resources and promote sustainable tourism.

Nishimura: The need to find appropriate ways to respond to inbound tourism and increase tourism consumption represents a particularly pressing challenge for Nara's tourism industry. We believe we can help overcome it by proposing comprehensive solutions that leverage technologies, such as provision of multilingual digital maps and various food maps through our SASSY app, as well as by introducing a digital donation system.



The biggest change that occurred after participating in the Acceleration Program.

Sakai: Entrepreneurs often find themselves in a solitary position, and they sometimes require appropriate feedback and advice from third parties. The program's staff members act as mentors who advise entrepreneurs on growing their businesses in a short period of time. This involves working with them through regular meetings and dialogues to examine and scrutinize their business ideas and new businesses on a hands-on, two-on-one basis. Since this was our first initiative, we'd like to hear your honest opinions of it. What kind of changes have you experienced through the program?

Matsumoto: In our planning and development of products to solve community-specific issues with digital technology, we thought it important to understand the specific needs and challenges of the people who would be using the products. My mentor at Nanto Capital Partners introduced me to a manufacturer who is a business partner of your bank, and the ensuing very meaningful communication led to a concrete path to solving the issues and verifying our hypothetical challenges.

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In terms of my own skills, it was a big change to be able to transform the ideas I had in my mind into a story that can effectively communicate to others, and then incorporate them into presentation materials. I have also become able to structure and articulate these ideas using tools like logic models.

My mentor was especially helpful in providing consultation and feedback when I got stuck, and I'm extremely grateful for the opportunity to work on this program as if we were colleagues in the same company and in the same boat.

Takemoto: In the past, I often felt isolated and anxious about operating a business while raising children. Participation in this program has given me the knowledge and skills I need to solve problems, and the connections it made possible with entrepreneurs have enabled me to take a bird's-eye view of conditions and employ backcasting to consider the best available approaches from a long-term impact perspective.

I had originally chosen to participate in this program in hopes that it would help me to understand the actual issues and needs of the Yamato region and to provide more effective solutions, but I was also reminded how important it is to receive informed third-party advice and to work with local businesses. People like me who are working and raising children at the same time need the support of the local community to make it easier. I encourage others who share my concerns to take the first step by joining the program.



Oniki: Participating in this program not only enabled me to receive advice and support for my business, but it also gave me an opportunity to make contacts with other businesses in tourism-related fields, thus giving me a better perspective and increasing my motivation. I began my business with the idea of providing places for visitors to extend their stays in response to the problem of short stays in Nara, but I'm now equipped to consider various business models from different perspectives. As regards the new business models I am considering, it is easy to validate them in an environment such as Nara, which attracts large numbers of tourists. By quickly repeating this cycle, we aim to take up the challenge of launching a new tourism model from Nara.



Nishimura: My participation in the program has given me a more strategic perspective on our business and enabled me to reaffirm the importance of working quickly. I was also able to develop a clear vision of how my company's services can contribute to solving specific issues in Nara Prefecture. The opportunity the program provided to learn about the initiatives of other businesses we would never have been able to contact on our own and to make actual contact with them helped us to recognize our own strengths from a bird's-eye perspective and to consider how best to make the most of them.

Sakai: Listening to all of you, I am reassured of the positive impact this program will have on the community. Besides supporting new business startups, we need to introduce initiatives to grow their businesses, and we would like to continue to work together with you to solve local issues. We will share the knowledge of challenges and successes we acquire through this program, not only with others in our Company, but also within the Group, in order to increase the number of employees who can nurture and expand as many businesses as possible, and to prepare the Group as a whole to work in unison to revitalize our regional economy.

[Acceleration Program Overview]

The Nanto Success Road Business Plan Commercialization Support Project has established a Startup Category in cooperation with the Yamato Social Impact Investment Limited Partnership for the 10th edition of the program. Among efforts to nurture entrepreneurs, the Yamato Social Impact Acceleration Program has been held since February 2024 to support impact-oriented entrepreneurs who engage in businesses aimed at solving social issues in the Yamato region.

In addition to lectures to communicate the knowledge and skills necessary to solve social issues in the Yamato region as defined in the Yamato Regional Issue Design Map, this program included a two-day overnight camp in Nara prefecture. In April, in addition to attending the regular lectures, the participants toured Nara's temples and shrines, listened to Dharma talks, and stayed overnight at a lodge to deepen their understanding of the history and culture of the Yamato region, as well as to connect with other entrepreneurs.



[Companies selected in 10th Nanto Success Road Startup Division's Acceleration Program]

The business activities of the selected companies are as follows:

Tale Navi Inc.	Inbound tourism business (planning and providing land-based tourism with the mission of converting "tourists" to an "interrelated population")
mashichoi Co., Ltd.	Aojiru health beverage planning and sales (delivering Aojiru, a nutrition beverage born of concern for babies' dietary needs, to mothers with the same concerns)
RelyonTrip Inc.	Development and operation of tourism-related apps (revitalization of the Yamato region using the SASSY tourism and dining app)
IKETEL Co., Ltd.	DX support for manufacturing companies (revitalization of the Yamato region using the "Raction" cloud-based product development support system)

Supporting Customers' Attainment of Prosperous Lives

Basic policy

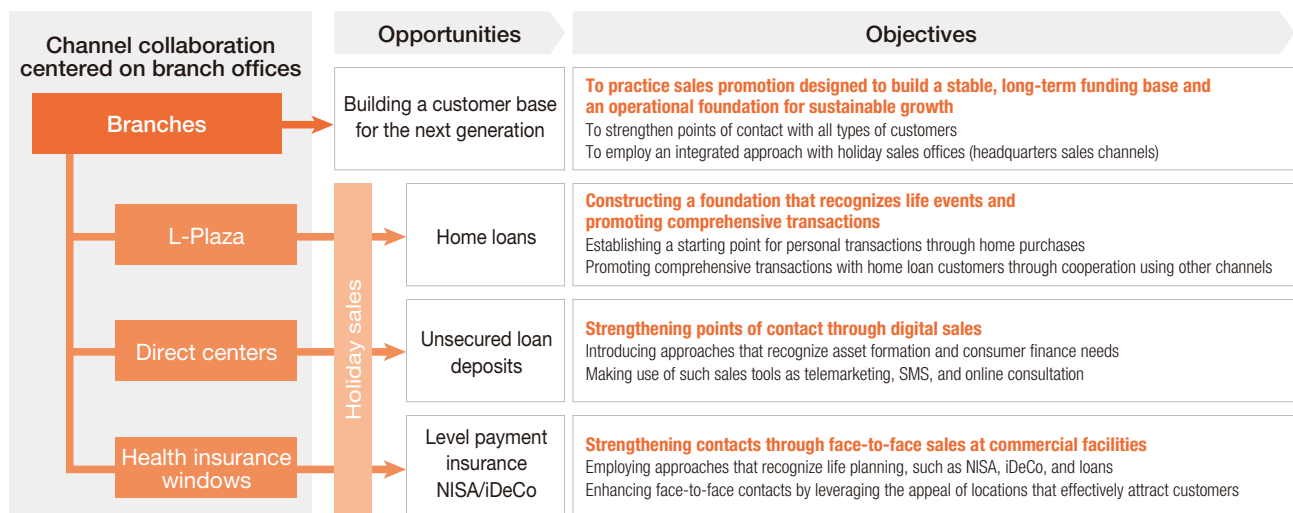
When it comes to customers' asset formation, changes in social conditions, including a falling birthrate and an aging and declining population, have been impacting their lives and financial situations. Today, we are supporting creation of an environment that enables many of them to conduct sustainable, stable asset formation from an early stage.

We are expanding our customer base and helping customers realize prosperous lifestyles by establishing asset-building structures that match the life plans and life stages of individual customers.

Creating opportunities for younger, asset-forming customers

We are building more trusting relationships with customers by creating opportunities for asset formation that reflects their life planning.

Customers pursuing asset formation, especially younger people, are finding it increasingly difficult to conduct business face-to-face with the Bank's staff, however, due to such trends as the accelerating shift toward digitalization. We will work to create asset formation opportunities and build a customer base leading to the next generation through collaboration between our branch offices and various consultation channels that operate on holidays.



Enriching consulting services through the use of NISA

We are working to expand our business base continuously by "enhancing the value of face-to-face" consulting based on customers' life plans and opinions, while also differentiating ourselves from online securities companies.

We are focusing on creating asset-building opportunities, including savings accounts, by employing the new NISA accounts, whose number is steadily increasing.

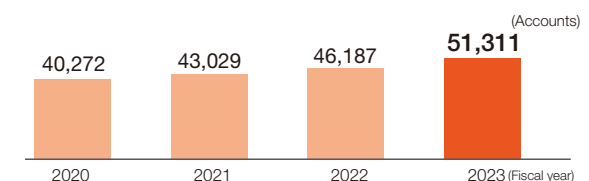
Strengthening local literacy

Seminars hosted by the Head Office and branch offices are held to improve customers' financial literacy.

Organizer	Number of times held	Number of participants
Held at Head Office	20	665
Held at branch offices	59	981
Total	79	1,646

Theme	Seminar title (excerpt)
Asset formation	<ul style="list-style-type: none"> Asset Formation Seminar for New Employees Making smart use of the new NISA system NISA and iDeCo seminars for new employees
Life stage	<ul style="list-style-type: none"> Life planning and savings Basic knowledge of nursing care — Preparing for nursing care with peace of mind
Inheritance and gifts	<ul style="list-style-type: none"> Inheritance measures employing wills Seminar on living wills
Others	<ul style="list-style-type: none"> In-person attendance at "nursing care and donation" seminars

Number of NISA accounts



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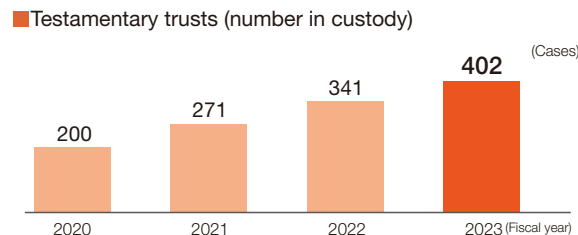
Performance

■ Consulting to resolve issues for high-net-worth clients

We are also focusing on consulting services to solve issues faced by wealthy customers.

The Nanto Bank Group is working as one to solve inheritance- and succession-related issues, beginning with expanding our service offering to meet such needs as “preparing for the era of 100-year life spans,” including dementia and nursing care planning.

Thus, we are working in various ways to resolve issues confronting a wide range of customers, from the young to the elderly.



■ Expanding transactions with customers through home loans

A home purchase is said to be the largest expense in most people's lives and one of the most important events in their life planning. Nanto Bank will strive to expand the number of transactions by strengthening contacts with customers who sign up for home loans and meeting their needs for asset formation in addition to providing home loans* tailored to their needs.

*New products that address local and environmental issues and products designed exclusively for Web applications

New products, evaluation manual revision

Nanto home loan/next

Expanded preferential interest rates for environmentally friendly homes and for new residents of Nara prefecture
Available for costs of family home demolitions and renovations conducted as measures against proliferation of vacant houses in the region



Web application only

Nanto home loans/assistance

Preferential interest rates on unsecured loans to meet financial needs for furniture/automobile purchasing after a home purchase



Expanding comprehensive transactions

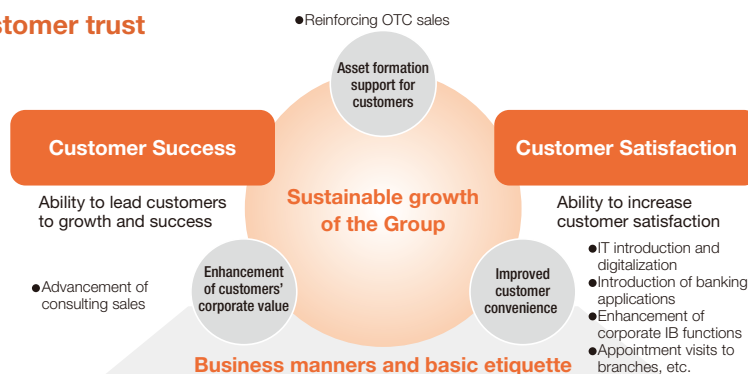
Revised guarantee fee table and evaluation manual

Revision of evaluation criteria in response to changes in the external environment, such as rising housing prices

Business operations to enhance customer trust

For the Group to grow sustainably, it will be important to implement “customer success” to lead customers to growth and success and “customer satisfaction” to enhance customer satisfaction. We are committed to making constant efforts to employ these two CS approaches going forward.

In fiscal 2024, the Group will work as one to reinforce implementation of these two CS initiatives by implementing “plus-alpha” initiatives that exceed customer expectations.



VOICE

Banking transactions are changing as lifestyles diversify, lifestyles change, and the digital native generation continues to grow, making contact with customers increasingly valuable. To provide value that exceeds customer expectations, the Group is focusing beginning this term on two CS initiatives: “customer satisfaction” aimed at improving convenience for customers, and “customer success” contributing to customers' growth and success through asset building and corporate value enhancement.

Among specific examples of these efforts, we have introduced a new banking app and an online consultation service that enable customers to consult on asset formation online on holidays and evenings. Added to this, we are reinforcing our efforts to enhance consulting sales by enhancing our human resources development to resolve a range of issues and meet the needs of customers. We intend to continue reinforcing our consulting sales activities going forward.

We will continue to provide financial services that satisfy customer needs for both face-to-face and remote services. In particular, this will mean further reinforcing our human capital, one of the Group's greatest strengths, and ensuring that all our officers and employees work together to realize “value that exceeds customer expectations.”



Managing Executive Officer, General Manager, Sales Support Dept.

Yoshinori Kurahigashi

Group-wide Support for Customers' Sustainable Corporate Growth

Basic policy

The role that local businesses expect regional financial institutions to play has shifted with changes in the business environment from securing funding to helping them resolve a wide range of business issues.

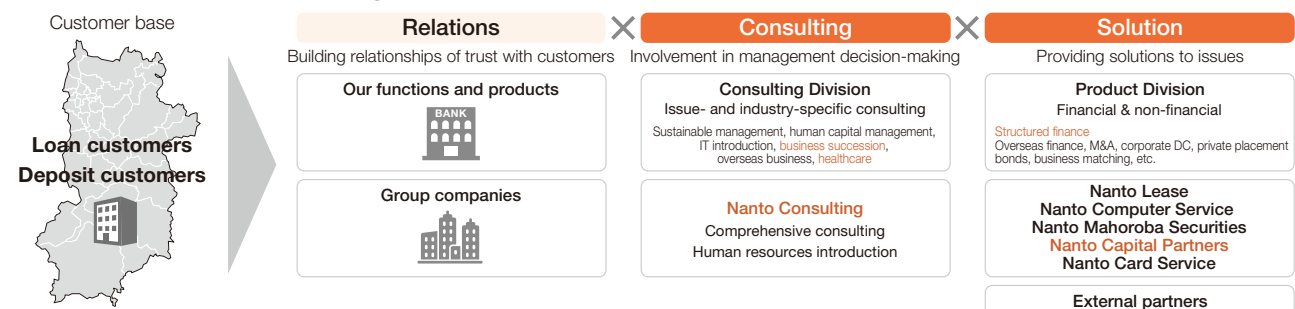
According to "Business Challenges Recognized by Businesses,"* only about 10% of all businesses consider the procurement of facilities funding and working capital to be challenges, and many focus instead on such challenges as securing human resources, acquiring more business partners, and improving their financial condition.

In its efforts solve these diverse issues, the Nanto Bank Group will strengthen its relationships with customers by maximizing use of its capabilities, providing consulting to involve itself more deeply in customers' management decision-making, and offering solutions to their issues.

We believe that these activities will lead to sustainable enhancement of our customers' corporate value and degree of success, while also enhancing our Group's financial and non-financial earnings and improving our ROE. With this in mind, we will continue our efforts to enhance the sophistication of our consulting sales throughout the Group.

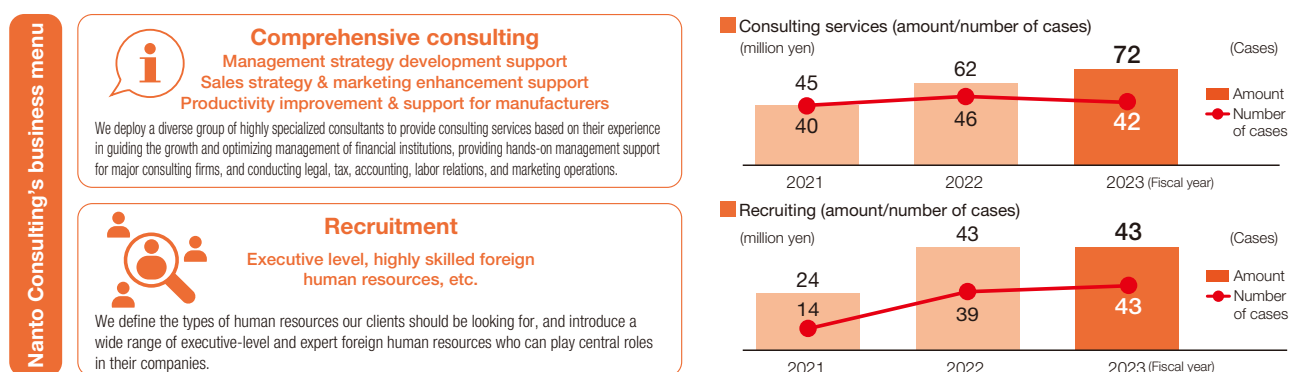
*Financial Services Agency: "Current Status and Issues of Customer Problem-Solving Support by Regional Banks"

Provision of consulting and solutions to enhance customers' corporate value



Advanced consulting practices

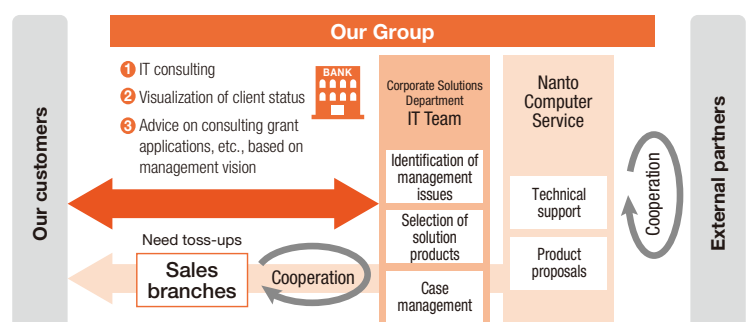
Nanto Consulting Co., Ltd. is a Group company established for the purpose of providing comprehensive solutions to the various management issues facing local customers. We contribute to regional revitalization by helping local businesses solve their management issues through "accompanying and supportive consulting" aimed at realization of their aspirations.



IT support for customers

We provide IT solutions to management issues to help customers realize the image they strive for in their future development and their management vision.

We provide one-stop IT consulting services in collaboration with external partners, including visualization of operations and systems from a bird's-eye perspective and optimal IT solution introduction centered on "strengthening security," "reviewing aging systems," and "improving personnel and labor management efficiency," which are issues faced by many of our customers.



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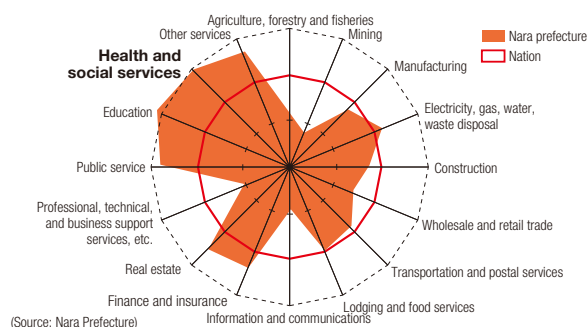


Outlook

Healthcare consulting for medical/nursing care businesses

Medical and long-term care businesses account for a higher percentage of Nara prefecture's GDP than the national average, making them a highly important industry sector. Under these circumstances, medical and long-term care providers are facing issues involving individual events, such as aging buildings and business succession, in addition to trends toward excessive demand for acute care, a shortage of convalescent care, and regional healthcare supply-and-demand problems. In these circumstances, the Nanto Bank Group engages in healthcare consulting with the aim of playing a leading role in providing solutions to regional healthcare issues.

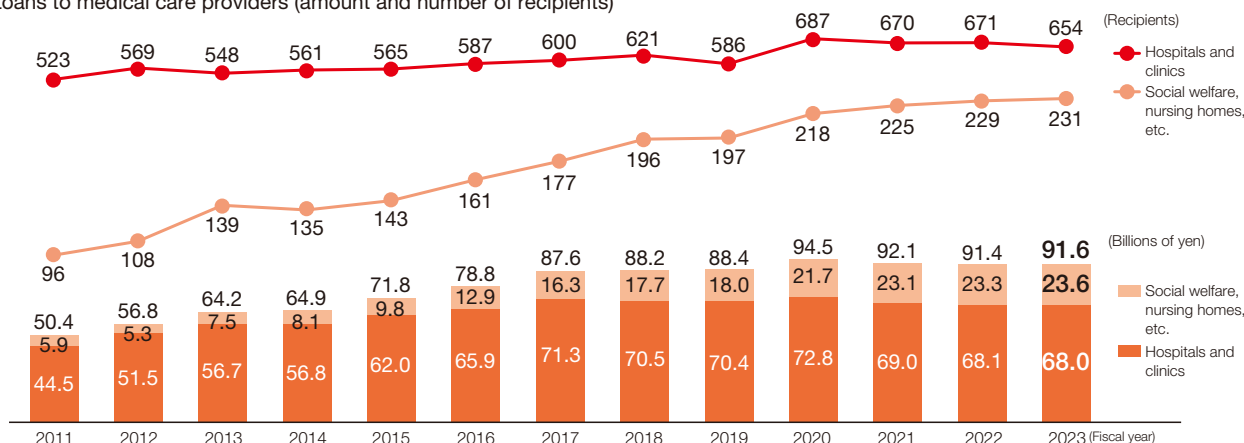
Specific coefficients according to economic activity (nominal)



Healthcare consulting services

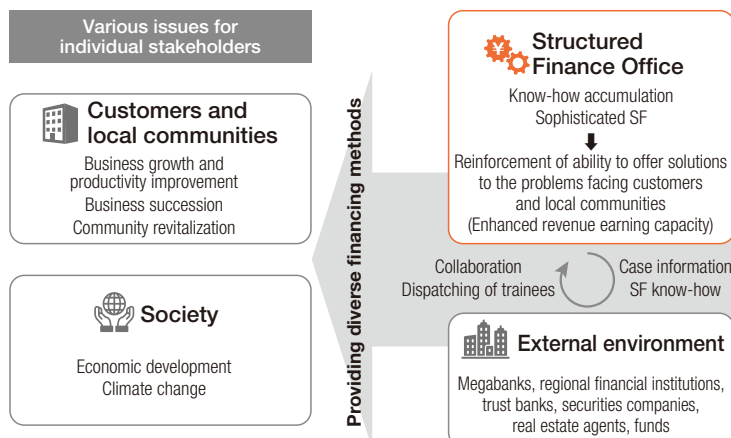
Business constitution	Consulting overview
General hospitals	Management plan and relocation plan development
Dental clinics	Support for opening dental clinics
Clinics	Support for creating operation manuals
General hospitals	Management planning

Loans to medical care providers (amount and number of recipients)

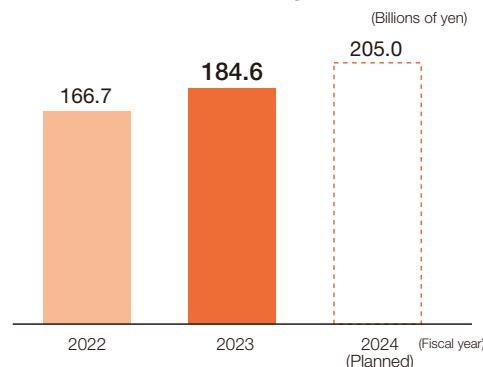


Establishment of a new Structured Finance Office offering a variety of financing methods

The Structured Finance Office was newly established on April 1, 2024. By accumulating and upgrading know-how in structured finance (SF) through collaboration with external institutions and dispatching of trainees, we aim to strengthen our ability to solve problems and earn profits through provision of various financing methods, which is one important way in which the Group adds value.



Structured finance outstanding



Contribution of Consulting Sales to the Group's Earning Power and Corporate Value

We leverage the many strengths of our Group companies to provide consulting and solutions to the various management issues facing our customers, strengthen regional sustainability, and, at the same time, raise the Group's profitability and corporate value.

To facilitate these efforts, Tsuyoshi Sugiura, Director and Senior Managing Executive Officer responsible for the Group's overall sales operations, met with four of the Group companies' representative directors to exchange opinions on the roles of their respective companies in consulting sales to customers and the contribution of each to enhancing the Group's corporate value. The four directors were Yuichi Sugawara of Nanto Consulting, Kazuomi Nakamuro of Nanto Lease, Hidetoshi Nishioka of Nanto Computer Service, and Yuji Matsuura of Nanto Mahoroba Securities.



Group companies' roles in consulting sales

Sugiura: In its efforts to meet the diverse needs of its customers, the Group provides highly specialized services through its member companies, including Nanto Consulting for general consulting and placement, Nanto Lease for various types of leasing, Nanto Computer Service for IT support, and Nanto Mahoroba Securities for asset management.

The companies are working together as an integrated unit to resolve issues through "Know your customers" activities that involve repeated dialogues with management and other means. With the Management Plan scheduled to enter its fifth year when the current fiscal year draws to a close, we feel it behooves us to strengthen our contacts with customers and improve our consulting capabilities further in preparation for the second half of our 10-year Plan.

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With this in mind, please share your insights with us regarding roles, future initiatives, and directions for our Group companies using their strong synergies with our corporate clients.

Sugawara: Some of our regional corporate clients perceive a gap between their current circumstances and the identity they aspire to. Others have not yet drawn a clear path to realizing their future vision. Nanto Consulting's role is to support and accompany these customers as they seek solutions by helping them to realize their ideal image and to chart a path to their envisioned futures. Specifically, we seek to raise clients' corporate value by acquiring an in-depth understanding of their challenges, identifying the true causes of their problems, and proposing the most appropriate solutions.

Many managers do not feel their business is performing as well as they would like but are unable to clarify the problems. Since their management resources are limited, we consider it important to focus on the most important, most pressing issues, prioritize them, and then proceed in close cooperation with the customer after asking, "Why don't we work on solving this issue?"



Nakamuro: Nanto Lease will celebrate its 40th anniversary this December when Nanto Bank celebrates its 90th Anniversary, making us the oldest subsidiary in the Nanto Bank Group. In accordance with the Group's efforts to provide comprehensive financial services, Nanto Lease plays the role of providing leasing services to corporate customers to support their capital investment aimed at improving their productivity.

Our leasing business centers on machinery and equipment leases as well as auto leases, but we have also begun handling building leases in recent years. We are expanding our product lineup further with the addition of instruments such as leaseback agreements to meet customers' diverse needs and help them overcome their various challenges.

Nishioka: Nanto Computer Service formerly did over half of its business on consignment from the Bank, but our focus in recent years has been on providing solutions directly to corporate clients, gradually increasing the weight of this part of our business.



We are also collaborating with outside partner companies in working closely with customers as a familiar IT consultant, while at the same time striving to strengthen our own sales force and improve our ability to provide solutions. Our aim is to reinforce our sales capabilities by constructing a system capable of providing consistent services from upstream to downstream in order to address customers' IT issues rather than relying on system sales alone, starting with consulting and extending to specialized services and other products. We will continue to play a role in the Group by leveraging our knowledge, expertise, and specialization in the IT field to help customers improve their operating efficiency, productivity, and corporate value.

Matsuura: Mahoroba Securities initiated operations in 2019 and celebrated its fifth anniversary this year. The Nanto Bank Group as a whole is working to enhance the sophistication of its consulting sales. Monetary consulting can be broadly divided into four categories: "borrowing," "protecting," "saving," and "increasing. Among these, we are primarily concerned with "increasing" customers' liquid assets. Since the economy has been in deflation for a long time, there has been little difference between the results of the "saving" and "increasing" functions. During the current shift to a world with interest rates, however, we want to assist in the "protecting" aspect as well,

including creation of portfolios capable of coping with rising interest rates and inflation. We are also striving to support corporate owners on two fronts, as managers and as individuals. This involves developing highly specialized staff to respond to a wide range of needs, such as by making provisions for the maintenance and survival of client companies and for their retirement needs.

A particular specialty of our company is domestic and foreign stocks and bonds, which banks cannot offer. We accompany them with the highly specialized investment know-how of a securities firm in hopes of earning the kind of affection they feel for Nanto Bank over the medium to long term, not just the short term.



Reinforcing autonomous management of the Group companies to strengthen their revenue-generating capabilities independent of the parent Bank.

Sugiura: Improving the profitability of the Nanto Bank Group will require the Bank itself to enhance its earning power. The Group companies need to increase the difference between their consolidated and non-consolidated earnings, meanwhile, which means increasing their earnings from outside the Bank's business sphere.

Although the Bank and its Group companies need to work together in a strong, organic manner, the Group companies must also strengthen their autonomous management to free themselves from overdependence on the policies and strategies of their parent.

Sugawara: Unlike institutions in the banking business, Nanto Consulting's business model focuses on the assets themselves, as shown on the left side of the balance sheet, in order to increase clients' corporate value, thereby providing customer satisfaction in exchange for a certain level of compensation for our contribution. Another unique feature of our firm is that we employ a mixed team of professionals who are seconded from banks and hired externally. I myself have a varied history of experience in lending operations at megabanks as well as in risk management, medium-term management planning, governance, investor relations, and other areas at securities companies and operations companies. I am supported by a team of people with diverse experiences, including professionals who have worked for consulting firms for more than 20 years. We will continue to promote autonomous management by drawing on our power to perceive customer needs that finance alone cannot solve and to provide value that banks cannot offer on their own.

Nakamuro: Nanto Lease maintains a particular focus on the field of environmental, social, and governance (ESG) leasing in order to solve our customers' issues and increase our earnings. With demand growing for businesses to combat climate change, customers want to renew their facilities in the most environmentally friendly way possible. We work as a team to support their decarbonization efforts by stressing provision of ESG leasing.



In our collaboration with the Bank, we believe that human resources development and speed are key factors.

Leasing offers various advantages, including lower initial costs, labor-saving in office management, and flexible responsiveness to the risk of equipment obsolescence. Our job is to leverage these

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advantages to provide solutions smoothly, as the banker who referred us has trusted us to do. I believe this is true not only for our company but also for other companies in the Group.

As part of our efforts to strengthen cooperation within the Group, we would like to see more exchanges of human resources between the Bank and the Group companies.

Nishioka: Nanto Computer Service is currently shifting its business focus from Bank service outsourcing to external sales to customers. In the past fiscal year, our external sales division achieved record highs in terms of percentage of sales and actual sales and revenue amounts, and we are seeking to increase these figures further in the current fiscal year. Besides expanding the scope of the solutions we offer, we are reinforcing and upgrading our responsiveness, technological capabilities, and sales force to help customers solve their various IT and DX issues. In terms of collaboration with the Bank, the number of referrals from the sales branches doubled year-on-year in the past fiscal year, and the entire Nanto Bank Group is becoming increasingly aware of the need to address our local customers' IT issues and to provide solutions and means of resolving them. Going forward, we intend to deepen our collaboration with the Bank's IT team further by sharing functions and roles, and to enhance our own profitability through IT consulting and support. We will enhance our presence as a company that undertakes a wide range of customers' IT-related issues and provides solutions.

Matsuura: The regions in which the Group operates are enormously rich in business opportunities. Nara prefecture, for example, is among the top five prefectures in Japan in terms of personal financial assets and home to many cash-rich corporations. The fact that major securities companies are pursuing sales activities in the prefecture shows what an excellent market it is. In this environment, we have an overwhelming share of the credit business, but we have not yet fully exploited the opportunities available in the fields of asset formation and surplus fund management, even though we have had a fairly healthy number of opportunities to do so. Nanto Mahoroba Securities sees this as a business opportunity and hopes to turn it into a profitable business. We do not believe that we are different from the major securities companies and financial institutions in terms of ability to respond to customers' investment needs. I am convinced that the Nanto Bank Group enjoys a particular advantage in terms of knowledge of the proposal contents best suited to customers stemming from its closeness to them, and we intend to leverage the potential this gives us to seize business opportunities and meet the customers' actual needs.

Sugiura: The representatives of the Group companies have spoken about their respective roles, future initiatives, and directions for improving profitability. We believe that if each company leverages its expertise to meet our customers' varied needs and enhance their corporate value, the customers will reap the fruits of our growth, and this will, in turn, enhance our own profitability.

While cooperation between the Bank and its Group companies is itself unchanged from the past, further strengthening of the Group companies' autonomous management will lead directly to an increase in consolidated ROE by expanding the gap between our consolidated and non-consolidated results. We encourage the Bank and its Group companies to play their respective roles with the intention of dramatically improving the corporate value and ROE of the Group 5 or 10 years down the road.



Business Support for Regional Economic Development

■ Basic policy

The various challenges our customers face range from a shrinking working-age population to the need to cope with post-pandemic pricing and high resources costs. We delve into the actual challenges facing them and work in unity as a Group to support their management improvement and business revitalization that goes beyond support for cash management.



Director and Managing Executive Officer
(Officer in Charge, Examination Department)
Ryuichiro Funaki

We maintain close relationships with business owners as if we ourselves were a party to their struggles.

We recognize the needs to support local industries and businesses and contribute to the recovery and growth of the regional economy as critical issues for retention of the Nanto Bank Group's business foundation. This is why we included "promoting regional development" as an objective of the Nanto Mission stated in our Management Plan. Over the past few years, the coronavirus pandemic forced us to focus on providing financial support to shore up customers' available cash flows, including the execution and rescheduling of pandemic-related loans at the request of the government. With the normalization of socioeconomic activities and the termination of government support measures for cash management in June 2024, we recognize that regional financial

institutions will be called upon to provide support for management enhancement and business restructuring that goes beyond cash management—and that this is precisely the time to test the true value of the Nanto Bank Group's consulting capabilities.

In the current fiscal year, we have strengthened our client support systems further by establishing the Management Issue Resolution Project Meeting to enable the Business Revitalization Support Office, a specialized department with expertise in management improvement and business revitalization, and our branch offices to work together to provide "push" support for clients' management improvement and business revitalization at the earliest possible date.

Efforts to achieve management improvement and business revitalization require us to start at an early stage, when the options for improvement are most numerous. When we work on business improvement early, our ability as a financial institution to use such instruments as financial statements and account histories to grasp business conditions at any time enables us to play an important role. We engage in dialogue with business owners proactively by identifying changes in their business situations and discussing the causes of any deterioration with them.

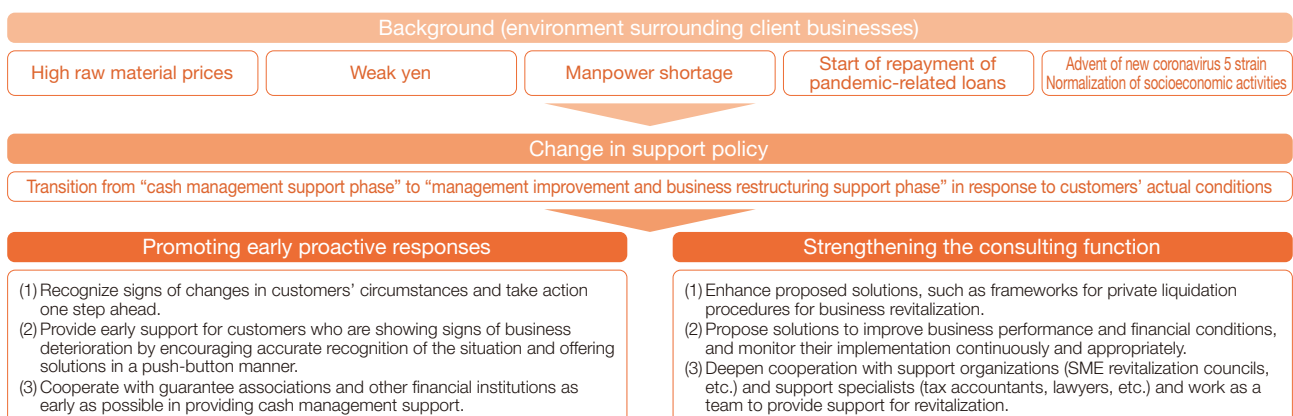
As the future unfolds, we will contribute to the sustainable development of our customers and our regional economy by maintaining close relationships with our business owners, with a shared sense of ownership and a willingness to think about the future of their businesses together.

■ Improvement of customers' businesses — efforts toward business revitalization

With socioeconomic activities normalizing since the coronavirus pandemic, the environment surrounding small- and medium-sized businesses remains challenging due to rising material prices, a weak yen, labor shortages, and the start of repayment of pandemic-related loans. Against this backdrop, regional financial institutions are required to shift their focus from emergency support centered on cash management to support for management improvement and business revitalization tailored to the actual conditions of individual customers.

Early commencement and prompt revitalization are important for management improvement and business revitalization. Many of our customers are aware of the need for management improvement and business revitalization but are unable to take concrete action.

At Nanto Bank, the Business Revitalization Support Office, a division specializing in management improvement and business renewal, engages in proactive activities by sharing issues and providing solutions for businesses that are showing signs of business deterioration.



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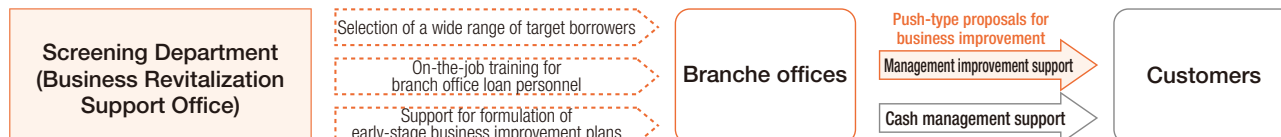
Performance

■ Proactive proposals aimed at business improvement

In April 2024, we established the “Project Meeting for Solving Management Issues” to provide a wide range of support for our business partners.

At the Meeting, we share the management issues faced by our business partners and proactively generate push proposals to solve them.

Management Problem-solving Project Meeting



■ Efforts related to the Guidelines for Management Guarantees

The Nanto Bank Group’s policy on personal guarantees for loans to customers is that “no personal guarantee is required, in principle, except when recommended on a case-by-case basis considering the individual circumstances or when judged necessary for some other reason.” We do not rely on personal guarantees, and we do not require double guarantees from a former manager or successor at the time of business succession.

<Percentage of new loans that do not rely on management guarantees>

April 2021 - September 2021	October 2021 - March 31, 2022	April 2022 - September 30, 2022	October 2022 - March 31, 2023	April 2023 - September 30, 2023	October 2023 - March 31, 2024
66.08%	67.76%	69.15%	70.64%	75.23%	75.60%

Nanto Bank ranked **7th** among regional banks (out of 100 banks / as of end-September 2023): FSA

■ Implementation of the Credit Rating & Self-assessment Trainee Program

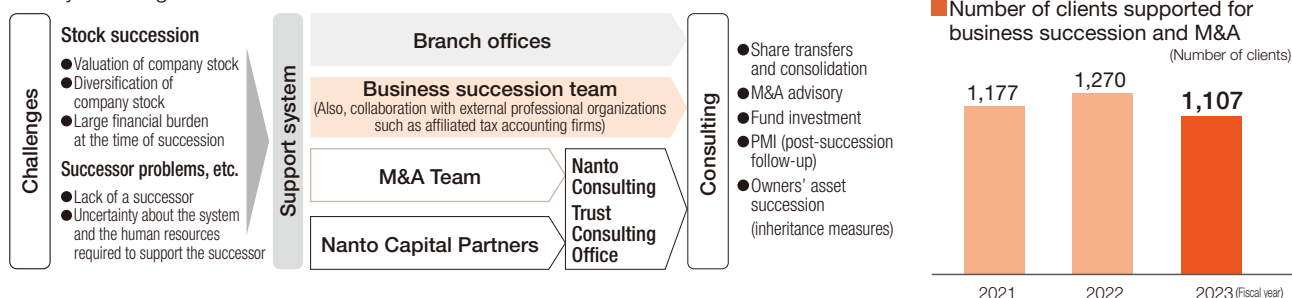
Since April 2023, we have been conducting a Credit Rating & Self-Assessment Trainee Program aimed at early development of young employees. Every half year, about 10 employees in their first or second year with the Bank are dispatched to the Credit Department, where they work intensively at the branches to acquire skills in rating and self-assessment under the supervision of veteran instructors. Through the trainee program, young employees acquire basic skills in corporate screening and business loans, while the sales branches improve their operational efficiency and sophistication. The system is now firmly established.

Results from April 2023 to
March 2024

19 participants (including 9 who
joined the Bank in 2023)

■ Support for customer growth strategies, business succession for business continuity, and M&A

Business continuity is among the most important issues for our corporate clients. The Nanto Bank Group works in close cooperation with owners to provide comprehensive proposals to resolve their business succession issues, while also considering M&A as an option for business succession. M&A is widely used as a management and growth strategy as well as a means of resolving corporate issues. In addition, the Group works in unison to support customers’ smooth asset succession by acquiring an in-depth understanding, not only of their corporate concerns but also of the asset profiles of individual owners, including their own shares, and by resolving issues related to inheritance.



<Nanto> TSUNAGU Fund for business succession

In November 2022, Nanto Bank and Nanto Capital Partners jointly established the Nanto TSUNAGU Fund with specialization in business succession to solve regional issues. We are using the Fund to pursue further efforts to revitalize the regional economy and create a sustainable society by facilitating the succession of businesses in the region, maintaining employment, and supporting initiatives for further growth triggered by business successions.

Building a Portfolio That Ensures Stable Yields

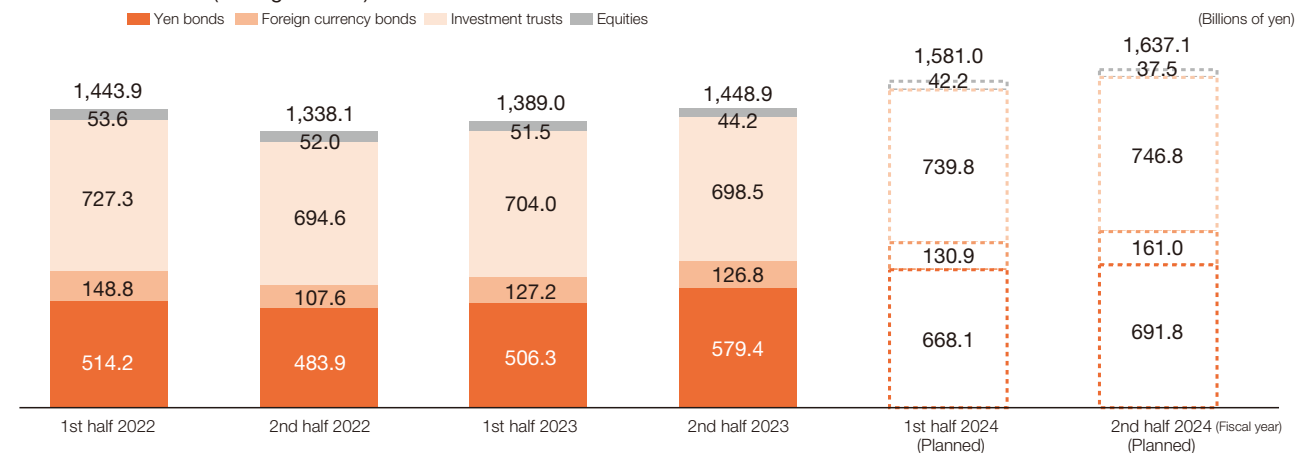
Basic policy

We will focus on stabilizing our periodic earnings and generating unrealized profits by investing in assets that can produce highly reliable earnings and diversifying our sources of earnings.

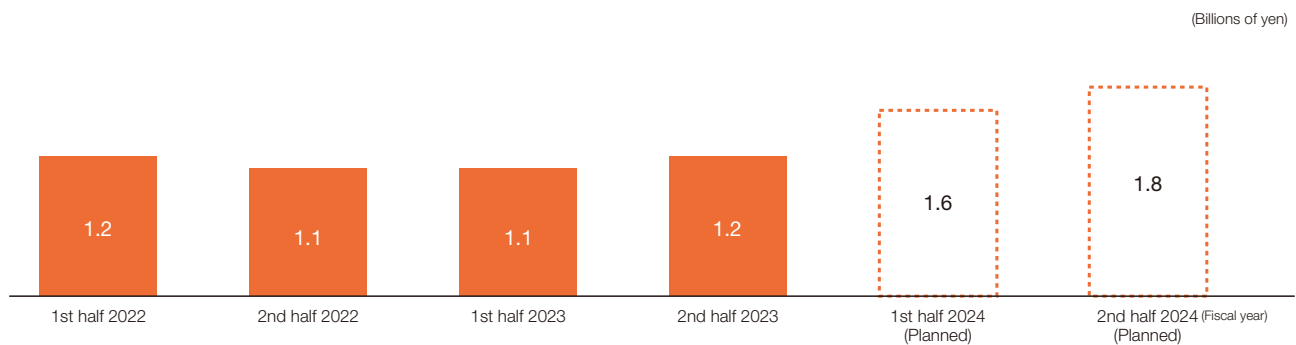
<Major measures for FY2024>

- (1) Restructuring our bond portfolio ➡ Secure income by building a laddered portfolio of yen-denominated bonds.
- (2) Rebalancing mutual funds ➡ Stabilize income over time by replacing performance-distribution mutual funds.

Securities Portfolio (ending balance)



Income (interest on yen-denominated bonds)



VOICE

To compensate for the decline in interest income due to the prolonged formerly prevailing low interest rate environment, we have worked to diversify our sources of income while drawing on outside expertise and resources. As a result, we have increased the number of performance-distributed assets whose interest income fluctuates according to investment performance, creating a portfolio whose term income is subject to impact from changes in the market environment.

Under these circumstances, the Bank of Japan's revision of its large-scale monetary-easing policy has brought about a "world with interest rates," with a resulting increase in the attractiveness of yen-denominated bonds as investment instruments that can be expected to provide reliable, stable interest income until maturity. We are promoting the replacement of yen-denominated assets with yen-denominated bonds from a medium- to long-term perspective in order to stabilize earnings in the market segment.

Although investing in yen-denominated bonds during a period of rising interest rates brings with it a risk of deterioration in valuation gains/losses and shrinkage of margins, we intend to build a sound portfolio with diversified "assets," "regions," and "times" through extensive diversification of the investment periods and terms as well as through incorporation of domestic stocks and overseas assets, which can be expected to move differently from yen-denominated bonds.

In future, we will continue to work toward further stabilizing our earnings by carefully monitoring the ever-changing market environment, including economic conditions, monetary policy, and geopolitical risks.



General Manager, Market Management Dept.

Hideya Nagahama



Governance

Business
modelRisks and
opportunitiesStrategies
and resources
allocation

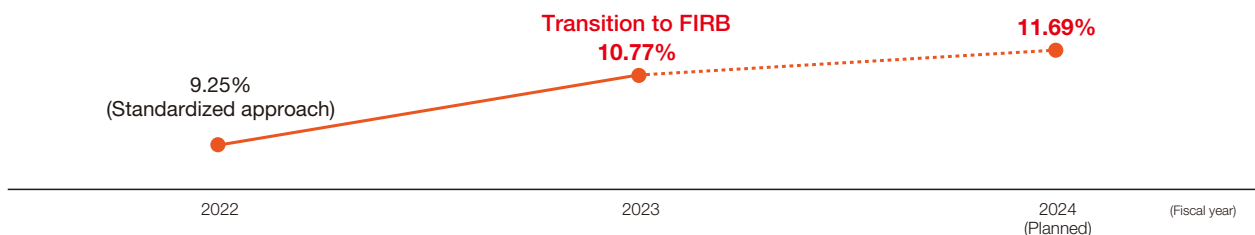
Performance



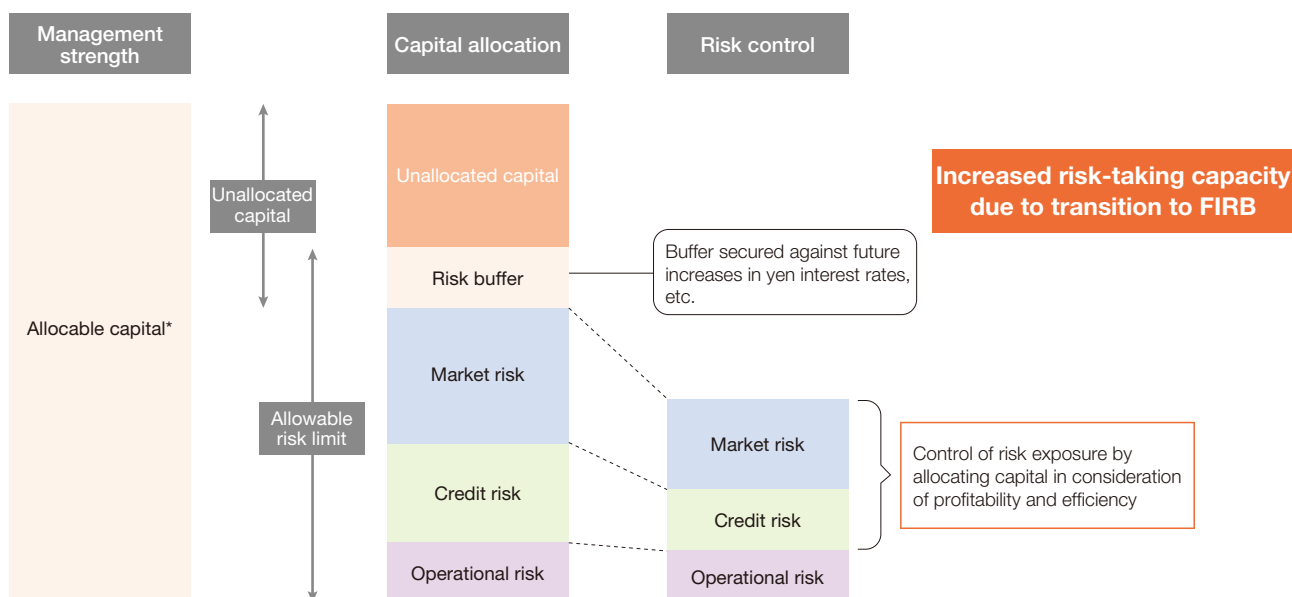
Outlook

■ Appropriate, flexible risk control

■ Capital adequacy ratio (consolidated)



■ Capital allocation to ensure soundness and risk control



*Distributable equity capital includes unrealized gains on securities.

VOICE

With the approval of the Financial Services Agency, we switched to the Fundamental Internal Ratings Based Approach (FIRB) for measuring credit risk and began applying it in the calculation of our capital adequacy ratio as of March 31, 2024. We will continue our active efforts to contribute to sustainable development of the region by taking advantage of this added capacity.

In addition, the environment surrounding financial institutions is set to change drastically as the long-running monetary easing policy reaches a turning point. The Bank employs stress tests and other measures to perform multifaceted scrutiny of the impact of future interest rate hikes on its management. It also conducts appropriate capital management to respond to anticipated risks, such as by installing buffers to protect against the risk of interest rate hikes at the time of capital allocation.

We expect earning opportunities to expand as interest rates rise, and we plan to further improve our earning capacity by engaging in aggressive risk-taking. On the other hand, we expect valuation gains and losses on yen-denominated bonds to deteriorate, and we are responding with flexible risk control measures in order to improve our profitability and soundness. We intend to continue these efforts to enhance profitability and soundness through appropriate application of flexible risk control.



General Manager, Risk
Management Department
Masanori Koyanagi

Initiatives Applying Digital Technologies

With the rapid progress of digitization, digital technology has become the tool of choice for realizing Nanto Bank's Management Plan, "Nanto Mission and Objectives for the Next 10 Years." We will fulfill our mission as a regional financial institution by contributing to the resilient, sustainable development of our regional communities through the use of cutting-edge technologies and data applications to help our customers solve problems and grow their businesses.

■ Recognition of the environment and purpose of initiatives

The Nanto Bank Group's customer needs have been diversifying against the background of a shrinking market resulting from a declining birthrate and aging population and a changing business environment resulting from the entry of various other business sectors into the banking industry. Customers' emerging needs include a critical need for transactions that are not restricted by time or location, for example, and the Group was quick to realize that the best way to respond to them is by providing value through the use of advanced new digital technologies. We are going beyond this, however, by undertaking comprehensive reforms, including an overall review of our business procedures.

Digitalization & review of business procedures



We evaluate the ideal business model from a "zero-based" perspective, review the **fundamental** workflow, and then implement reforms using digital technologies.

<Overview of initiatives>

Reinforce customer loyalty

Provide superior CX that exceeds customer expectations by leveraging the latest technologies and data.

Creating superior CX



Online mortgage loans



Banking App



IT support consulting

Reinforce contact points with customers

Improve productivity with location-free smartphone-based operations and focus on customer service.

Improving bank productivity



Remote access App



Receipt App



Activity support App

Advanced data implementation



Data integration platforms

Data accumulation, analysis, and implementation

Building an environment for customer-driven marketing and data-driven management



Groupware renewal



Enhanced security and governance



Distribution of smartphones to every employee, extension system



Building a foundation for digital human resources development

Establishing infrastructure and human resources to support change

Achievement of both convenience and security

Development of infrastructure, security, and human resources essential for implementing various measures

Business
modelStrategies
and resources
allocation

Performance

Creating superior CX

To respond to our rapidly changing business environment and the diversifying needs of our customers, we seek to increase customer loyalty by creating superior CX through such means as freedom from the need to visit the Bank, in principle, and promotion of digitalization throughout our region.

Online mortgage loan service <introduced December 2022>

We also now provide a digital channel for mortgage loans that allows customers to complete the processes from application to screening remotely, thus creating an environment in which customers who are considering home purchases can consult with us at their convenience. We are currently reviewing the items that must be entered when applying for a mortgage loan to make the application process easier and less stressful for customers, and we intend to continue our efforts to enhance the service in the future.



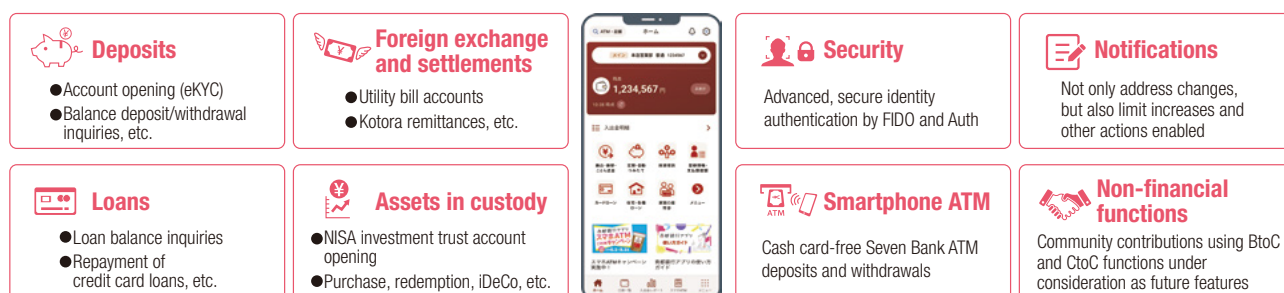
New Nanto Bank App <introduced April 2024>

As customer needs have diversified, Nanto Bank has faced the challenge of developing digital channels to strengthen its relationships with its customers, especially the younger and asset-building segments. We responded by introducing a banking app in April 2024 that allows customers to access the same services as at the bank counter, comfortably and safely from their smartphones wherever they happen to be.

The new Nanto Bank App provides a wide range of customers with excellent CX by enabling banking transactions 24 hours/day 365 days/year. In addition to simple, intuitive operation, the app protects customers' valuable assets with such cutting-edge security features as Auth authentication using facial recognition for the first time among regional banks, in addition to FIDO authentication, to realize ID and password-free banking and prevent identity theft. The new system also employs leading-edge technologies to achieve both a superior UI and a high level of security.

In other developments, we responded to customer requests by adding the Mahoroba branch to our list of main accounts in May. This was followed in July by efforts to upgrade our products in a short period of time, including the addition of a Family Account Inquiry function that enables family members to share account balances and other information. Going forward, we will continue to implement and optimize a variety of functions that make our customers' lives more convenient as an urgent concern, taking into account customers' opinions and requests, with the aim of winning more fans among the Bank's customers.

Introduced April 2024 140,000 downloads recorded in first 2 months



Intuitive, easy-to-understand UI and excellent CX eliminating need to visit Bank branches, in principle

Transactions available anytime, anywhere, 24 hours/day, 365 days/year

Goal of increasing the Bank's fan following

Digitalization consulting <introduced April 2024>

At a time when many of our regional corporate customers are seeking to solve problems and build sustainable profit structures through digitalization, a shortage of digitally literate human resources has become a social issue in Japan.

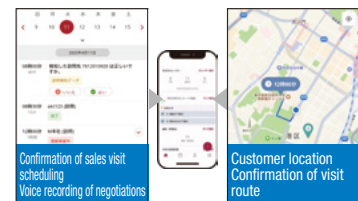
Nanto Bank has responded by forming a dedicated team to support its regional corporate customers' digitalization efforts. Promoting digitalization of the corporate sector is an important initiative that will help to enhance the digital literacy of their employees and raise the level of digitalization throughout the region as a whole, contributing to increased productivity throughout Nara Prefecture.

Enhancing productivity at the Bank

We aim to fortify our contact points with customers by drastically improving productivity at the Bank through a comprehensive review of our business procedures and creation of an environment that permits staff to work location-free, conducting operations with a smartphone “in the palm of their hands.”

Activity Support App <introduced August 2023>

The new Activity Support App employs seamless linkage with CRM to enable sales staff to make effective use of their spare time by permitting confirmation of appointment times and entry of negotiation records anywhere, anytime with their smartphones, for example, procedures which were previously possible only with a PC. Other features include voice input of negotiation records, GPS visualization of activities, map display of customer locations, and route guidance to destinations, all of which contribute significantly to improving the productivity of external relations activities.

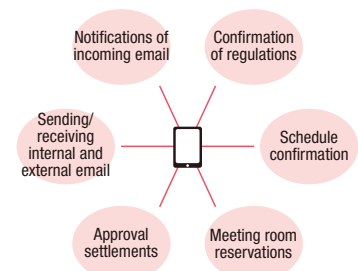


Remote Access App <introduced October 2023>

The Remote Access App has made a significant contribution to the Bank's productivity by enabling employees to complete their work without leaving the premises.

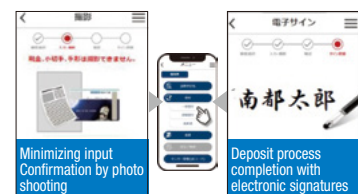
This new app enables access to internal systems from outside the Bank, and allows users to check schedules, send/receive internal/external e-mails and new notifications, check internal regulations, reserve meeting rooms, and more, all with a smartphone.

We will continue to expand the number of operations that can be completed by smartphone to further promote operational efficiency and create an environment that allows us to focus on customer service and planning.



Receipt App <introduced February 2024>

Our new Receipt App has dramatically reduced the time required to receive properties in custody from customers, a process previously completed on paper, by fully digitalizing the process and fundamentally revising the flow of operations, freeing us to spend more time meeting with customers. The time spent on data entry at the time of deposits is kept to a minimum, and the deposit process is concluded by taking a photo and signing electronically. GPS is used to record the date, time, and location of deposits, moreover, to prevent the occurrence of fraud and other problems.

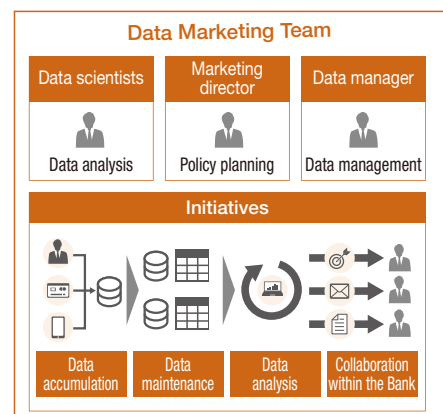


Evolution of data usage

The Bank is moving to promote services that meet customer needs for data-driven management by constructing an integrated data platform and conducting data-based, customer-driven marketing.

Data Integration Platform <introduced February 2024>

The application of various types of data is at the core of all manner of measures and solutions, including logical decision-making. The Bank has formed a Data Marketing Team and built a Data Integration Platform to enhance the sophistication of its data usage by enabling accumulation, maintenance, and analysis of data in the cloud. We are currently constructing and testing a model utilizing AI with the aim of integrating data with employees' on-site experience in order to conduct customer-driven marketing and promote efforts to provide services that meet customer needs.



Business
modelStrategies
and resources
allocation

Performance

Development of infrastructure and human resources to support transformation

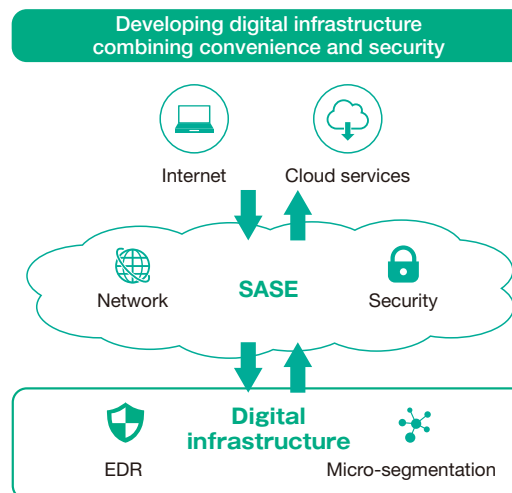
We are developing convenient, secure digital infrastructure that can respond to the threat of cyber-attacks, while training digitally literate staff who understand the latest technologies and their effective use.

Digital infrastructure and security

We are working on development of digital infrastructure combining convenience and security.

We are working to develop convenient, secure digital infrastructure. In light of the recent trend toward intensified threats of cyber-attack, the Bank plans to introduce cutting-edge security measures incorporating elements of the Zero Trust Model, which does not rely on conventional perimeter defense security, in the Bank's system renewal scheduled for introduction in 2025. Introducing SASE, EDR, and micro-segmentation will establish a safe, convenient environment for employees when they access the Internet and cloud services, further enhancing protection of our customers' information assets and providing them with greater convenience.

We are also implementing every imaginable security measures for use of smartphones, which we have distributed mainly among our sales staff but which we intend to distribute to all our executives and employees in March 2024. Then, in August 2024, we will integrate PBXs employing smartphones as handsets into our telephone systems and reduce our use of fixed-line telephones. This will eliminate unproductive phone calls and improve customer convenience.



Strengthening Group-wide governance

The Nanto Bank Group is implementing such effective security measures as cyber-attack drills and targeted e-mail training Group-wide. We have also established unified standards for our security and risk-assessment systems and undertaken to strengthen the governance of the Group as a whole.

Digital human resources development

Promoting reforms making full use of the latest technology and data requires digitally literate personnel. We have been conducting digital seminars for all our officers and employees and digital training for our younger staff since February 2024 to educate them all on the importance of digital literacy for conducting banking operations. We are steadily laying the groundwork for development of digital human resources by making the acquisition of IT Passport certification mandatory for promotion when we revise our personnel system in April 2024.

VOICE

Leveraging digital technology to create a vibrant future in cooperation with our regional communities

Digital technology has the potential to create services that provide superior CX, enhance customer convenience, and support the affluence of our local communities.

Based in Nara, an ancient city with a rich history, we are working to create a new style of CX and enhance the Bank's productivity by deploying leading-edge digital technologies, including data services, AI, and cloud computing, to meet diversifying customer needs, while carefully preserving "unchanging essentials" under the keywords "zero-based" and "radical." We are also working to promote digitalization of the region as a whole by developing applications with friendly user interfaces and supporting the digitalization of our local corporate customers.

The Group will continue to meet the demands of digital technology deployment to realize a prosperous community brimming with customer happiness and vitality, and will work together with its customers to create a bright new future.



General Manager, IT Strategy Dept.
Kazuhide Hayashi

New Nanto Bank App Establishes New Customer Contact Points

In April 2024, we introduced the Nanto Bank App, a banking application that permits customers to access various banking functions on their smartphones without visiting a branch.

Naomichi Yoshiki, President and Representative Director of SBI Neo Financial Services Corporation, who assisted in development of the application, and Koji Honda, Director and Managing Executive Officer of the Nanto Bank, exchanged views recently about the purpose of introducing this application and its future prospects in these times of significant change in the lifestyles and needs of our customers.



Introduction of a new application to reinforce contacts with customers

Honda: In an era in which virtually every individual now owns at least one mobile device, smartphones have become an indispensable part of everyday life. As customers' behavior changes centered on their smartphones and the competitive environment becomes more intense with entry into the financial services market of Internet-only banks and FinTech companies, we are responding by reviewing our sales structure, including our branch and personnel allocation.

At the branches, we are systematizing and centralizing administrative work to increase the time we spend interacting face-to-face with customers, while for members of the younger generation and other customers who have a strong preference for online transactions, we are reinforcing our contact points by making the same services available on smartphones as at the actual service counter. We have responded by releasing the Nanto Bank App, developed in cooperation with SBI Neo Financial Services Inc.

Organizational
overview and external
environmentBusiness
modelStrategies
and resources
allocation

Performance

The new app combines security with convenience by introducing a variety of cutting-edge technologies to provide the safe, secure, convenient services our customers have been asking for.

Yoshiki: As evidenced by the growing market penetration of Internet-only banks, especially among younger customers, there is a pressing need for non-face-to-face channels such as the Internet and online apps that exclude face-to-face contact. We are convinced that all your current service counter transactions will be available online in the future. Against this backdrop, we believe that by releasing this app to supplement the primary financial services the Bank offers, you have established a foundation to meet the needs of your increasingly digitally oriented customers.



At the same time, I believe that your Bank with its extensive network of branches can fully demonstrate its strength to customers who want to continue inperson consultations by combining digital and interpersonal services.

As concerns the security of the application, customer demand for impenetrable security is increasingly high amidst the increasing threat of unauthorized use. The app is equipped with state-of-the-art authentication functions centered on biometric and facial recognition that meet the need for safety and security people expect from Nanto Bank.

Honda: With the number of customers visiting our branches trending downward, the app is an essential tool for strengthening relationships and reinforcing our points of contact, especially with younger customers. At the same time, the Bank intends to review its business procedures to encourage customers who are able to visit our branches to focus on inperson consulting and consultation services, in addition to transactions they conduct using the app, thereby transforming the role of the branches.

Based on our fundamental belief that our most important responsibility as a bank is to manage our customers' assets safely and securely, we have thoroughly reinforced the security of the app. We will continue to maintain the highest level of security while pursuing convenience in the future.

We listen to customer feedback and respond promptly

Honda: We are extremely grateful that the number of downloads of the new app exceeded 100,000 within two weeks of its release on April 1, 2024. On the other hand, we were unable to keep up with the immense number of applications we received, and it took us 10 days to complete the application process under these temporary conditions. We deeply regret any inconvenience caused to the many customers who downloaded the application immediately after its release. We are still receiving new posts reviewing the app daily, and the many valuable comments provide us with new insights to use as references for our future endeavors.

Yoshiki: The Nanto Bank app became a hot topic among Japan's regional banks and throughout our industry, as the number of downloads increased in such a short period of time after its launch, thanks to advertising combining digital and analog approaches and campaigns conducted in collaboration with other companies.

But our customers have widely diverse needs. Because this made it difficult to develop an app that met 100% of customers' needs at the time of its release, it is important to continue to modify it steadily in response to diverse needs. The Nanto Bank app is still in its early stages of development, and we want to participate in its growth by considering the kinds of functions to be added in the future.

Honda: Yes, I agree. Since its release, we have been progressively releasing upgraded versions to meet customer requests. In June, we made some changes to the UI, and in July, we introduced a new

Family Account Inquiry function. This function was quickly enhanced in response to customer requests for an ability to share account balances and deposit/withdrawal details among family members, for example, to manage a family account with a partner, or to monitor the accounts of children or parents who live separately.

Yoshiki: It is of course necessary to increase the number of customers downloading our apps, but we place the greatest importance on encouraging high numbers of customers to continue using them. This requires us to respond quickly to customer feedback and implement improvements without changing the original concept and theme. I believe that our customers will also appreciate our prompt responses.

To be the bank of choice for customers

Honda: At present, we believe that most of the financial functions appropriate to the apps have been installed, but we plan to enhance these functions further with the aim of enabling customers to complete all their non-cash transactions and inquiries using the app. We also plan to enhance the app's convenience for daily life by linking it with non-financial activities.

We introduced a data integration platform in July, and we are currently engaged in development of an analytical environment, including development of models that utilize AI. In the future, we hope to analyze data collected from the apps and other sources to provide services and information that respond accurately to customer needs.

As digital technology evolves and customers' needs diversify, we can no longer be chosen as the main bank solely based on the fact that we have a nearby branch. To be chosen, we need to deepen our knowledge of our customers and continue to provide services that meet their needs.

Yoshiki: The new app features a push-notification function for customers. We believe that this function will enable us to draw on accumulated data to send timely notifications from smartphones with information reflecting customer needs in much the same way as we make proposals to customers who visit the branches. From the customer's perspective, there is immense value in the ability to receive the same information and proposals on their smartphone as they would at the service counter without actually visiting branch. This app also offers impressive scalability stemming from the possibility of combining elements.

Honda: Providing services via an app is essential for maintaining contact with members of the younger generation and customers who have moved out of Nara prefecture for work or other reasons but want to continue to use their accounts.

We should add that we expect "inheritance" to become a key word in connection with the importance of deposits in the coming world with interest rates. The generation that will receive inheritances matches this app's primary target group.

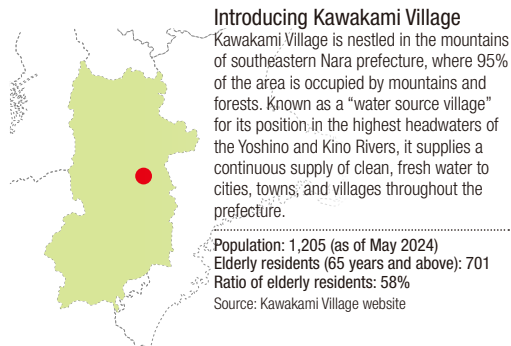


In order to secure our contact with this generation, we are deepening our customer relationships by combining face-to-face communication centered in our branch network, which is a special strength of a regional financial institution, with online services provided by the app in an effort to become the bank of choice for our customers.

In this context, we would like to collaborate with your company as a business partner with ties extending beyond the development of this app. We look forward to a continued active exchange of ideas and discussions.



DX that leaves no one left behind ~Solving Issues in Depopulated Areas~



MAP: Kawakami Village commercial facilities



Kawakami Life supports the lives of depopulated area residents

Kawakami Life conducts various initiatives to support the lifestyles of the area's aging residents, including operation of the Kawakami Life-Go mobile supermarket, which provides a lifeline to the village residents who do not have a supermarket in their village by selling fresh food and daily necessities from a truck.

Cashless solutions for depopulated areas

As an investor in a start-up fund managed by our Group member company Nanto Capital Partners Co., Ltd. and Kawakami Village, the Bank has started a "cashless demonstration experiment" in cooperation with KAERU Co., Ltd. in Kawakami Village involving a prepaid card service with a Mimamori function.

The card, which can be used to shop at the Kawakami Life-Go mobile supermarket, is linked to the cardholders' accounts at financial institutions, thus reducing the hassle of cash management by eliminating the need to travel to a distant bank ATM every time they make a purchase. This is just one way the Bank contributes as a regional financial institution to improving the convenience of residents' lives.



Roles played by the Nanto Bank Group

To provide cashless access to elderly customers who do not have a financial institution or ATM nearby

To reduce the risk involved in managing cash at home



Providing convenience and creating communication among local communities and families

Kawakami Life engages in a variety of initiatives to communicate with local residents and support their lifestyles. We believe that this recent demonstration experiment conducted with Nanto Bank is consistent with our goals, since it is contributing to adding convenience to the lives of residents in an aging community with limited means of transportation. Looking ahead to the next generation, we are considering the introduction of smartphone payments as part of efforts to advance our cashless services further.



General Incorporated Association Kawakami Life Executive Director
Masaki Miyake

User's remarks

Even after the arrival of the mobile supermarket in our village, we had to visit a bank ATM in a distant location to withdraw cash for our purchases. Now that I am able to conduct cashless transactions with a prepaid card, life is a lot easier, since I don't have to make so many trips to the ATM to get cash. Best of all, I no longer have to take money from my wallet every time I make a purchase. I hope to see this service continue in the future.



Kawakami Village
Mieko Kaminishi

User's remarks

I used to carry large amounts of cash for shopping and count the change to make sure I didn't receive too much. Now, all of that fuss has been eliminated. All I have to do is take out my card, which is a lot more convenient. I think the change is good for both parties, since the store staff are also freed from counting change and taking money in and out of the cash register.



Kawakami Village
Junko Nakahira

Advanced Risk-Return Management

Enhancing the Bank's risk-return management

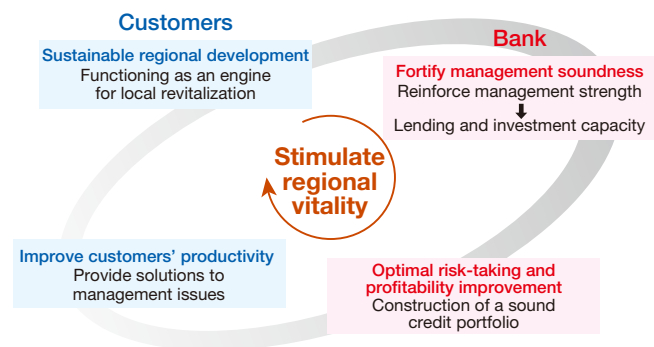
Nanto Bank's capital adequacy ratio has improved with its transition to the Fundamental Internal Ratings Based Approach (FIRB). Going forward, it will strive to enhance both its financials and its soundness by increasing profitability while engaging in appropriate risk-taking.

Acquisition of Fundamental Internal Ratings Based Approach (FIRB)

In March 2024, the Bank changed its capital adequacy ratio calculation method from the Standardized Approach (SA) to the FIRB approach.

FIRB is a method of calculating capital adequacy ratios more appropriately by measuring the credit risk associated with loans and other assets using a bank's internal rating system.

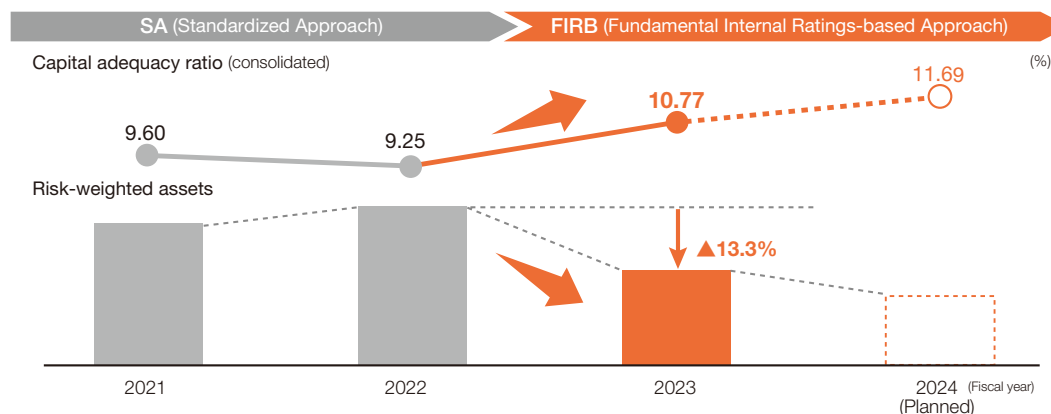
Building up a sound credit portfolio through optimal FIRB-based risk-taking will enable us to reinforce our internal control systems and contribute to sustainable regional development.



Blancing profitability and soundness

The capital adequacy ratio (consolidated) for FY2023 increased to 10.77% due to a decrease in risk-weighted assets of approximately 13% following the transition to the FIRB approach. Furthermore, we expect the ratio to rise to the 11% level, which we consider a reasonable level, in FY2024.

Going forward, we will work to improve RORA (Risk vs. Return on Assets) as we advance the sophistication of our risk/return management with the goal of improving both our profitability and our soundness.



Advanced risk/return management

$$\begin{array}{ccc}
 \text{RORA} & = & \text{ROE} \times \text{Capital adequacy ratio} \\
 \frac{\text{Profitability}}{\text{Risk assets}} & = & \frac{\text{Profitability}}{\text{Capital adequacy}} \times \frac{\text{Capital adequacy}}{\text{Risk assets}}
 \end{array}$$

Improvement of RORA (Risk vs. Profitability)

- Deepen understanding of business conditions and actual status of business partners
- Ensure appropriate pricing in light of rising interest rates
- Improve credit ratings by enhancing corporate value and supporting business improvement
- Raise service revenues through expansion of comprehensive transactions



Governance

Business
modelRisks and
opportunitiesStrategies
and resources
allocation

Performance

Reduction of cross-shareholding and implementation of shareholder returns

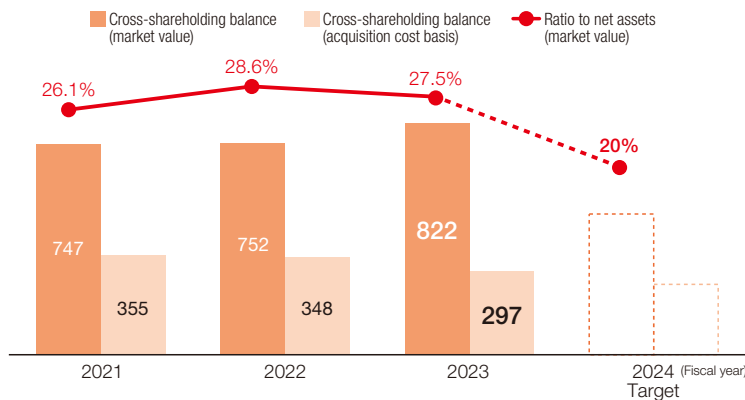
■ Reducing cross-shareholding

As a regional financial institution, the Bank will hold only a limited number of shares in companies whose shares it has a policy of holding in order to contribute to the sustainable growth and maintenance and improvement of the corporate value of the client company and the Bank itself. We will sell these shares only after sufficient dialogue with the client company from the perspectives of such factors as controlling stock-holding risk and capital efficiency.

Although their market value balance increased last year in an environment of rising stock prices, the number of stocks held and the balance based on acquisition cost have decreased steadily, and the ratio to net assets has declined to 27.5%.

We are well aware of the market's demand for a reduction in cross-shareholding and will reduce the ratio to net assets to around 20% this fiscal year.

■ Cross-shareholding (balance & ratio)



Policy on reduction of cross-shareholding

Reduce the ratio to net assets (consolidated) to about 20% by the end of March 2025.

Q Questions from investors

- Do you think it is possible to achieve the target for reducing cross-shareholding?
- How do you plan to use the cash generated by the sale of your cross-shareholding?

A Nanto Bank responses

- We have reached an agreement to reduce the value of our cross-shareholding by approximately 90% of the amount required to lower it to 20%, a goal we expect to reach by the end of FY2024. Meanwhile, we are negotiating an agreement regarding the remaining 10% with our investee companies.
- The funds generated from the sale will be allocated for use in forward-looking strategic investments, such as the construction of the new Main Building and investments in IT.

■ Shareholders' returns

As concerns returns to shareholders, the annual dividend per share for the last fiscal year was 114 yen, up 1 yen from the previous year, and we plan to increase the dividend per share by 9 yen to 123 yen for this fiscal year.

As announced in May 2024, moreover, we will repurchase a total of 1 billion yen of our own shares in the current fiscal year.

As a result, the total planned return ratio is about 38%, and we will continue our efforts to return profits to shareholders and improve our capital efficiency.

Dividend per share / dividend payout ratio				
Dividend per share	110	113	114	123
	(yen)			
Year-end	70	73	74	63
Interim	40	40	40	60
	FY2021 actual	FY2022 actual	FY2023 actual	FY2024 planned
Dividend payout ratio	30%	76%	30%	30%
			(Percentages are rounded off)	
Total return ratio	31%	110%	30%	38%

Shareholders' return policy

Maintain a stable dividend of 80 yen per share, while aiming for a dividend payout ratio of 30% of net income attributable to shareholders of the parent institution.

Share buyback (announced May 10, 2024)

Total repurchase price

1 billion yen (maximum)

Total number of shares to be repurchased

450 thousand shares (maximum)

Repurchase period

May 13 to July 31, 2024

Method of acquisition

Purchase on the Tokyo Stock Exchange

Q Questions from investors

- Companies are working in growing numbers to strengthen their returns to shareholders. What are your thoughts on returns to shareholders going forward?

A Nanto Bank responses

- We plan to increase our returns to shareholders to reflect our growth in profitability when we introduce our revised Management Plan in fiscal 2025, and we are now considering the appropriate level of returns to set at that time. We will disclose our new policy as soon as it is finalized.

Corporate Governance

We believe that the basis for governance is a constant pursuit of the best possible way to maximize the value we offer all our stakeholders in order to achieve the Nanto Mission's goals and to play an indispensable role in regional development.

■ Corporate Governance Structure

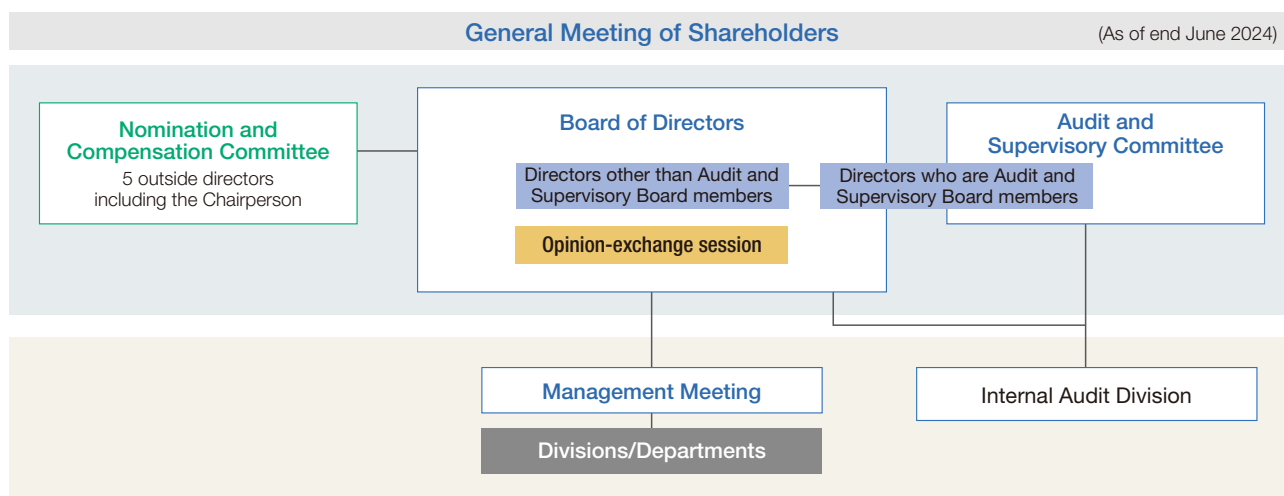
The Bank's Board of Directors comprises 12 members, seven corporate directors (of which, one Audit and Supervisory Board member) who are familiar with the Group's operations and five outside directors (of which, two Audit and Supervisory Board members) who have extensive experience and knowledge outside the Bank. This structure was adopted to separate supervision from execution and to ensure that the Board comprises members with diverse knowledge, experience, and capabilities.

In addition, the supervisory function of the Board of Directors has been strengthened by establishing the Nomination and Compensation Advisory Committee. The Committee comprising the President, Vice President and five outside directors is chaired by an outside director, and includes knowledgeable outside experts as observers to enhance the independence, objectivity, and transparency of its decision-making.

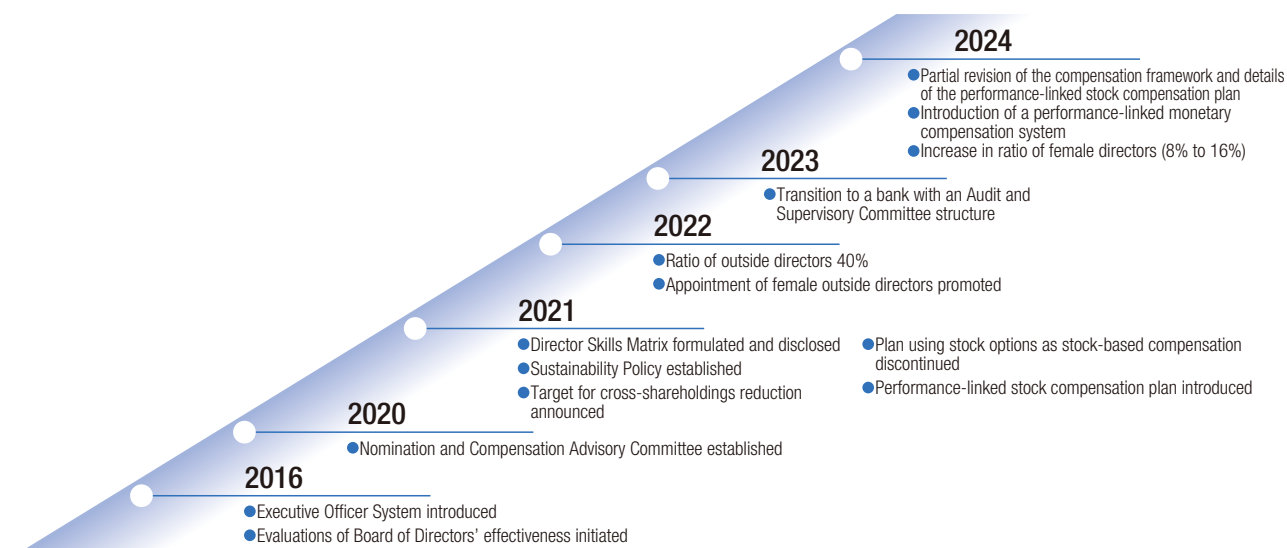
Transition to a bank with an Audit and Supervisory Committee

By transitioning to a bank with an Audit and Supervisory Committee, we have strengthened our auditing and supervisory functions and accelerated our decision-making, while seeking to achieve sustainable growth and enhance our corporate value over the medium to long term.

■ Structure



■ History of Corporate Governance



■ Director Skills Matrix

[Full-time directors]

Name	Current position in the Bank	Management strategy	Risk management	Finance & accounting	Examination	IT & digital	Market operations	Sales planning	Sales promotion	Human resources planning	Human resources development	Experience in other industries
Takashi Hashimoto	President (Representative Director)	●	●	●	●	●		●	●	●	●	
Satoshi Ishida	Vice President (Representative Director)	●	●	●		●				●	●	●
Takeshi Sugiura	Director and Senior Managing Executive Officer		●		●		●	●	●		●	
Ryuichiro Funaki	Director and Managing Executive Officer	●			●		●	●	●	●	●	●
Kouji Honda	Director and Managing Executive Officer				●	●		●	●		●	
Haruyuki Kakutani	Director and Managing Executive Officer				●				●	●	●	
Koushi Okamoto	Director and Audit and Supervisory Board Member		●	●	●						●	

[Outside directors]

Name	Current position in the Bank	Regional economy	Economic and financial environment	Organization & governance	Finance & Accounting
Kozue Nakayama	Outside Director	●		●	
Takashi Nishimura	Outside Director	●		●	
Yuuko Tahara	Outside Director		●	●	
Shuhei Aoki	Outside Director Audit and Supervisory Committee Member		●		●
Yoshihiko Kasuya	Outside Director Audit and Supervisory Committee Member		●	●	●

■ Selection of outside directors

	Reasons for appointment and expected contributions
Outside Director Kozue Nakayama	In addition to a broad background in corporate and local governmental management, she has extensive experience and advanced knowledge of corporate administration and regional development, including service as an outside director and outside corporate auditor at two listed companies, one of them a global company. We expect her to supervise the Bank's management from an independent, objective standpoint, with contributions to include suggestions for regional development and advice on the Bank's efforts to promote diversity.
Outside Director Takashi Nishimura	Besides extensive experience as a corporate manager in the railroad, real estate, and hotel sectors, among others, she has broad knowledge and deep insight into corporate organizational management and governance. We expect her to supervise the Bank's management from an independent, objective standpoint and to provide advice on regional development and organizational management that goes beyond the usual range of a financial institution by drawing on her diverse management experience.
Outside Director Yuuko Tahara	In addition to years-long experience as a corporate manager, she has served as a consultant to many companies in the areas of human resource development and educational programs, system planning and implementation support. She currently serves as an outside director at two listed companies, where she shares her deep knowledge and insight regarding organizational management. We expect her to supervise the Bank's management from an independent, objective standpoint, including provision of advice on human capital management, diversity promotion, and SDG initiatives.
Outside Director Audit and Supervisory Board Member Shuhei Aoki	Mr. Aoki has a wealth of knowledge and experience in every aspect of the financial industry, which has prepared him to supervise management accurately and fairly in such ways as by sharing his opinions with management from a broad perspective. We expect him to fulfill his duties as an outside director by drawing on his extensive knowledge and experience in the financial field to provide accurate advice, and to supervise the Bank's management from an independent, objective standpoint.
Outside Director Audit and Supervisory Board Member Yoshihiko Kasuya	Mr. Kasuya's appointment to the positions of outside director and Audit and Supervisory Board member was made due to the wide-ranging knowledge and superior insight he has acquired through his experience in both financial institutions and non-financial business enterprises. He is expected to use his diverse experience and knowledge to supervise the Bank's management from an independent, objective standpoint as a member of the Audit and Supervisory Board.

■ Operational status of the Board of Directors

The Board of Directors is responsible for making important decisions promptly in a highly uncertain management environment as well as for supervising management. To enhance the effectiveness of these functions, the Board seeks to improve its deliberations by explaining the matters to be deliberated, particularly to outside directors, in advance of meetings of the Board of Directors.

In addition, the Board of Directors holds opinion exchange meetings to discuss important management issues and medium- to long-term themes after resolutions are made and reports compiled. The directors engage in lively discussions at these meetings, especially the outside directors, who offer their opinions from various perspectives.

Number of Board of Directors meetings and main subjects of discussion (April 2023 - March 2024)

Board of Directors Meeting	Chairman	President	Times convened	12
Main items for deliberation <ul style="list-style-type: none"> Initiatives to strengthen the functions of the Board of Directors Initiatives to address sustainability issues (e.g., addressing climate change) Revision of the personnel system Review of cross-shareholdings Initiatives to revitalize the lumber industry and establish a regional revitalization company Other matters required by laws and regulations (closing of accounts, convening of the Ordinary General Meeting of Shareholders, selection of representative directors and directors with special titles) 				
Opinion-exchange session	Chairman	President	Times convened	3
Main issues discussed <ul style="list-style-type: none"> Interim Management Plan for the next fiscal year New business 				

Number of Nomination and Compensation Advisory Committee meetings and main advisory matters (April 2023 - March 2024)

Nomination and Compensation Committee	Times convened	15
Main consultation contents <ul style="list-style-type: none"> Appointment of candidates to the Board of Directors and Board of Auditors Updating of the skills matrix table Establishment of targets for executive compensation and performance-linked share compensation for the fiscal year under review Partial revision of the remuneration framework and details of the performance-linked share compensation plan Revision of the remuneration system for Board members, including introduction of a performance-linked cash remuneration system 		

Outside directors' support system

- We provide outside directors (including Audit and Supervisory Board members) with the diverse information they need to perform their duties. The general managers in charge and others provide advance explanations of all agenda items to be taken up at Board of Directors' meetings in order to contribute to deepening of the discussions at the meetings themselves. The Bank also arranges timely training and seminars to share relevant knowledge.
- The full-time Audit and Supervisory Board members provide the outside Audit and Supervisory Board members with information concerning the status of the Bank, including reports from the Internal Audit Department and Risk Management Department, to facilitate communication and cooperation with members of the Audit and Supervisory Board. In addition, the outside Audit and Supervisory Board members attend meetings to exchange opinions with the Representative Director as well as audit report meetings conducted for each fiscal year by the Accounting Auditor to proactively obtain information necessary for the audits. They express their objective opinions from an independent standpoint at Board of Directors' meetings and Audit and Supervisory Board meetings.

■ Compensation for directors

The Bank has established the following policy for determining the content of compensation, etc., for each individual director ("determination policy" hereinafter).

Basic policy

- Nanto Bank's compensation system is designed to encourage directors (excluding directors who are members of the Audit and Supervisory Board. Same hereafter) to improve performance each fiscal year, conduct management from a medium- to long-term perspective, and enhance their awareness of their duty to contribute to improving the Bank's performance and increasing its corporate value. As a basic policy, compensation for each director shall be set at an appropriate level determined by the Board of Directors once a year following deliberation and reporting by the Nomination and Compensation Advisory Committee.
- More specifically, directors' compensation comprises fixed monthly compensation (monetary compensation) and performance-linked stock-based and monetary compensation, while compensation for outside directors, whose responsibility is limited to a supervisory function, comprises only monthly compensation as fixed compensation determined in consideration of their duties.

Policy on determination of individual monthly remuneration (monetary)

- The monthly remuneration for the Bank's directors shall be a fixed monthly amount, which shall be determined comprehensively in accordance with the "Remuneration Regulations for Directors and Corporate Auditors," taking into consideration their position, the level of other companies' compensation, the Bank's performance, and the level of employees' salaries.

Policy for determining the details and method of calculating the amount of performance-linked cash remuneration

- The purpose of performance-linked cash remuneration is to clarify the linkage between directors' remuneration and the Bank's business performance, and to increase the directors' awareness of their contribution to improving the Bank's business performance each fiscal year.
- In accordance with the "Remuneration Regulations for Directors and Corporate Auditors" and the "Performance-linked Monetary Remuneration Regulations" established by the Board of Directors, the Bank shall pay, at a certain time each year, monetary remuneration that varies between 0% and 200% in bonuses to the directors, depending on their position and degree of achievement of the Bank's performance targets for each fiscal year, and the target value of net income attributable to shareholders of the parent company ("consolidated net income") for each fiscal year shall be used as an indicator.
- If consolidated net income is less than 0.0 billion yen, however, the amount of performance-linked monetary compensation shall be 0 yen.

<Target> Consolidated net income: 13 billion yen (FY2024)

<Performance-linked coefficient>

Deviation from the target	Performance-linked coefficient	Deviation from the target	Performance-linked coefficient	Deviation from the target	Performance-linked coefficient
+5 billion yen	200.0%	+1 billion yen to +0 billion yen	120.0%	- 3 billion yen to - 2 billion yen	40.0%
+4 billion yen to +5 billion yen	180.0%	0.0 billion yen to +1 billion yen	100.0%	- 4 billion yen to - 3 billion yen	20.0%
+3 billion yen to +4 billion yen	160.0%	- 1 billion yen to -0.0 billion yen	80.0%	-4 billion yen or less	0%
+2 billion yen to +3 billion yen	140.0%	- 2 billion yen to -1 billion yen	60.0%		

Policy on determination of the details and methods of calculating the amount and number of performance-linked stock compensation (non-monetary compensation)

- The purpose of performance-linked, stock-based compensation is to clarify the linkage between directors' compensation and the Bank's business performance and stock value, and to increase the directors' awareness of the need to contribute to improving the Bank's business performance and increasing its corporate value over the medium to long term.
- The Bank will adopt a structure known as a "Board Incentive Plan (BIP) Trust" ("BIP Trust" hereinafter) as performance-linked, stock-based compensation for the three terms from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027.
- The BIP Trust is an incentive plan for directors under which shares of the Bank and an amount equivalent to the cash proceeds from the conversion of the Bank's shares are delivered or paid to directors in accordance with their position and the degree to which indicators such as performance targets have been achieved.
- In accordance with the "Officer Compensation Regulations" and the "Share Delivery Regulations Concerning the Officer Compensation BIP Trust" established by the Board of Directors, "fixed points" corresponding to the directors' positions and "performance-linked points" ranging from 0% to 200%, depending on the achievement of the Bank's performance targets for each fiscal year, are assigned at a set time each year.
- Points are accumulated annually, and one point is allocated as one share of the Bank's stock in proportion to the accumulated points at the time of retirement (including cases in which a director who is not a member of the Audit and Supervisory Board retires and is later appointed as a director who is a member of the Audit and Supervisory Board).
- "Performance-linked points" for each fiscal year are based on a target value of consolidated ROE for the year as a means of motivating the recipients to achieve the Bank's goals of "medium-to-long-term capital improvement" as stipulated in the Management Plan.
- The maximum amount contributed by the Bank shall be a total of 240 million yen (the total number of the Bank's shares issued is 96,000 shares) for three fiscal years.
- Should a director materially breach the power-of-attorney agreement between the Bank and the director or be dismissed due to an action constituting grounds for dismissal, the Bank shall either refrain from delivering shares to the director under this plan (malus) or demand return of moneys equivalent to the shares delivered to the director (clawback).

<Formula for calculation of allotted points>

Fixed points = Base amount of stock-based compensation by position (*) × 1/2 ÷ Assumed stock price (**)

Performance-linked points = Base amount of stock-based compensation by position × 1/2 ÷ Assumed stock price × Performance-linked coefficient

*1 Total amount of compensation for each position to be paid under the scheme when the performance achievement rate is 100%.

*2 Average acquisition unit price of the Bank's shares initially acquired by the BIP Trust (rounded down to the nearest whole number)

Standard amount of stock compensation by rank

(Unit: thousand yen)

Position (*3)	Standard amount of stock-based compensation by position (*1)	Breakdown	
		Fixed portion	Performance-linked portion
President (Representative Director)	8,640	4,320	4,320
Vice President (Representative Director)	7,680	3,840	3,840
Director and Senior Executive Officer	6,000	3,000	3,000
Director and Managing Executive Officer	5,280	2,640	2,640

*3 The position at the beginning of the period subject to payment (from the day following the Annual General Meeting of Shareholders of the previous year to the date of the Annual General Meeting of Shareholders of the current year) is applied.

<Target value> Consolidated ROE: 4.51% (FY2024)

<Performance-linked coefficient>

Deviation from the target	Performance-linked coefficient	Deviation from the target	Performance-linked coefficient	Deviation from the target	Performance-linked coefficient
+2.00% or more	200.0%	+0.50% or more ~ +0.75% or less	125.0%	-1.00% or more ~ -0.75% or less	50.0%
+1.75% or more ~ +2.00% or less	187.5%	+0.25% or more ~ +0.50% or less	112.5%	-1.25% or more ~ -1.00% or less	37.5%
+1.50% or more ~ +1.75% or less	175.0%	0.00% or more ~ +0.25% or less	100.0%	-1.50% or more ~ -1.25% or less	25.0%
+1.25% or more ~ +1.50% or less	162.5%	-0.25% or more ~ 0.00% or less	87.5%	-1.75% or more ~ -1.50% or less	12.5%
+1.00% or more ~ +1.25% or less	150.0%	-0.50% or more ~ -0.25% or less	75.0%	-1.75% or less	0.0%
+0.75% or more ~ +1.00% or less	137.5%	-0.75% or more ~ -0.50% or less	62.5%		

Policy on monthly remuneration, performance-linked monetary compensation and performance-linked stock compensation as a percentage of remuneration, etc., for individual directors

- The Bank shall determine the ratio of remuneration according to each individual director's classification to ensure that the level of remuneration encourages directors to improve performance every fiscal year, conduct management from a medium- to long-term perspective and with heightened awareness of the need to contribute to improving the Bank's performance and to increase its corporate value for the foreseeable future.
- Specifically, monthly remuneration shall be fixed remuneration, the ratio of performance-linked monetary compensation shall be 0% to 10% of total annual monthly remuneration depending on the degree to which the target values are achieved, and the ratio of performance-linked stock compensation shall be 10% to 30% of the total annual monthly remuneration, depending on the degree to which target values are achieved.

Matters concerning determination of individual directors' remuneration, etc.

- In its efforts to ensure objectivity and transparency in the procedures employed to determine remuneration and enhance corporate value, the Bank has established the Nomination and Remuneration Advisory Committee, of which the Chair and a majority of the members are outside directors.
- Individual directors' compensation is determined by the Board of Directors in accordance with the "Regulations on Directors' Compensation," based on deliberations and reports of the Nomination and Compensation Advisory Committee.

Total compensation by executive officer category, total compensation by type of compensation, and number of executive officers eligible for compensation, etc.

Current fiscal year (April 1, 2023 to March 31, 2024)

(Million yen)

Executive officer classifications	Number of executive officers	Total remuneration, etc.	Fixed remuneration	Performance-linked compensation (non-monetary compensation)
Directors (excluding Audit and Supervisory Committee members and outside directors)	7	216	180	36
Audit Committee members (excluding outside directors)	1	14	14	—
Corporate auditors (excluding outside corporate auditors)	2	9	9	—
Outside directors and outside auditors	8	37	37	—

(Notes) 1. The Bank adopted the "Company with an Audit Committee System" as of June 29, 2023, following a resolution to amend its Articles of Incorporation at the Annual General Meeting of Shareholders on that date.
 2. The Bank has introduced performance-linked stock compensation for directors. Performance-linked remuneration in this table is the amount recorded as expenses for the fiscal year under review.
 3. The Bank's consolidated business profit from customer transactions, which is the basis for calculating performance-linked remuneration, was 8 billion yen (an increase of 2.4 billion yen compared to the target of 5.6 billion yen) for the fiscal year under review.
 4. No employee salaries were paid to directors who also serve as employees.
 5. There is no director whose total amount of remuneration, etc., on a consolidated basis is 100 million yen or more.



■ Evaluation of the Board of Directors' effectiveness

Since fiscal 2016, the Bank has followed a policy of conducting an annual analysis and evaluation of the effectiveness of the Board of Directors.

The table shows the progress made in addressing issues identified in the previous year, as well as the methods and results of the evaluation of the Board of Directors' effectiveness in fiscal 2022.

Progress in addressing issues identified in the previous year's evaluation of the effectiveness of the Board of Directors

(1) Discussion of strategies and other concerns to support sustainable management by the Board of Directors

⇒ The Board of Directors held discussions of sustainable management strategies, such as formulation of the next Medium-Term Management Plan, new business initiatives, and establishment of a regional revitalization company at Board meetings and opinion exchange meetings.

(2) Enhancing Board of Directors' operation for deeper discussion

⇒ Efforts are underway to secure time for discussion of important agenda items by assigning authority over priority business execution to the directors and organizing agenda items for the Board of Directors (preparation of annual schedule), etc.

(3) "Enhancement of training for Board members to revitalize the Board of Directors

⇒ In addition to the "SR/IR-related" and "risk management-related" seminars that have been held continuously every year based on the annual plan, outside lecturers conducted study sessions for directors (including outside directors) and general managers on themes based on the Bank's management strategies and social trends such as "sustainability" and "DX."

Evaluation method

In fiscal 2023, the Bank conducted an evaluation of the effectiveness of the Bank's Board of Directors as discussed below based on the results of a questionnaire compiled and analyzed by an external consultant.

(1) A questionnaire was sent to all the directors (12 members, including the Audit and Supervisory Board members) in February 2024 concerning the composition, operation, and deliberations of the Board of Directors ("FY2023 Questionnaire").

(2) The results of the questionnaire and an analysis consigned to an external consultant were reported at a Board of Directors Meeting on March 19, 2024.

(3) On the occasion of a Board of Directors' meeting on June 17, 2024, the Bank finalized its evaluation of the effectiveness of the Board of Directors in fiscal 2023 following a discussion of the Bank's issues and further initiatives.

The main items included in the FY2023 Questionnaire are as follows. Each question in the questionnaire is designed to be rated on a 5-point scale. Starting in the current fiscal year, comments must be included for each main item.

I. Composition and operation of the Board of Directors (5 questions)

II. Management and sales strategies (10 questions)

III. Corporate ethics and risk management (3 questions)

IV. Dialogue with shareholders (4 questions)

V. Nomination and compensation of management (3 questions)

VI. Status of responses to this year's initiatives (2 questions)

Summary of FY2023 Questionnaire analysis and evaluation results

The Board of Directors discussed the results of the outside consultant's analysis of the FY2023 Questionnaire and determined that, overall, the Board had held lively discussions and achieved improvement in the issues raised in the previous year. It found that the Bank's Board of Directors operated appropriately and exhibited effectiveness for the most part, although various tasks remain to be addressed.

<Issues identified in the Questionnaire results>

- Formulation and monitoring of management strategies
- Multi-faceted discussions taking individual stakeholders' perspectives into account
- Investment in human capital and formulation and execution of human resource strategies based on the Management Plan
- Board meetings' atmosphere and agenda
- Supervision of management human resources development

Future Initiatives

As a result of discussions held by the Board of Directors concerning issues identified from the results of the FY2023 Questionnaire, the following initiatives will be implemented in fiscal 2024 to enhance the effectiveness of the Board of Directors further.

<Initiatives for fiscal 2024>

- Enhancement of discussions on the formulation of medium- to long-term management strategies to raise corporate value
- Enhancement of Board meeting management to stimulate discussion
- Enhancement of training for Board members to revitalize the Board of Directors

The Bank will continue its efforts to optimize the effectiveness of the Board of Directors and reinforce its governance structure, including improvement of the above issues.

Executive Officers

Directors



President (Representative Director)

Takashi Hashimoto

Apr. 1977 Joined Nanto Bank
June 2005 General Manager, Nanto Bank Public Affairs Division
June 2007 Executive Officer and General Manager, Personnel Planning Division
June 2010 Executive Officer and General Manager, Sales Management Division
June 2011 Executive Officer and General Manager, Osaka District Headquarters
June 2013 Executive Officer, Nanto Bank
June 2014 Senior Executive Officer
June 2015 President (Representative Director) (current position)



Vice President (Representative Director)

Satoshi Ishida

(Departments) Overall executive control, Secretary's Office, Corporate Planning Division, Risk Management Department, Responsibility for special DX / SDG strategies

Apr. 1997 Joined Dai-ichi Kangyo Bank, Ltd. (current Mizuho Bank, Ltd.)
July 2001 Chief of Management Guidance, Construction Industry Division, General Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism
Nov. 2003 Manager, Industrial Revitalization Corporation of Japan
July 2010 Director, Industrial Growth Platform Inc.
Aug. 2013 Supervisory Coordinator, General Affairs Division; Supervisory Bureau, Financial Services Agency
July 2015 Policy Manager, Policy Division, General Affairs Planning Bureau, Financial Services Agency
July 2016 Manager, Monitoring Planning Office, General Affairs Division, Inspection Bureau, Financial Services Agency
July 2017 Director, Regional Financial Planning Office, Supervisory Bureau, Financial Services Agency
Nov. 2018 Director, Industrial Growth Platform Inc.
Feb. 2019 Advisor, Nanto Bank
Apr. 2019 Senior Managing Executive Officer and General Manager, Corporate Strategy Headquarters
June 2019 Vice President and Executive Officer, General Manager, Corporate Strategy Headquarters (Representative Director)
Apr. 2020 Vice President and Executive Officer (Representative Director) (current position)



Director, Senior Managing Executive Officer, General Manager, Sales Promotion Headquarters

Takeshi Sugiura

(Departments) Sales Support Department, Corporate Solutions Department, Asset Consulting Department

Apr. 1986 Joined Nanto Bank
June 2014 Manager, Sakurai Branch
Apr. 2017 Executive Officer and Manager, Sakurai Branch
Apr. 2018 Executive Officer and Manager, Tokyo Branch
Apr. 2019 Executive Officer and General Manager, Nara Chuwa Block Headquarters
Apr. 2021 Managing Executive Officer
June 2021 Director and Managing Executive Officer
Apr. 2022 Director, Managing Executive Officer and General Manager, Sales Promotion Headquarters (current position)
Apr. 2024 Director, Senior Managing Executive Officer, General Manager, Sales Promotion Division (cur-rent)



Director and Managing Executive Officer

Ryuichiro Funaki

(Departments) Examination Department, Compliance Management Department

Apr. 1991 Joined Fuji Bank, Ltd. (current Mizuho Bank, Ltd.)
Apr. 2002 Investigator, Corporate Planning Department, Mizuho Bank, Ltd.
May 2004 ShinGinko Tokyo, Ltd. (current The Yachiyo Bank, Ltd.) Senior Manager, Planning Group
Jan. 2009 Advisor, Industrial Growth Platform, Inc.
June 2009 Executive Officer, Howa Bank, Ltd. (Director, Sales Administration Department)
July 2012 Principal, Industrial Growth Platform, Inc.
July 2012 Participant, Nuclear Damage Compensation and Decommissioning Facilitation Corporation
Nov. 2016 Specialist Investigator, Financial Services Agency
Apr. 2019 Advisor, Nanto Bank
July 2019 President, Nanto Consulting Co., Ltd.
Apr. 2021 Managing Executive Officer and General Manager, Sales Promotion Division, Nanto Bank
June 2021 Director and Managing Executive Officer, General Manager, Sales Promotion Division
Apr. 2022 Director and Managing Executive Officer (current position)



Director and Managing Executive Officer

Kouji Honda

(Departments) IT Strategy Department, Business Support Division, Centralized Affairs Department, Public Affairs and Regional Cooperation Department

Apr. 1987 Joined Nanto Bank
Oct. 2015 Koriyama Branch Manager
Apr. 2018 Executive Officer and General Manager, Osaka Chuo Sales Department
Apr. 2019 Executive Officer and General Manager, Osaka Block Headquarters
Apr. 2021 Executive Officer and General Manager, Nara-Kitawa Block Headquarters
Apr. 2022 Executive Officer and Deputy General Manager, Sales Promotion Division, General Manager, Nara-Kitawa Block Headquarters and General Manager, Kyoto Block Headquarters
Apr. 2023 Managing Executive Officer, Nanto Bank
June 2023 Director and Managing Executive Officer, Nanto Bank (current position)



Director, Managing Executive Officer

Haruyuki Kakutani

(Departments) Personnel & General Affairs Dept. and Market Management Dept.

Apr. 1988 Joined Nanto Bank
Apr. 2018 Manager, Sakurai Branch
Oct. 2019 General Manager, Sakurai Area / Manager, Sakurai Branch
Apr. 2019 Executive Officer and General Manager, Osaka Block Headquarters
May 2020 General Manager, Sakurai Area / Manager, Sakurai Branch / Manager, Miwa Branch
June 2020 Managing Director, Nanto Management Service Co.
Aug. 2020 General Manager, Personnel & General Affairs Dept.
Apr. 2021 Executive Officer and General Manager, Personnel & General Affairs Department
Apr. 2024 Managing Executive Officer
June 2024 Director and Managing Executive Officer (current)

Directors and Audit and Supervisory Board Members



Director
Audit and Supervisory Board Member

Koji Okamoto

Apr. 1987 Joined Nanto Bank
Apr. 2018 General Manager, Examination Department / Manager, Business Revitalization Support Office
Apr. 2019 Executive Officer and General Manager, Examination Department/ Manager, Business Revitalization Support Office
Apr. 2021 Executive Officer, General Manager of Examination Department
Apr. 2023 Managing Executive Officer, General Manager of Examination Department
Apr. 2024 Adviser
July 2014 Director and Audit Committee Member (current)



Outside Director
Audit and Supervisory Board Member

Shuhei Aoki

Apr. 1981 Joined Bank of Japan
Nov. 2003 Manager, Yokohama Branch
July 2005 Assistant Director, System Information Bureau
May 2008 Supervisor, U.S. Business Relations; Manager, New York Office
June 2011 Director, Financial Markets Bureau
May 2013 Director, Bank Settlement Organization
July 2014 Director, Hitachi, Ltd.
Apr. 2020 Executive Strategist, Hitachi, Ltd.
June 2020 Outside Director, Nanto Bank (current position)
June 2023 Outside Director, Audit and Supervisory Board Member, Nanto Bank (current position)



Outside Director

Kozue Nakayama

(Main concurrent positions)
Outside Director, TDK Corporation
Outside Auditor, Imperial Hotel, Ltd.

Apr. 1982 Joined Nissan Motor Co.
Apr. 2005 General Manager, Planning Department
Apr. 2008 General Manager, Brand Management Office
Sep. 2010 Deputy General Manager, Brand Coordination Division
Apr. 2011 Joined Yokohama City Hall
Apr. 2012 Director, City of Yokohama Culture and Tourism Bureau
June 2018 President and Representative Director, PACIFICO Yokohama International Peace Conference Center
June 2019 Outside Corporate Auditor, Imperial Hotel, Ltd.
June 2020 Outside Director, TDK Corporation (current position)
June 2020 Outside Director, Isuzu Motors Ltd. (current position)
June 2022 Outside Director, Nanto Bank (current position)



Outside Director

Takashi Nishimura

(Main concurrent positions)
Chairman of the Board, Kintetsu Miyako Hotels International, Inc.

Apr. 1979 Joined Kinki Nippon Railway Co., Ltd. (current Kintetsu Group Holdings Co., Ltd.)
Sep. 1979 Seconded to Kintetsu Real Estate Co., Ltd.
Nov. 2000 General Manager, General Planning Office, Kintetsu Real Estate Co., Ltd.
Dec. 2002 Director, Kintetsu Real Estate Co., Ltd.
June 2010 Executive Officer in Charge, General Planning Department, Kintetsu Railway Co., Ltd.
June 2011 Executive Officer, Deputy General Manager, Real Estate Business Division, Kintetsu Railway Co., Ltd.
June 2012 Executive Officer, General Manager, Distribution Business Management Department, Lifestyle Business Division, Kintetsu Railway Co., Ltd.
June 2013 Director and Managing Executive Officer, General Manager, Distribution Business Management Department, Lifestyle Business Division
Apr. 2015 Senior Managing Director, Kintetsu Real Estate Co., Ltd.
June 2019 Executive Vice President, Kintetsu Real Estate Co., Ltd.
June 2020 Director, Kintetsu Group Holdings, Inc.
June 2020 President and Representative Director, Kintetsu Miyako Hotels International, Inc. (current position)
June 2021 Group Executive Officer, Kintetsu Group Holdings, Inc. (current position)
June 2023 Outside Director, Nanto Bank (current position)
June 2024 Chairman of the Board, Kintetsu Miyako Hotels International, Inc. (current position)



Outside Director

Yuko Tahara

(Main concurrent positions)
Representative Director, Basic Corporation
Outside Director (Audit Committee member), Sanyo Homes Corporation
Outside Director, Kanematsu Corporation

Apr. 1991 Joined Manpower Japan Co., Ltd.
Aug. 1993 General Manager, RIC Co., Ltd., Electrified Housing Promotion Office
July 1998 Representative Director, Basic Corporation (current)
June 2012 Framework Promotion Association (current)
Representative Director, Knowledge Management Lab Incorporated Association (current)
June 2018 Outside Director and Audit Committee Member, Sanyo Homes Corporation
June 2019 Outside Director, Kanematsu Corporation (current)
Apr. 2020 Visiting Professor, Institute of Advanced Education, Graduate University of Socio-Information Studies (current The Graduate School of Social Design)
Apr. 2021 Professor, Graduate School of Practical Education, Graduate University of Socio-Information Studies (current Graduate University of Social Design) (current)
June 2024 Nanto Bank, Outside Director (current)

(Note) Directors Kozue Nakayama, Takashi Nishimura and Yuko Tahara, and Audit & Supervisory Board members Shuhei Aoki and Yoshihiko Kasuya are outside directors as defined in Article 2, Item 15 of the Companies Act.)

All the outside directors satisfy the "Criteria for Independence" specified by the Bank, and all have been reported to the Tokyo Stock Exchange, Inc., as independent directors.



Outside Director

Audit and Supervisory Board Member

Yoshihiko Kasuya

(Main concurrent positions)
Outside Corporate Auditor, Chino Corporation

Apr. 1979 Joined The Mitsubishi Bank, Ltd. (current The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
May 1994 Deputy General Manager, Bangkok Branch, MUFG
Mar. 1997 Deputy General Manager, Sales Department 3, Sales Division 1, MUFG
Oct. 2000 Deputy General Manager, General Affairs Office, MUFG
May 2003 General Manager, International Operations Department, MUFG
May 2006 General Manager, Kyoto Branch, MUFG
June 2006 Executive Officer and General Manager, Kyoto Branch, MUFG
June 2008 President and Director, Chitose Kosan Co., Ltd. (current Chitose Corporation)
June 2010 Director and Managing Executive Officer, Prince Hotel Co., Ltd.
Apr. 2015 Vice President and Executive Director, Seibu Construction Co., Ltd.
June 2023 Outside Corporate Auditor, Chino Corporation (current position)
June 2023 Outside Director and Audit and Supervisory Board Member, Nanto Bank (current position)

Toward more advanced internal auditing

Current status and goals of the Bank's internal auditing

When constructing a sustainable business model, it is essential to ensure the appropriateness of both operational and financial soundness through the effective functioning of governance. With this in mind, the Nanto Bank Group is currently revising its business model to optimize its internal audits.

The Financial Services Agency (FSA) has published the results of its monitoring of financial institutions' internal audits and its observations concerning the issues involved in the publication, "Current Status and Issues for Enhancing the Sophistication of Internal Audits" ("Current Status and Issues" hereinafter).^{*1}

Five Audit and Supervisory Committee members, Outside Directors Shuhei Aoki and Yoshihiko Kasuya, Director Takao Handa,^{*2} Executive Vice President Satoshi Ishida, and Audit Department Executive Director Seiichi Kitazawa, met recently to exchange opinions on the current status, pending issues, and future goals for upgrading the Bank's internal audits.

^{*1} The standard for internal audits must be raised to the first stage "clerical deficiency audit," the second stage "risk-based audit," the third stage "management audit," and the fourth stage "trusted advisors." Even after the publication of "Current Status and Issues," financial institutions are encouraged to upgrade their internal audits through inspections and monitoring.

^{*2} As of the date of the roundtable discussion



Vice President
(Representative Director)
Satoshi Ishida

Outside Director
Audit and Supervisory Board Member
Shuhei Aoki

Director (full-time) and Audit and
Supervisory Board Member
Takao Handa

Outside Director
Audit and Supervisory Board Member
Yoshihiko Kasuya

Audit Department Executive
Director
Seiichi Kitazawa

Upgrading internal audits by financial institutions

Ishida: Since FY2023, the Bank has been strengthening its efforts to raise its internal audits to a higher level from the perspective of maintaining and enhancing corporate value.

Upgrading of our internal audits is an important part of our efforts to build a sustainable business model in an increasingly complex, diverse business environment.

Meanwhile, in October 2023, the Financial Services Agency released its "Progress Report (Interim Report) on Advancement of Internal Auditing at Financial Institutions" ("Interim Report" hereinafter), which presents three perspectives^{*3} to ensure the appropriateness and financial soundness of operations and increase corporate value through effective internal auditing.

Today, at a time when internal audit reform is a requisite part of corporate governance reform, we would like to engage you in a discussion of the best way to upgrade and enhance our internal audits.

^{*3} "Support for internal audit departments by management, audit committee members, and corporate auditors," "Efforts to enhance the sophistication of internal audit departments," and "Actions to be taken concerning audited departments."



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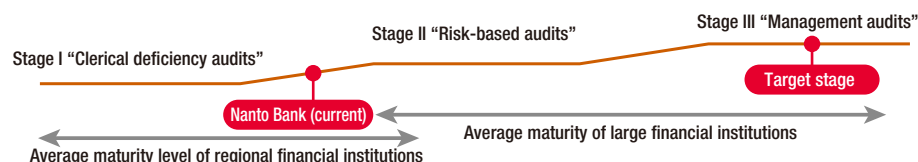
Kitazawa: Originally known as “inspection departments,” financial institutions’ internal audit departments formerly conducted “clerical deficiency audits” audits to check for deficiencies in documents and deviations from regulations with respect to the rules and regulations governing clerical work.

Despite the discussions we are currently conducting with management aimed at elevating the Bank’s internal audits to the second stage, “risk-based audits,” and then to the third stage, “management audits,” we still tend to focus on traditional auditing (prevention of fraud and misconduct and identifying clerical deficiencies).

We believe that this reflects the facts that the old perception of the Audit Department as a body that uncovers and corrects past errors remains deeply rooted in both the auditing and audited departments, and that the need for “management auditing,” which will be required of internal audits in the future, has not fully penetrated the departments. From the perspective of preventing misconduct, on the other hand, I remain strongly convinced of the necessity of ensuring that “clerical deficiency audits” should also be carried out in connection with “risk-based audits.” I would like to take this opportunity to thank you all for your candid feedback today.



Maturity of financial institutions’ internal audit departments



Handa: I do not believe that the current status of the Bank’s internal audits has advanced beyond the stage of “clerical deficiency audits,” although it is on the doorstep of the “risk-based audit” phase. In the eight years since I became an auditor, I have developed a deeper level of dialogue with the Audit Department, and since the FSA released its “Current Status and Issues” in 2019, I have seen the Audit Department become increasingly aware of the need to move up to “risk-based auditing” and take up the struggle of policy change. Why is the Audit Department struggling to transition fully to the second phase? I have examined the situations at several branches to see how the subjects of the audits perceive the transition to “risk-based auditing.”



This examination revealed that the transition of audit policy from “clerical deficiency audits” to “risk-based audits” has not been fully communicated to the subjects of the audits, the branch offices or the Head Office, and that the audited departments are not fully aware of the change.

The audited branch offices continue to see an audit as “an opportunity to check for clerical deficiencies.” To change this perception, it will be important to start by seeking a broad understanding of the position and importance of the Audit Department and the nature of internal audits.

Aoki: I believe that the Bank’s current internal audits are quite substantial up to the “risk-based audit” stage. It can be said that “clerical deficiencies audits” and “risk-based audits” are intended to shine a spotlight on the past and present of the Bank’s operations. “Management audits,” on the other hand, are directly related to the Bank’s future, since they are audits of management strategies developed in response to changes in the internal and external environments. Thus, the competencies required for “clerical deficiency audits,” “risk-based audits,” and “management audits” differ.

The same can be said for the Audit Committee members. “Management audits,” for example, require an ability to see whether decisions are being made rationally and promptly.

I believe that the Bank’s audits should aim to the stage of “management auditing,” even if under pressure, and that the Audit Department can change the mindset of the Audit Department’s management by making proposals to management that treat issues as management issues when it perceives problems.

Kasuya: I have been with the Bank for a year now, and my first impression of banks' audit departments, including us, is



that they are maintaining business procedures, ensuring compliance, and generally doing what needs to be done correctly according to the rules, while also ensuring independence and objectivity. We should not be satisfied with this, however, if we wish to increase the effectiveness and efficiency of our organizational activities and operations and raise our corporate value. Formal audit activities are meaningless when it comes to these objectives. As Mr. Aoki mentioned, it is important for management to communicate a clear, easily understandable message explaining why it is necessary to pursue "management auditing" at this time.

Promoting the significance of internal audit for its enhancement

Kitazawa: Internal audits have a strong image of pointing out whether or not practices in accordance with regulations have been "followed or not," and it cannot be said that the audited departments and branches receive sufficient support and clarification

One reason for this is that we have not been able to communicate the fact that auditing is changing. Many staff members in the audit departments, including myself, have lengthy banking experience and tend to focus on auditing's function of eliminating deficiencies, even though they understand the issue in their heads.

Handa: Of course, elimination of deficiencies will continue to be important, but I believe that the key to the evolution of the internal audit is to ensure that the Bank's management policies are fully understood on the frontlines and that the Bank is operating in accordance with those policies. By having the Audit Department compare the direction in which the Bank is heading with the actual situation on the front lines, and by pointing out issues and making recommendations to eliminate gaps through various opinion exchanges, I believe that the audited departments and branches will be more likely to accept the purposes, results, and findings of the audits. At the same time, this will lead to resolution of the issues and increase respect for the Audit Department.

Aoki: The difficulty we face in upgrading internal audits is that we must not cut any corners when correcting the "clerical deficiency audits" and "risk-based audits" and must, instead, continue to enhance them as before, or even more so.

In my opinion, internal audits should focus on the branch offices and the market rather than targeting Headquarters. If instructions from management do not penetrate the market, a gap will be created between the content of the instructions and the market. In other words, the market is a mirror of management. Both good and bad management are reflected on the sales site. Specifically, I believe that the way work is done in the market is communicated to customers, influencing their choice of a bank, which in turn impacts the Bank's business performance.

It is important that the audited departments be aware that we are viewing management through the market when we conduct audits.

Kasuya: That's right. This is apparent from the perspective of morale at the branch offices, which are on the front lines of face-to-face contact with customers. Of course, strict instructions are necessary, but if the instructions from management or Headquarters are not in line with customers' needs or are too shortsighted, the gap between the two will cause the frontline staff to become complacent and result in low morale. I firmly believe that we must prevent this from happening.

I always consider whether morale is declining and whether the staff are working up to their potential. Conversely, when the frontline staff also express opinions about management and convey them to the Audit Department freely and openly, it can be said that the corporate culture has truly become more open.





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Ishida: In order for the Bank's internal audits to fully transition to the "risk-based audit" stage, there needs to be a further change in awareness, not only within the Audit Department, but also in management and the audited departments. At present, the Audit Department evaluates risk management systems through verification of internal control activities at the branches, analyzes the causes of risk events that have occurred in order to resolve the issues concerned, and recommends improvements to reduce risk.

The Audit Department also conducts thematic audits with the objective of verifying risks across the board, including those of the Group companies.

The purpose of these initiatives is to verify whether operations are being conducted in a proper manner to achieve management objectives, and to strengthen and improve internal controls. We hope these efforts will enable the Bank to accumulate a fund of "management audit" methods and thinking.

Aiming to build a sound, sustainable business model

Kasuya: Internal audits have the power to move the whole Bank. They do not need to be glamorous or flashy. If we can create an original Nanto-style audit that reflects a strong commitment to preventing problems from occurring and, at the same time, to making the subjects of the audit feel glad to have been audited, I believe we can become an organization in which we all face in the same direction, not at each other as auditee and audited, and that we will receive a warmer reception from the subjects of the audits.

Aoki: In the past, auditors mainly conducted audits under the direction of management and faced in the same direction as management. From now on, however, "management audits" will need to focus on management. Rather than confronting the subjects in the usual way, they will confront management through the subjects. We understand the difficulty of changing the direction we are facing, or our line of sight, but I believe it is our responsibility as Audit Committee members to teach management to do just that.

Handa: Although progress has been made in changing the mindset of our officers and employees, I still feel that the culture of superiors and subordinates is deeply rooted in the Bank's culture. Because many of our officers and employees are earnest people who are eager to contribute to the community, I feel that the degree to which they follow instructions from management and Headquarters is extremely high. From another perspective, I feel at the same time that they may be too obedient. This is why I think it would be better if the Audit Department could confront the frank opinions and true feelings of the people on the frontlines, integrate the unique perspective of the Audit Department with their voices, deepen their dialogue with us Audit Committee members, and make better informed recommendations to Headquarters and management.

This is another reason I believe the role of the Audit Committee is important, as Mr. Aoki stated.

Kitazawa: After talking with all of you today, I have come to realize that for "risk-based auditing" to take root and reach the next stage, "the management audit," we will need to adopt a management position that views banking operations from a bird's-eye perspective. We have also found a number of other issues that need to be addressed. I was reminded that I am General Manager of the Audit Department at a time when the department is facing a change in direction in terms of the role it plays at the Bank and was also reminded that I should refocus my thinking. Although we cannot respond to all the issues at once, I would like to discuss them with all of you, as well as within the department, and create a Nanto-style audit system that is acceptable to both the members of the Audit Department and everyone on the frontlines of our banking operations.

Ishida: Today's exchange of opinions also caused me to think again about the purpose of audits and the relationships they create among management, the Audit Department, the Audit Committee, and the frontline staff. Although the progressive development of internal audits cannot be achieved overnight, I believe it will be essential to



complete and accumulate the requisite roles and functions steadily at each stage, from first-stage "clerical deficiency audits" and second-stage "risk-based audits" to third-stage "management audits."

We members of the management team will raise awareness of the importance and usefulness of internal audits further and ensure the appropriateness of our operations and financial soundness through effective, highly sophisticated internal audits, thereby enhancing corporate value.

Upgrading risk management systems

■ Basic Policy

Nanto Bank is reinforcing its risk management in recognition of the importance of preventing assorted management risks and taking measures to mitigate or avoid others, while also responding to emergency situations that could exert a significant impact on its corporate activities.

■ Measures to combat money laundering and financing of terrorism, diffusion finance, corruption, and bribery

Recent years have brought increasing demand from the international community for measures to combat money laundering and prevent financing of terrorism, diffusion finance, corruption, and bribery (money laundering, etc., hereafter). In this context, we have positioned money laundering prevention as one of our most important management issues. We have appointed the officer in charge of the department responsible for overseeing measures to prevent money laundering as the AML General Bank Manager. We also aim to improve the effectiveness and sophistication of our money laundering prevention by, for example, establishing the “Policy Against Money Laundering, Etc.” as a fundamental Group policy.

In response to the emerging financial crimes that are becoming more complex and sneakier, meanwhile, we are also striving to maintain safe, highly convenient financial services by enhancing our preventive measures to prevent our customers from accidentally becoming involved in any financial crimes.

Policy Against Money Laundering

1. Organizational structure

(1) The Bank considers countermeasures against criminal activities such as money laundering to be one of the most important issues for management. It complies with all applicable laws and regulations concerning their prevention and establishes and implements the necessary administrative procedures. We also deploy our resources appropriately, including assignment of personnel with the requisite expertise and allocation of budgets.

(2) The Bank shall establish a centralized management system by designating a person responsible and a supervisory department for money laundering prevention and shall respond to the relevant issues in a cross-organizational manner through coordinated efforts of the departments involved.

2. Risk-based approach

The Bank shall employ a risk-based approach to appropriately identify and assess money laundering and other risks and shall implement mitigation measures commensurate with the risks.

3. Customer management policy

The Bank shall establish a system for conducting confirmation appropriately at the time of transactions and other customer management measures in accordance with the applicable legal and regulatory requirements. It shall also examine and analyze customer transaction records periodically and implement necessary customer management measures.

4. Reporting of suspicious transactions

The Bank shall confirm and determine whether transactions reported by its branch offices or detected through transaction monitoring are suspicious and shall notify the authorities immediately if it determines that a transaction is suspicious.

5. Correspondent bank management

The Bank shall collect information on correspondent banks, assess it adequately, and take proper measures in response to the risks associated with it. It shall eliminate any relationships with spurious banks that have no actual business operations as well as any business with correspondent banks that engage in transactions with fictitious banks with no business presence.

6. Management and employee training

The Bank shall conduct ongoing training programs to educate its officers and employees fully with respect to money laundering to raise their levels of expertise and assure proper responses.

7. Compliance auditing

The independent Internal Audit Department shall conduct regular audits of the Bank's money-laundering prevention and related systems, and the Bank shall draw on the results of the audits to improve its systems further.

8. Economic sanctions and asset freezing

The Bank shall take such appropriate measures in accordance with domestic and foreign laws and regulations as eliminating business relationships with parties subject to economic sanctions and freezing their assets.

9. Anti-bribery and anti-corruption actions

The Bank shall comply with the main objectives of laws and regulations related to the prohibition of bribery and the prevention of corruption. It shall refuse any requests to engage in bribery and avoid providing entertainment or gifts that exceed the socially acceptable value.

We shall endeavor, moreover, to ensure that our officers and employees are trained in the highest professional ethics. We have established guidelines regarding business entertainment and gifts, etc., with which our officers and employees are required to comply.

■ Strengthening credit risk management

Credit risk is the risk of incurring losses due to a decrease or loss of the value of assets stemming from deterioration of the financial condition of the creditor. We contribute to our customers' development through solutions based on our “know your customer” efforts, offering thorough financial and/or core business support to improve the quality of the Group's assets at the same time.



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■ Risk management systems

Integrated risk management

To reinforce our ability to manage the risks we face in our banking business, Nanto Bank has assigned responsibility for each risk to an appropriate department and established the Risk Management Division to handle them in an integrated manner by determining the various risks' individual positioning and magnitude and responding to each promptly and accurately.

In our commitment to risk management, we have specified basic risk management policies through various directives, including our "Integrated Risk Management Regulations."

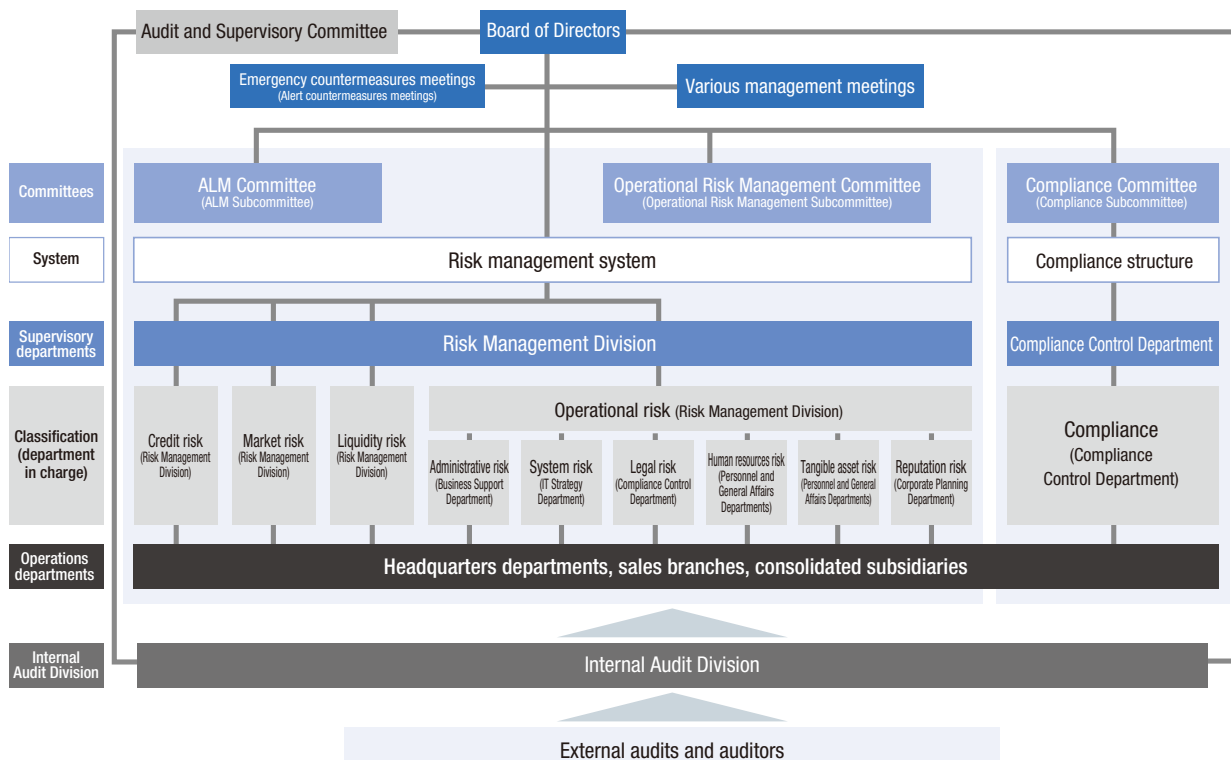
To realize integrated risk management in which risks are quantified on a unified scale and the amount of each is controlled to an appropriate level in relation to equity capital in consideration of management strength, we determine the risk capital allotment (capital allocation amount) for each type of risk semi-annually within the range of equity capital, and control each risk amount (value at risk = VaR, etc.) to ensure that it falls within the scope of capital. The ALM Committee evaluates the status of each risk at its monthly meetings as part of efforts to achieve more efficient, effective risk / return management, and systems are in place to exercise appropriate controls for ensuring management stability and improving profitability from the perspective of effective use of capital.



- **Administrative risk management**
(Thorough, accurate office work)
- **System risk management**
(Response to system failures/prevention of unauthorized use)
- **Legal risk management**
(Monitoring of legal compliance)
- **Human risk management**
(Response to personnel and labor problems)
- **Tangible asset risk management**
(Response to impairment of tangible assets)
- **Rumor risk management**
(Response to false assertions circulating in the market and among customers)

■ Risk management organization

(As of June 30, 2024)



Crisis management system

The Bank's risk management systems discussed here are further augmented by its Crisis Management Plan, which is accompanied by a response manual for each type of crisis compiled to facilitate appropriate responses to crises that may impact our business, including natural disasters such as large-scale earthquakes, system failures, and epidemics of infectious diseases. In the event of a crisis, the Emergency Countermeasures Committee or Countermeasures Headquarters gathers information depending on the degree of the crisis, and issues centralized guidance and orders to minimize its impact on operations.

We also implement measures to ensure the Bank's ability to continue providing customer services as one of the service providers playing an essential role in maintaining social functions. These include such measures as enhancing our facilities to enable continued operation, even in the event of a disaster, and ensuring the effectiveness and continuous improvement of our Crisis Management System through crisis management drills and other measures.

■ Commitment to strict compliance

Compliance systems reinforcement

Compliance must always be ensured in observance of not only laws, government ordinances, and internal rules, but also of ethical and social norms. It is imperative that banks fulfill their social responsibilities and public missions in good faith. At Nanto Bank, we are implementing the following measures to ensure our full compliance with any and all applicable rules:

- Being fully aware of our public mission and social responsibility as a financial institution, Nanto Bank seeks to gain the trust of its stakeholders, including its regional community and shareholders, by positioning compliance with laws and regulations as the most important issue for management. To this end, we have formulated “Basic Guidelines” and a “Code of Conduct” as corporate policies, with which all the Bank’s officers and employees must comply.
- The Bank formulates a Compliance Program including these policies each fiscal year and ensures that it is shared with and observed by all its Group member companies. The progress and status of achievement of the Compliance Program is verified semiannually and reported to the Compliance Committee and the Board of Directors.
- In order to define a basic framework for our compliance systems, we have clarified our stance toward compliance with laws and regulations, not only by establishing compliance regulations but also by formulating disciplinary regulations that show the fairness and transparency of our disciplinary actions.
- We have established a Compliance Committee chaired by the President to serve as a cross-sectional organization within the Bank that discusses and decides important matters related to compliance, as well as a supervisory department responsible for planning and supervising compliance.
- Each fiscal year, we prepare a compliance program as a concrete, practical plan for achieving compliance, after which we investigate the program’s implementation status and make appropriate revisions.
- We are pursuing efforts to optimize operation of our compliance hotline, a whistle-blower system established for purposes of prevention and early detection and correction of violations of laws and regulations, harassment, and corrupt practices such as bribery. For the purpose of protecting whistleblowers, we accept anonymous or publicly known names and conduct investigations under strict information management, such as management ensuring that information concerning informants will be handled only by the informant’s contact person to prevent identification of the whistleblower. We also ensure that whistleblowers are not searched or treated unfavorably in any way, including through personnel actions because of their reporting.
- As concerns violations of laws and regulations and various types of harassment, the Bank provides guidance for managers through annual training of compliance officers and training at the time of promotion to managerial positions. It holds monthly compliance study sessions featuring lectures by personnel responsible for compliance in each department and branch office, moreover, in an effort to raise awareness among all its employees concerning prevention of legal violations and harassment.
- We have compiled a “Compliance Handbook” to serve as a detailed guide to maintaining compliance, and we are following up with efforts to foster a compliance mindset by distributing the handbook to all our management and general personnel, and by holding regular group training and study sessions at every workplace.
- In accordance with our resolute attitude toward antisocial forces that threaten the order and safety of civil society, we have formulated a set of “Regulations for Dealing with Antisocial Forces, Etc.” to establish and maintain a system that eliminates any relationships with antisocial forces.

Whistleblower hotline

The Bank has established a compliance hotline to strengthen its compliance management by providing the officers and employees of the Bank and its Group companies with an enhanced ability to detect and correct violations of laws and ordinances at an early stage.

Reporting content

Any violation of laws or ordinances, or of compliance or ethics issues involving the Bank or its Group companies, its officers or employees

[Persons who have been retired from Nanto Bank or a Group company for less than one year]

[Reporting contact]

(Internal contact)

Name: Compliance Management Department, The Nanto Bank, Ltd.
Address: 16 Hashimoto-cho, Nara-shi 630-8677
Telephone: 0742-27-1530
email: hot-line@nantobank.co.jp

(External contact)

Name: Ohmine Law Office
Address: 308, Nara Prefectural Keizai Club Kaikan, 3F, 6 Higashi Mukinaka-machi, Nara City, Japan 630-8215
Telephone: 0742-81-8500

[All officers and employees (including those who have retired within the past one year) of entities handling business outsourced by Nanto Bank and its Group companies]

[Reporting contact]

Name: Ohmine Law Office
Address: 308, Nara Prefectural Keizai Club Kaikan, 3F, 6 Higashi Mukinaka-machi, Nara City, Japan 630-8215
Telephone: 0742-81-8500



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Cyber security initiatives

The Bank has compiled a policy on cyber security initiatives to reinforce its protection against cyber-attacks and other such threats.

Action Initiatives

With cyber-attacks threatening to become increasingly serious in the future, we recognize optimizing our cyber security to ensure the safety of our customers and assets as an important issue for management. Nanto Bank's CSIRT* plays a central role in ongoing Bank-wide efforts to implement effective cyber security related to the mid-term "road map" as well as to enhance our readiness to respond promptly to cyber-attacks.

*CSIRT: A security organization designed to respond to incidents related to computer security

Management involvement

Our Information Asset Management Regulations stipulate that the executive in charge of the IT Strategy Department shall be the general manager of CSIRT. We have been prioritizing development of a cyber security framework under the leadership of the Bank's management in a proactive manner. Participants in the Bank's CSIRT meetings discuss our progress in realizing our mid-term roadmap and annual plan for cyber security, as well as conditions in the surrounding environment and other issues. Among other precautions, the number of confirmed cyber-attacks and content of all internal and external trends are reported to the CSIRT General Manager and the Operational Risk Management Committee.

Outsourcing management

We use cloud services or external information systems that meet our information system security standards only after examining the security measures they employ. In addition, we routinely review such introduced services as a follow-up regimen.

Audit structure

The Audit Department and a major consulting firm conduct joint cyber security audits to facilitate advanced audits meeting recent trends in possible threats to financial institutions. Issues identified in such auditing processes will then be constantly dealt with in accordance with the Nanto Bank CSIRT's annual schedule, and the Audit Department monitors the status of efforts to strengthen cyber security management systems throughout the Bank's organizations.

Internal audit structure

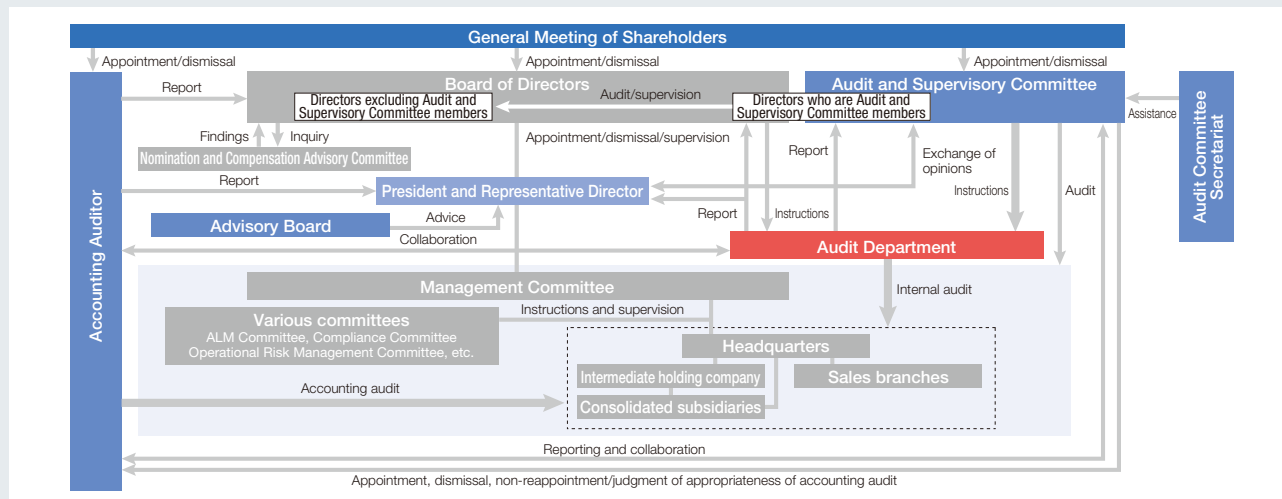
Aims of the internal audits

The Internal Audit Department, the Nanto Bank Group's department responsible for internal audits, verifies and evaluates the effectiveness and appropriateness of internal management systems and controls, such as compliance and risk management, from a standpoint independent of the executive departments for the purpose of ensuring sound, appropriate business operations and contributing to achievement of the Group's management objectives as well as of making recommendations for correction and improvement of problematic issues.

Internal Audit Structure

The Internal Audit Department maintains its independence by reporting directly to the Board of Directors in order to ensure that there are sufficient checks and balances in place for the audited departments. It also evaluates and checks the company's operational procedures based on an internal audit plan and internal audit regulations approved by the Board of Directors for the fiscal year while at the same time observing the appropriateness and effectiveness of the Bank's internal control systems continuously as part of its monitoring function.

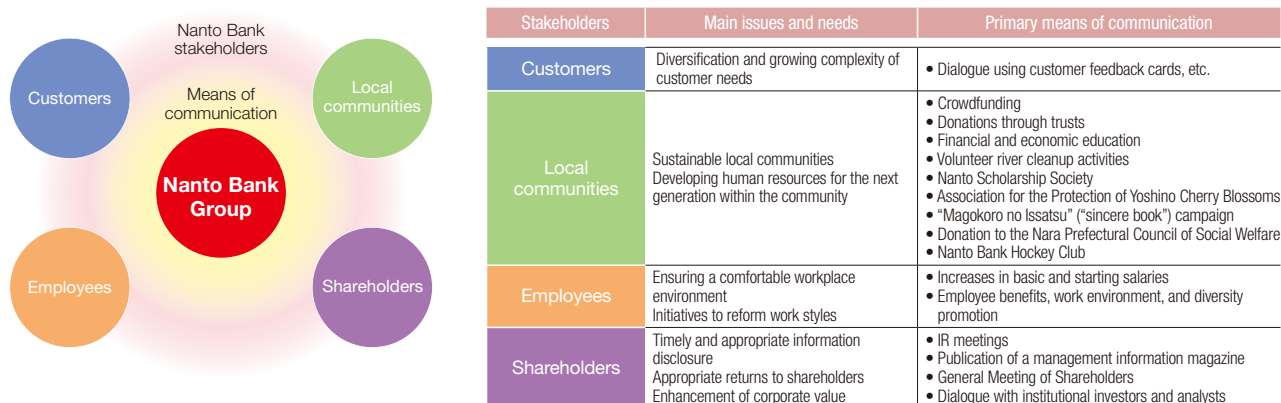
Corporate governance structure



Initiatives toward enhanced engagement with stakeholders

Basic concept

The Nanto Bank Group places particular importance on its engagement with stakeholders, listening sincerely to the ideas and opinions of everyone, including our customers, local community residents, employees, and shareholders, and responding to their requests. We are steadily implementing our Action Plan while engaging in continuous dialogue and creating new value in cooperation with our stakeholders as an avenue toward realizing sustainable management that grows with the community.



Engagement with customers

The Nanto Bank Group strives to build relationships of trust with its customers by responding to their various opinions and requests.

Customer-oriented business operations

In its commitment to conducting business in the best interests of customers, the Nanto Bank Group* has established an Action Plan for realizing its "Policy Initiative for Customer-oriented Business Operations."

The Policy for Customer-oriented Business Operations is a concrete expression of our commitment to contributing to customers' stable asset formation in our sales of financial products. We will put this policy into practice, establish indicators (KPIs) to confirm the results of these efforts, and review and disclose the results periodically.

* Group companies subject to the KPIs: The Nanto Bank, Ltd. and Nanto Mahoroba Securities Co., Ltd.

Please refer to our website for details of our "customer-oriented business management."



Regular distribution of information via LINE app

We use LINE, a communication app provided by LINE Corporation, to distribute information on campaigns and special offers to our customers on a regular basis. We also use the app to obtain a wide range of customer feedback through surveys that helps us clarify issues that need to be addressed.



How to complete friend registration on the LINE app:

(1) Using "Friend Search"

Search for "Nanto Bank" and register as a friend.

(2) Using "Add Friend"

Search for "@nantobank" in the ID search and register.

(3) Using the QR code

Register via the QR code using a QR code reader.



* The LINE smartphone communication application is provided by LINE, Inc. We ask customers to consider their own preferences when deciding whether to download the LINE app.

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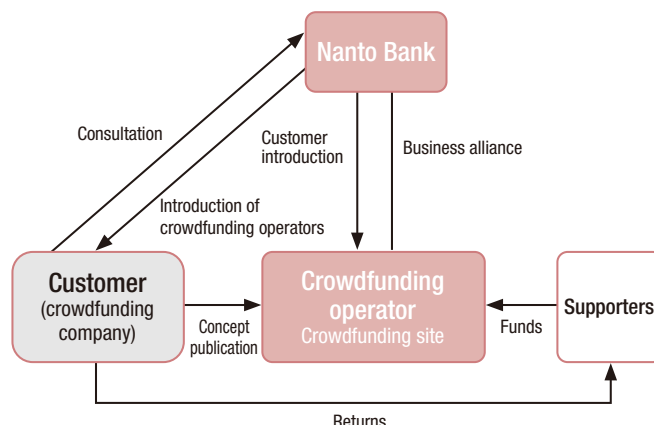
Community engagement

The Nanto Bank Group is committed to sustainable management developed together with its local communities. We participate actively in community activities and events.

Crowdfunding

We interconnect the diverse future aspirations of individuals, organizations, and communities by deploying crowdfunding to meet customers' financing needs.

To date, we have mainly devoted the funds to shrines and temples, but we are accelerating our support for local arts, hospitals, food and beverage providers, and tourism facilities.



Donations through trusts

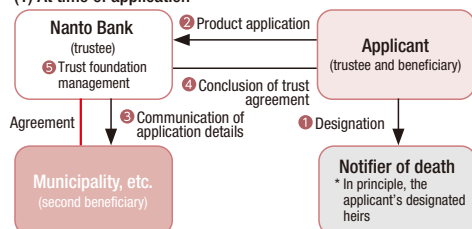
To smooth the way for donations of inherited property to local governments and other bodies, we have concluded the “Agreement on Donations Using a Trust in Lieu of a Will” with 38 municipal governments and 16 educational institutions. People can now use the “Nanto Anshin Todokeru Trust ‘Family Enrichment’ Donation” to donate a portion of inherited property to organizations with which an agreement has been concluded without the need for a will.

Agreement signatories (as of March 31, 2024)

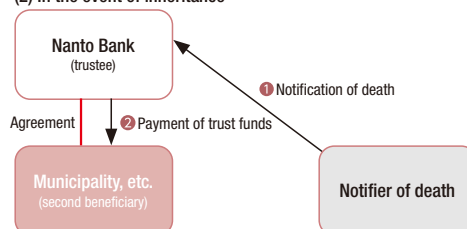
Municipalities	Nara Prefecture	Nara Prefecture
	Cities	Ikoma City, Uda City, Kashiba City, Kashihara City, Katsuragi City, Gojo City, Gose City, Sakurai City, Tenri City, Nara City, Yamatokoriyama City, Yamatotakada City
	Towns	Ando Town, Ikaruga Town, Oji Town, Oyodo Town, Kawai Town, Kawanishi Town, Kanmaki Town, Koryo Town, Sango Town, Shimoichi Town, Takatori Town, Tawaramoto Town, Heguri Town, Miyake Town, Yoshino Town
	Villages	Asuka Village, Kawakami Village, Shimokitayama Village, Soni Village, Totsukawa Village, Higashiyoshino Village, Yamazoe Village
Educational institutions, etc.	Kyoto Prefecture	Ide Town, Kizugawa City, Seika Town
	Ashinaga Scholarship Foundation, Kansai Guide Dogs for the Blind Foundation, National University Corporation Kyoto University, Religious Corporation Kinpusenji Temple, Doctors Without Borders Japan, Saidaiji Religious Corporation, Daijani Religious Corporation, Doshisha Educational Corporation, Todaiji Welfare Organization, Social Welfare Corporation Nara Prefectural Council of Social Welfare, Public University Corporation Nara Medical University, National University Corporation Nara Institute of Science and Technology, Independent Administrative Institution National Research Institute for Cultural Properties, Japan Committee for UNICEF, Nara, Religious Corporation Horyuji Temple, Ritsumeikan Educational Foundation	

Nanto Anshin Todokeru Trust for Family Happiness [donation course] product plan

(1) At time of application



(2) In the event of inheritance



* Donations under the agreement will be made using the Nanto Anshin Todokeru Trust “Family Happiness” product. For product details, please refer to the brochure of “Nanto Anshin Todokeru Trust for Family Happiness.”

[About the Bequest Donation Program]

We have expanded our services related to inheritance issues by entering into agreements with 18 municipalities and 17 educational institutions to enhance our bequest donation program.

When a municipality, educational institution, or other organization that has signed up with the Bank is offered a donation by means of a bequest, our specialized staff provides support for preparation of a will and/or other documents in connection with the bequest and/or inheritance to fulfill the donor's last wishes.

Agreement signatories (as of March 31, 2023)

Municipalities	Nara Prefecture	Nara Prefecture
	Cities	Ikoma City, Kashiba City, Kashihara City, Tenri City, Nara City, Yamatokoriyama City, Yamatotakada City
	Towns	Kawai Town, Kawanishi Town, Kamaki Town, Koryo Town, Sango Town, Tawaramoto Town, Yoshino Town
	Villages	Kawakami Village, Yamazoe Village
Educational institutions, etc.	Kyoto Prefecture	Ide Town, Kizugawa City, Seika Town
	Ashinaga Scholarship Foundation, Kansai Guide Dogs for the Blind Foundation, National University Corporation Kyoto University, Public Interest Incorporated Foundation Kyoto University iPS Cell Research Foundation, Religious Corporation Kinpusenji Temple, Doctors Without Borders Japan, Saidaiji Religious Corporation, Daijani Religious Corporation, Educational Corporation Tezukayama Gakuin, Educational Corporation Tenri University, Public Interest Incorporated Foundation Tenri Yorozu Consultation Center, Educational Corporation Doshisha, Todaiji Welfare Organization, Social Welfare Corporation Nara Prefectural Council of Social Welfare, Public University Corporation Nara Medical University, National Institute of Technology Nara College, National University Corporation Nara Women's University, National University Corporation Nara Institute of Science and Technology, Incorporated Administrative Agency Nara National Institute of Cultural Properties, Japan Committee for UNICEF, Religious Corporation Horyuji Temple, Ritsumeikan Educational Foundation	

Strengthening relationships with the community through social contributions

Promotion of financial and economic education

We provided on-site work experience classes and work experience for local elementary and junior high school students to help them acquire basic knowledge about monetary matters.



Nanto Scholarship Society

The Nanto Scholarship Society offers scholarships for high school and university students of outstanding character and academic ability who reside in Nara Prefecture. As of March 2024, the society had provided scholarship support for 1,500 students since its establishment in 1964.



Volunteer river cleanup activities

We participate in the "Kizu River Basin Cleanup Project," a large-scale project carefully organized by the Kizu River Basin Cleanup Executive Committee, and the "Yamato River Simultaneous Cleanup Project" organized by Nara Prefecture. The Nanto Bank Group aims to achieve sustainable regional growth and development by providing leadership in efforts to achieve the SDGs.

Yoshino's Cherry Blossom Preservation Society

The Bank is a special member of the Yoshino Cherry Blossom Preservation Society, which was established cooperatively by the public and private sectors to protect the Shiroyama Sakura cherry trees (approx. 30,000 trees) on World Heritage Site Yoshino Mountain (Yoshino-cho, Nara Prefecture), which have shown signs of remarkable deterioration in recent years. As a regional financial institution, Nanto Bank cooperates actively with efforts to protect and nurture Yoshino's cherry trees by such means as dispatching volunteer staff to various related events.

The Magokoro no Issatsu Campaign

Every year, the Bank donates books recommended by its executive officers and employees to the Nara Training School for Juvenile Delinquents for distribution as Christmas presents.

This activity has been carried on since 1987 as part of our Magokoro no Issatsu Campaign for the purpose of contributing to the emotional education of juveniles.

Besides popular works recently published, the donated books include dictionaries, reference books, and other resources of high value for education.

Donation to Nara Prefectural Council of Social Welfare

On the occasion of its 70th anniversary in 2004, Nanto Bank donated 600,000 yen, unchanged from past years, to the Nara Prefectural Council of Social Welfare as a contribution to the Council's efforts to improve the welfare of our regional community. Donations are used to support the operation of a children's cafeteria and subsidize volunteer groups in the prefecture.

Nanto Bank Field Hockey Club

In 1982, the Bank established a women's field hockey club, which has been contributing ever since to promoting sports in Nara Prefecture as the "Nanto Bank SHOOTING STARS." The club participates in Nara City sports events, visits schools, and holds field hockey training sessions for local elementary school students. The players are dedicated to contributing to and interacting with the local community through field hockey games.

Engagement with employees

The Nanto Bank Group seeks to be an organization in which every employee without exception feels a sense of fulfillment and continues to grow day by day. We are taking various steps to create an environment and develop initiatives to foster a corporate culture of this kind.

Increases in basic and starting salaries

We increased our basic salary last year for the first time in 28 years. Then, in fiscal 2024, we increased our basic and starting salaries with a special focus on salary allocations to younger employees while also newly raising employee bonuses. These moves represented a response to rising prices and a desire to enhance employees' job satisfaction and motivation to contribute to regional development by dedicating themselves to solving issues facing our customer. We also raised the hourly wages of our senior and part-time staff.

Benefits and welfare — workplace environment — promoting diversity

The Nanto Bank Group has established various childcare support systems, while also working to create a comfortable workplace for all its employees who are seeking a balance between work and childcare.

	Name	System overview
Childcare support	Paternity leave	Up to four weeks of paid childcare leave to be taken within eight weeks of the birth of a child.
	Fertility Treatment Leave System	Employees undergoing fertility treatment are eligible for up to 12 days of paid leave per year.
	Extension of the period during which employees can benefit from the existing systems designed to support childcare, including shorter working hours	Employees raising children up to junior high school age will be eligible for shorter working hours.
	Expansion of the Family Support Leave System	Employees can now take five days of paid leave before and after the birth of a child (or a grandchild).
	Expansion of the Child Nursing Care Leave System	Employees caring for a child up to junior high school age can take five days of paid leave to care for a sick child.
Healthcare	Health checkups, etc., assistance	Subsidy system for physical examinations, cancer screenings, brain scans, etc.
Work-style reform Career development support	Flextime system	Responsiveness to diversified values and work styles with productivity in mind
	Secondary employment system	Freedom to conduct side jobs independently with no employment contract with the Bank required
	Career challenge system	Open recruitment of human resources by departments, with current employees free to apply
	Alumni recruitment system	Expansion of rehiring system for employees who retire for reasons of childcare or nursing care to include all other reasons for retirement

Business
modelRisks and
opportunities

Performance

Engagement with shareholders

The Nanto Bank Group strives to disclose information to shareholders in an appropriate and timely manner. We also engage in constructive dialogue with our shareholders in order to achieve sustainable growth and to enhance our corporate value over the medium to long term.

Investor relations (IR) activities

The purpose of the Bank's IR activities is to provide our valued shareholders and investors with the information they need to make investment decisions in a timely, continuous, and impartial manner as a means of ensuring appropriate evaluation of companies in the capital markets.

The Nanto Bank Group employs IR activities to explain its management strategies and financial results to stakeholders.

[IR Calendar]

FY2023 results		FY2024 (expected)	
May 2023	Fiscal 2022 full-year results briefing (large-scale meeting)	June 2024	Fiscal 2023 full-year results briefing (large-scale meeting)
June	135th Ordinary General Meeting of Shareholders	June	136th Ordinary General Meeting of Shareholders
July	Integrated report issued.	July	Integrated report issued.
July	Publication of disclosure leaflet (reference materials)	July	Publication of disclosure leaflet (reference materials)
October	Annual report (English) published.	September	Management briefing
December	FY2023 interim results briefing (large-scale meeting)	October	Annual report (English) published.
		November	Fiscal 2024 interim results briefing (large-scale meeting)

IR meetings

Large meetings for domestic and foreign institutional investors and analysts are held twice a year. We also hold one-on-one and other meetings as required.



Publication of management information

In addition to the above presentations of management information, we publish an integrated report and a mini-disclosure leaflet that introduce the Group's initiatives.



General Meeting of Shareholders

Main questions raised at the 136th Ordinary General Meeting of Shareholders

- Future measures to improve price-to-book ratio
- Future dividend policy
- Future direction of women's activities
- Planned use of funds from sales of cross-shareholdings
- Future policy on SDG initiatives
- Initiatives for regional revitalization

Dialogue with institutional investors and analysts

Items for discussion in interviews in FY2023 : 21

Principal themes and concerns

- Target level of capital adequacy ratio
- Future shareholders' return policy and capital policy
- Utilization of RORA and areas of business for future emphasis
- Initiatives to increase service revenues

We are committed to the following activities to promote constructive dialogue with our shareholders.

1. Dialogue with shareholders

To assure constructive dialogue with shareholders, the Director of the Corporate Planning Department, who oversees the Bank's IR activities, plays a central role by participating actively in the dialogue.

2. Internal structure facilitating dialogue

The Corporate Planning Department responsible for IR activities has established a system of compiling information from the relevant departments and providing proper information to shareholders.

3. Means of dialogue other than individual meetings

IR activities are conducted as required to provide shareholders with explanations. We will also continue to enhance our

disclosure activities and to disseminate information widely by posting it on our website.

4. Feedback on shareholder opinions, etc.

The Director of the Corporate Planning Department provides management with feedback concerning opinions obtained through dialogue with shareholders at meetings of the Board of Directors and other meetings as appropriate.

5. Management of insider information

The Bank's basic policy is to disclose information in a fair, timely, and appropriate manner. It has accordingly established internal rules for prevention of insider trading and has put a strict information management system in place.

Company profile

Name:	The Nanto Bank, Ltd.
Founded:	June 1, 1934
Head Office:	16, Hashimoto-cho, Nara City, Nara, Japan
Capital:	37,924.15 million yen
Total assets:	6,763.8 billion yen
Deposit balance:	5,809.5 billion yen
Loan balance:	4,194.4 billion yen
Loans to small and medium-sized enterprises:	1,550.7 billion yen
Domestic offices:	103 (64 in Nara Prefecture, including Internet branches, and 39 in other locations)
Employees:	2,257
Capital adequacy ratio:	10.77% (consolidated); 10.46% (non-consolidated)

*The credit risk measurement method used to calculate the capital adequacy ratio was changed from the "standard method" to the "basic internal rating method" as of March 31, 2024.

URL: <https://www.nantobank.co.jp>

Overview of Nanto Bank's consolidated subsidiary operations

Company name	Location	Principal business	Capital (million yen)	Percentage of subsidiaries' voting rights held by the Bank (%)
Nanto Management Service Co., Ltd.	Nara City, Nara Prefecture	Subsidiary management business	40	100
Nanto Business Service Co., Ltd.	Nara City, Nara Prefecture	Bank's administrative agency business	10	100
Nanto Credit Guarantee Co., Ltd.	Nara City, Nara Prefecture	Credit guarantee business	10	100 (100)
Nanto Lease Co., Ltd.	Nara City, Nara Prefecture	Leasing business	500	100 (100)
Nanto Computer Service Co., Ltd.	Nara City, Nara Prefecture	Software development business	10	100 (100)
Nanto DC Card Co., Ltd.	Ikoma City, Nara Prefecture	Credit card business	50	100 (100)
Nanto Card Service Co., Ltd.	Ikoma City, Nara Prefecture	Credit card business	50	100 (100)
Nanto Consulting Co., Ltd.	Nara City, Nara Prefecture	Consulting business	100	100 (100)
Nanto Challenged Co., Ltd.	Nara City, Nara Prefecture	Bank's administrative agency business	20	100 (100)
Nanto Mahoroba Securities Co., Ltd.	Nara City, Nara Prefecture	Financial instrument trading business	3,000	100 (100)
Nanto Capital Partners Co., Ltd.	Nara City, Nara Prefecture	Investment business	100	100

Notes: 1. Figures in parentheses in the "Percentage of subsidiaries' voting rights held by the Bank" column indicate the percentage of indirect voting rights.

2. Nanto Management Service Co., Ltd. is an intermediate holding company.

(Reference) Affiliated companies accounted for by the equity method

Company name	Location	Principal business	Capital (million yen)	Percentage of subsidiaries' voting rights held by the Bank (%)
Nara Mirai Design Co., Ltd.	Nara City, Nara Prefecture	Regional revitalization business	80	— (39.9)
Nara Kominka Machizukuri Partners Co., Ltd.	Nara City, Nara Prefecture	Investment business	3	— (—)
Frontier Nanto Investment LLC	Nara City, Nara Prefecture	Investment business	5	— (50.0)

Notes: 1. Figures in parentheses in the "Percentage of voting rights held by Nanto Bank" column indicate the percentage of indirect voting rights.

2. Nara Old Folk Town Development Partners Co. ("the Company") is owned by Nara Mirai Design Corporation, an equity-method affiliate of the Bank. Although the Bank holds less than 20/100 of the voting rights in Nara Mirai Design, it is an equity-method affiliate because the Bank has substantial influence over the company.

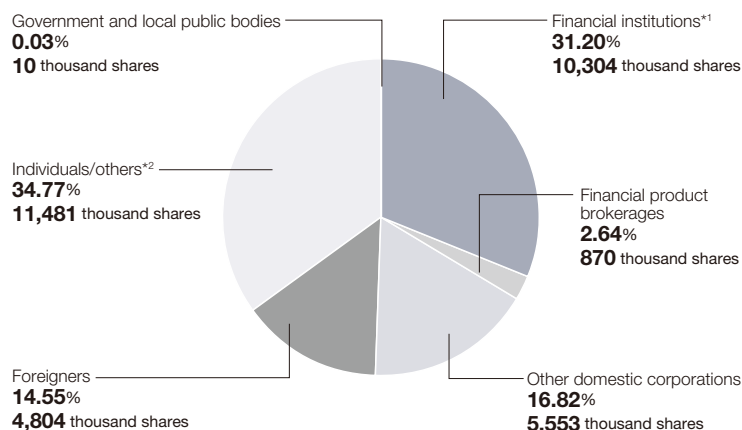


Current status of stock issuance

Total shares issued: 33,025 thousand

Number of shareholders: 18,054

Stock distribution by owner category



*1 Total of banks, trust banks, life insurance companies, non-life insurance companies, etc.

*2 Includes 1,202 thousand treasury shares

*3 The number of shares owned is rounded down to the nearest thousand.

Major shareholders (top 10)

Name	Number of shares held (unit: 1,000)*4	Ratio of number of shares owned to total number of shares issued (%)*5
The Master Trust Bank of Japan, Ltd. (trust account)	3,841	12.07
Custody Bank of Japan, Ltd. (trust account)	1,429	4.49
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,053	3.30
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	1,043	3.27
Nanto Bank Employee Stock Ownership Association	943	2.96
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	662	2.08
Daiwa Gas Co., Ltd.	466	1.46
Kitamura Forestry Co., Ltd.	418	1.31
JP MORGAN CHASE BANK 385781	407	1.28
STATE STREET BANK WEST CLIENT-TREATY 505234	296	0.93

(Note) *4 The number of shares owned is rounded down to the nearest thousand.

*5 The percentage of shares held is calculated excluding treasury stock (1,202 thousand shares) and rounded down to the third decimal place. Treasury stock does not include the Bank's stocks held by the BIP Trust for directors' remuneration (68 thousand shares).

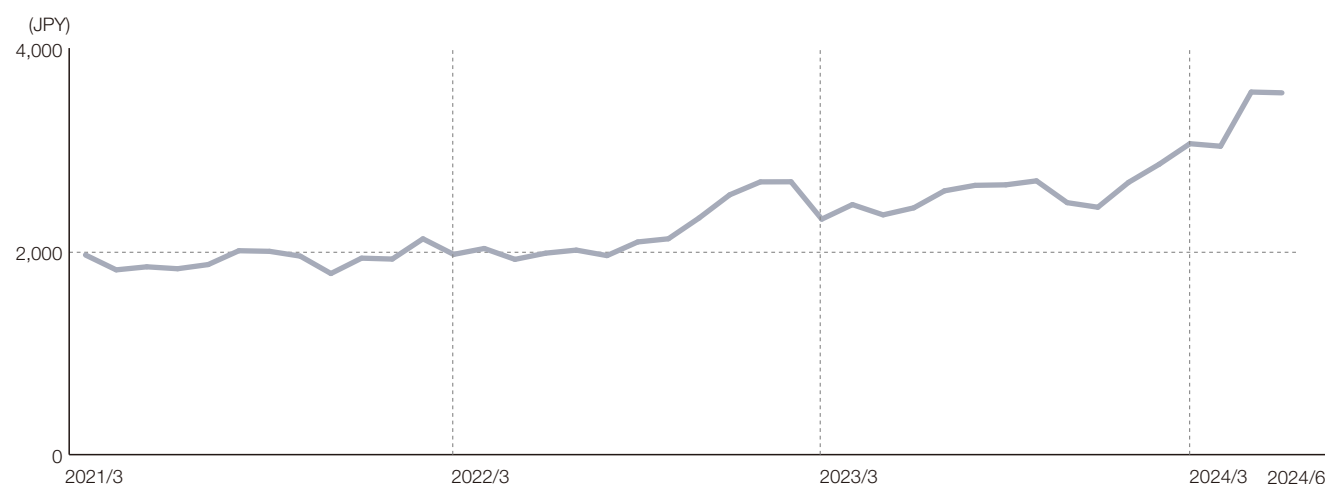
Total shareholder returns (TSR)

	Mar. 2022	Mar. 2023	Mar. 2024
Nanto Bank (%)	108.4	130.5	171.8
TOPIX (including dividend) (%)	131.1	138.8	196.1

Dividends per share / Dividend payout ratio

	Mar. 2022	Mar. 2023	Mar. 2024
Dividends per share (yen)	110.00	113.00	114.00
Consolidated dividend payout ratio (%)	30.1	76.4	30.0

Stock price trends



Consolidated Financial Statements

• Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets:			
Cash and due from banks (Notes 23 and 25)	¥ 963,526	¥ 1,085,005	\$ 6,363,687
Call loans and bills bought (Note 25)	1,892	—	12,495
Debt purchased (Notes 25 and 26)	1,494	1,503	9,867
Money held in trust (Notes 25 and 26)	40,967	43,579	270,569
Securities (Notes 9, 10, 11, 14, 25 and 26)	1,461,095	1,320,545	9,649,924
Loans and bills discounted (Notes 10, 11, 12 and 25)	4,170,554	3,944,387	27,544,772
Foreign exchanges (Note 10)	1,225	1,354	8,090
Lease receivables and lease investment assets (Note 11)	28,239	26,221	186,506
Other assets (Notes 10, 11 and 15)	79,357	72,006	524,119
Tangible fixed assets (Note 13)	41,795	40,493	276,038
Buildings	10,877	10,567	71,838
Land	23,782	23,647	157,070
Construction in progress	3,512	3,529	23,195
Other tangible fixed assets	3,622	2,749	23,921
Intangible fixed assets	4,842	4,674	31,979
Software	4,397	4,228	29,040
Other intangible fixed assets (Note 11)	444	446	2,932
Deferred tax assets (Note 29)	6,278	17,046	41,463
Customers' liabilities for acceptances and guarantees (Note 10)	7,216	8,759	47,658
Reserve for possible loan losses (Notes 3 and 25)	(21,430)	(23,461)	(141,536)
Total assets	¥ 6,787,056	¥ 6,542,117	\$ 44,825,678
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 11 and 25)	¥ 5,797,765	¥ 5,715,665	\$ 38,291,823
Negotiable certificates of deposit (Note 25)	5,738	8,140	37,897
Payables under securities lending transactions (Notes 11 and 25)	253,137	139,161	1,671,864
Borrowed money (Notes 11, 25 and 34)	355,656	356,490	2,348,959
Foreign exchanges	797	806	5,263
Borrowed money from trust account	4,104	4,659	27,105
Other liabilities (Note 34)	51,073	32,699	337,315
Liability for retirement benefits (Note 28)	11,680	11,916	77,141
Reserve for reimbursement of deposits	190	76	1,254
Reserve for contingent losses	926	831	6,115
Reserve for share-based payment	123	96	812
Reserve under special laws	3	3	19
Deferred tax liabilities (Note 29)	11	11	72
Acceptances and guarantees	7,216	8,759	47,658
Total liabilities	¥ 6,488,425	¥ 6,279,318	\$ 42,853,345
Net assets (Note 7):			
Common stock: Authorized 64,000 thousand shares in 2024 and 2023			
Issued 33,025 thousand shares in 2024 and 2023	¥ 37,924	¥ 37,924	\$ 250,472
Capital surplus	34,749	34,749	229,502
Retained earnings	208,825	200,383	1,379,202
Less treasury stock: Issued 1,270 thousand shares in 2024			
and 1,273 thousand shares in 2023	(3,413)	(3,418)	(22,541)
Total stockholders' equity	278,085	269,639	1,836,635
Valuation difference on available-for-sale securities (Note 26)	14,232	(6,537)	93,996
Deferred gains or losses on hedges (Note 27)	6,575	95	43,425
Accumulated adjustments for retirement benefits (Note 28)	(262)	(398)	(1,730)
Total accumulated other comprehensive income	20,545	(6,840)	135,691
Total net assets	298,631	262,798	1,972,333
Total liabilities and net assets	¥ 6,787,056	¥ 6,542,117	\$ 44,825,678

See Notes to Consolidated Financial Statements.

• Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Income (Note 15):			
Interest income:			
Interest on loans and bills discounted.....	¥ 37,271	¥ 34,474	\$ 246,159
Interest and dividends on securities.....	10,241	10,865	67,637
Other interest income.....	3,281	1,523	21,669
Trust fees.....	28	16	184
Fees and commissions.....	25,652	23,662	169,420
Other operating income (Note 16).....	2,787	4,268	18,406
Other income (Note 17).....	6,586	3,043	43,497
Total income.....	85,848	77,853	566,990
Expenses:			
Interest expense:			
Interest on deposits.....	286	294	1,888
Interest on borrowings and rediscounts.....	2,971	1,408	19,622
Interest on payables under securities lending transactions.....	4,565	1,569	30,149
Other interest expense.....	34	469	224
Fees and commissions.....	14,327	12,916	94,623
Other operating expenses (Note 18).....	3,686	12,914	24,344
General and administrative expenses (Note 19).....	40,516	39,481	267,591
Other expenses (Notes 20 and 21).....	2,834	2,483	18,717
Total expenses.....	69,223	71,537	457,189
Income before income taxes.....	16,625	6,316	109,801
Income taxes (Note 29):			
Current.....	5,906	1,380	39,006
Deferred.....	(1,318)	203	(8,704)
Total income taxes.....	4,587	1,584	30,295
Net income.....	12,037	4,731	79,499
Net income attributable to owners of parent.....	¥ 12,037	¥ 4,731	\$ 79,499
	Yen		U.S. dollars (Note 1)
Per share of common stock:			
Net income - basic (Note 32).....	¥ 379.08	¥ 147.75	\$ 2.50
Dividends (Note 7).....	114.00	113.00	0.75

See Notes to Consolidated Financial Statements.

• Consolidated Statements of Comprehensive Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income.....	¥ 12,037	¥ 4,731	\$ 79,499
Other comprehensive income (loss) (Note 22):			
Valuation difference on available-for-sale securities.....	20,770	(21,659)	137,177
Deferred gains (losses) on hedges.....	6,480	(1,719)	42,797
Adjustments for retirement benefits (Note 28).....	135	147	891
Total other comprehensive income (loss).....	27,385	(23,231)	180,866
Total comprehensive income (loss) for the year.....	¥ 39,423	¥ (18,499)	\$ 260,372
Total comprehensive income (loss) attributable to:			
Owners of parent.....	¥ 39,423	¥ (18,499)	\$ 260,372

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

• Consolidated Statements of Changes in Net Assets

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2024 and 2023

Millions of yen										
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Accumulated adjustments for retirement benefits	Total net assets	
Balance at April 1, 2022	33,025	¥ 37,924	¥ 34,749	¥ 199,208	¥ (1,799)	¥ 15,121	¥ 1,814	¥ (546)	¥	286,473
Cash dividends				(3,556)						(3,556)
Net income attributable to owners of parent				4,731						4,731
Purchase of treasury stock					(1,618)					(1,618)
Disposition of treasury stock			(0)		0					0
Transfer from retained earnings to capital surplus			0	(0)						—
Net changes in items other than stockholders' equity						(21,659)	(1,719)	147		(23,231)
Balance at April 1, 2023	33,025	¥ 37,924	¥ 34,749	¥ 200,383	¥ (3,418)	¥ (6,537)	¥ 95	¥ (398)	¥	262,798
Cash dividends				(3,596)						(3,596)
Net income attributable to owners of parent				12,037						12,037
Purchase of treasury stock					(4)					(4)
Disposition of treasury stock			(0)		9					9
Transfer from retained earnings to capital surplus			0	(0)						—
Net changes in items other than stockholders' equity						20,770	6,480	135		27,385
Balance at March 31, 2024 (Note 7)	33,025	¥ 37,924	¥ 34,749	¥ 208,825	¥ (3,413)	¥ 14,232	¥ 6,575	¥ (262)	¥	298,631

Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Accumulated adjustments for retirement benefits	Total net assets	
Balance at April 1, 2023	\$ 250,472	\$ 229,502	\$ 1,323,446	\$ (22,574)	\$ (43,174)	\$ 627	\$ (2,628)	\$	1,735,671
Cash dividends			(23,750)						(23,750)
Net income attributable to owners of parent			79,499						79,499
Purchase of treasury stock				(26)					(26)
Disposition of treasury stock		(0)		59					59
Transfer from retained earnings to capital surplus		0	(0)						—
Net changes in items other than stockholders' equity					137,177	42,797	891		180,866
Balance at March 31, 2024 (Note 7)	\$ 250,472	\$ 229,502	\$ 1,379,202	\$ (22,541)	\$ 93,996	\$ 43,425	\$ (1,730)	\$	1,972,333

See Notes to Consolidated Financial Statements.

• Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities			
Income before income taxes	¥ 16,625	¥ 6,316	\$ 109,801
Depreciation.....	3,507	3,412	23,162
Impairment loss.....	2	43	13
Share of loss (profit) of entities accounted for using equity method.....	22	14	145
Increase (decrease) in reserve for possible loan losses	(2,031)	976	(13,413)
Increase (decrease) in liability for retirement benefits	(40)	151	(264)
Increase (decrease) in reserve for reimbursement of deposits	113	(28)	746
Increase (decrease) in reserve for contingent losses	94	(2)	620
Increase (decrease) in reserve for share-based payment	26	35	171
Interest income	(50,795)	(46,862)	(335,479)
Interest expense.....	7,858	3,741	51,898
Loss (gain) on securities	(4,229)	7,820	(27,930)
Loss (gain) on money held in trust	(47)	152	(310)
Foreign exchange losses (gains)	(15,614)	(7,736)	(103,123)
Losses (gains) on sales of fixed assets	2	(37)	13
Net decrease (increase) in loans and bills discounted	(226,166)	(73,613)	(1,493,732)
Net increase (decrease) in deposits	82,099	68,258	542,229
Net increase (decrease) in negotiable certificates of deposit	(2,401)	600	(15,857)
Net increase (decrease) in borrowed money	(833)	(352,737)	(5,501)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)...	(81)	(83)	(534)
Net decrease (increase) in call loans and bills bought	(1,883)	(36)	(12,436)
Net increase (decrease) in call money.....	—	(189,578)	—
Net increase (decrease) in payables under securities lending transactions ...	113,975	36,729	752,757
Net decrease (increase) in foreign exchange assets.....	129	1,134	851
Net increase (decrease) in foreign exchange liabilities	(9)	332	(59)
Net decrease (increase) in lease receivables and lease investment assets....	(2,224)	(1,364)	(14,688)
Net increase (decrease) in borrowed money from trust account	(555)	(808)	(3,665)
Interest received.....	48,730	47,352	321,841
Interest paid	(6,819)	(2,645)	(45,036)
Other	16,099	(8,973)	106,327
Subtotal	(24,444)	(507,436)	(161,442)
Income taxes paid.....	(1,659)	(6,428)	(10,957)
Net cash used in operating activities	(26,104)	(513,864)	(172,406)
Cash flows from investing activities			
Purchase of securities	(387,317)	(374,000)	(2,558,067)
Proceeds from sales of securities	230,795	397,341	1,524,304
Proceeds from maturities of securities	66,979	91,188	442,368
Increase in money held in trust	(4,843)	(321)	(31,985)
Decrease in money held in trust	7,334	48	48,438
Purchase of tangible fixed assets	(3,090)	(4,829)	(20,408)
Proceeds from sales of tangible fixed assets	181	539	1,195
Purchase of intangible fixed assets.....	(1,785)	(1,461)	(11,789)
Payments for asset retirement obligations	(2)	(48)	(13)
Other	(119)	(101)	(785)
Net cash provided by (used in) investing activities	(91,867)	108,355	(606,743)
Cash flows from financing activities			
Dividends paid	(3,593)	(3,553)	(23,730)
Purchase of treasury stock.....	(4)	(1,618)	(26)
Other	9	0	59
Net cash used in financing activities	(3,589)	(5,171)	(23,703)
Effect of exchange rate changes on cash and cash equivalents.....	0	5	0
Net increase (decrease) in cash and cash equivalents.....	(121,560)	(410,675)	(802,853)
Cash and cash equivalents at beginning of year	1,083,159	1,493,835	7,153,814
Cash and cash equivalents at end of year (Note 23)	¥ 961,599	¥ 1,083,159	\$ 6,350,960

See Notes to Consolidated Financial Statements.

■ Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries

Fiscal Years Ended March 31, 2024 and 2023

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of The Nanto Bank, Ltd. (the "Bank") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Ordinance for Enforcement of the Banking Law and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplemental information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2024, which was ¥151.41 to US\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its eleven (eleven in 2023) subsidiaries at March 31, 2024.

The Bank has five (four in 2023) unconsolidated subsidiaries in the fiscal year ended March 31, 2024, Nanto Sixth Industry Support Investment Limited Partnership, Nanto Regional Vitality Creation Support Investment Limited Partnership, Nanto CVC No. 3 Akebono Investment Limited Partnership, Nanto TSUNAGU Fund Investment Limited Partnership and Nara Mirai Forestry Co., Ltd. The unconsolidated subsidiaries were excluded from the scope of consolidation because the portion of their assets, net income (loss), retained earnings, accumulated other comprehensive income and others that correspond to the Bank's equity were immaterial to the extent that their exclusion from the scope of consolidation did not preclude reasonable judgment of the Group's financial position and results of operations.

(Establishment of unconsolidated subsidiaries)

In the fiscal year ended March 31, 2024, Nara Mirai Forestry Co., Ltd. became an unconsolidated subsidiary due to its new establishment.

In the fiscal year ended March 31, 2023, Nanto TSUNAGU Fund Investment Limited Partnership became an unconsolidated subsidiary due to its new establishment.

The Bank had three (three in 2023) affiliates over which it had the ability to exercise significant influence over operating and financial policies, Nara Mirai Design Co., Ltd., Nara Kominka Machizukuri Partners Co., Ltd. and Frontier Nanto Investment LLC, and these affiliates were accounted for by the equity method.

(Changes in scope of the equity method)

In the fiscal year ended March 31, 2023, Frontier Nanto Investment LLC was included in the scope of the equity method due to its new establishment.

The Bank has five (four in 2023) unconsolidated subsidiaries that are not accounted for using the equity method in the fiscal year ended March 31, 2024, Nanto Sixth Industry Support Investment Limited Partnership, Nanto Regional Vitality Creation Support Investment Limited Partnership, Nanto CVC No. 3 Akebono Investment Limited Partnership, Nanto TSUNAGU Fund Investment Limited Partnership and Nara Mirai Forestry Co., Ltd. The Bank also had five (five in 2023) affiliates not accounted for by the equity method, Nanto CVC Investment Limited Partnership, Nanto CVC No. 2 Investment Limited Partnership and Nara Kominka Machizukuri Fund Investment Limited Partnership, Frontier Nanto Investment Limited Partnership and Yamato Social Impact Investment Limited Partnership. The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of the equity method because the effect of their exclusion on the consolidated financial statements would not have been significant in terms of the portion of net income (loss), retained earnings, accumulated other comprehensive income and others which correspond to the Bank's equity.

(Establishment of unconsolidated subsidiaries not accounted for by the equity method)

In the fiscal year ended March 31, 2024, Nara Mirai Forestry Co., Ltd. became an unconsolidated subsidiary that is not accounted for using the equity method due to its new establishment.

In the fiscal year ended March 31, 2023, Nanto TSUNAGU Fund Investment Limited Partnership became an unconsolidated subsidiary not accounted for by the equity method due to its new establishment.

(Establishment of affiliates not accounted for by the equity method)

In the fiscal year ended March 31, 2023, Frontier Nanto Investment Limited Partnership and Yamato Social Impact Investment Limited Partnership became affiliates not accounted for by the equity method due to their new establishment.

Potager Co., Ltd., of which the Bank owns between 20% and 50% of the voting rights (execution rights), was not recognized as an affiliate for the fiscal years ended March 31, 2024 and 2023 because it is held by the Bank's unconsolidated subsidiary for the purpose of incubating the investees and not for the purpose of controlling the entity.

All consolidated subsidiaries have fiscal years ending on March 31.

All significant intercompany accounts, transactions and unrealized profits on transactions are eliminated.

b. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents represents cash and due from the Bank of Japan.

c. Finance leases

As lessor:

Finance leases are accounted for in a manner similar to that used for ordinary sale transactions. Revenue from finance lease transactions and related costs are recognized upon receipt of the lease payments. Finance leases in which the ownership of the leased assets is transferred to the lessee are recognized as lease receivables, and all finance leases in which the ownership of the leased assets is not transferred to the lessee are recognized as lease investment assets.

Fiscal Year Ended March 31, 2023

For finance leases which commenced before April 1, 2008 and in which the ownership of the leased assets is not transferred to the lessee, the appropriate book value (net of accumulated depreciation and amortization) in tangible and intangible fixed assets as of March 31, 2008 was recorded as the beginning balance of "Lease receivables and lease investment assets," and the total amount of interest equivalent for the remaining lease term after the adoption of the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Statement No. 13, issued on March 30, 2007) has been allocated over the remaining lease term using the straight-line method.

For the fiscal year ended March 31, 2023, differences between income before income taxes and income before income taxes calculated as if the accounting treatment for ordinary sale transactions had been applied to the finance leases in which the ownership of the leased assets is not transferred to the lessee were not material.

d. Securities

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains and losses in the period of the disposal or the change. Cost of sales for such securities is determined using the moving average method. Held-to-maturity debt securities are stated at amortized cost on a straight-line method, cost of which is determined using the moving average method. Stocks of affiliates accounted for by the equity method and unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost using the moving average method. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Equity securities, etc., with no market price included in available-for-sale securities are stated at moving average cost.

If the fair value of held-to-maturity debt securities or available-for-sale securities declines significantly, the securities are stated at fair value, and the difference between the fair value and the carrying amount is recognized as a loss in the period of the decline. In such a case, the fair value will be the carrying amount of the securities at the beginning of the next fiscal year.

Securities managed as trust assets in individually managed money held in trust primarily for securities management purposes are measured at fair value.

e. Derivatives and hedge accounting

Derivatives are measured at fair value.

To account for hedging transactions in connection with interest rate risk arising from financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Report No. 24, March 17, 2022). The Bank assesses the effectiveness of such hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items, such as loans and deposits, and the hedging instruments, such as interest rate swaps, by their maturity. The Bank assesses the effectiveness of cash flow hedges by verifying the correlation between the hedged items and the hedging instruments.

In order to hedge risk arising from the volatility of exchange rates for available-for-sale securities (excluding bonds) denominated in foreign currencies, the Bank applies fair value hedge accounting with the condition that the hedged available-for-sale securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currency.

f. Tangible fixed assets (except for leased assets)

Depreciation of tangible fixed assets of the Bank is computed by the declining balance method, except for buildings (excluding facilities attached to buildings and structures acquired on or before March 31, 2016, which are depreciated by the declining balance method) which are depreciated by the straight-line method. The estimated useful lives of major items are as follows:

Buildings	6 to 50 years
Others	3 to 20 years

Depreciation of the assets of the consolidated subsidiaries is computed principally by the declining balance method over the estimated useful life of the asset.

g. Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of five years.

h. Leased assets

Leased assets with respect to finance leases in which the ownership of tangible fixed assets and intangible fixed assets is not transferred to the lessee, are depreciated or amortized using the straight-line method with the assumption that the term of the lease is the useful life. The residual value of leased assets is the value guaranteed in the lease contract or zero for assets without such guaranteed value.

i. Reserve for possible loan losses

A reserve for possible loan losses is provided according to predetermined standards.

For loans to insolvent customers who are undergoing bankruptcy or other special liquidation ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided based on the amount of the claims net of the amount expected to be recovered from collateral and guarantees and net of the deducted amount mentioned below. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming ("likely to become bankrupt borrowers"), the Bank deducts the estimated future cash flows and the amount expected to be recovered from collateral and guarantees from the loan amount and of that remainder reports the amount that it recognizes to be necessary after comprehensively judging the customer's ability to pay.

For loans pertaining to customers other than the above, the Bank reports mainly the anticipated loss for the next one or three years. The anticipated loss is calculated by region using the loss rate based on the average value in a fixed past period of the loan loss ratio with the actual loan loss of one or three years as its foundation with necessary adjustments such as future prospects, etc.

All claims are assessed by the operating divisions based on the self-assessment criteria for asset quality, and the assessment results are audited by the asset audit division, which is independent from the operating divisions.

For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," the amount exceeding the estimated value of collateral and guarantees is deemed uncollectible and is deducted directly from those claims in principle. At March 31, 2024 and 2023, the deducted amounts were ¥6,572 million (\$43,405 thousand) and ¥5,367 million, respectively.

The reserve for possible loan losses of the consolidated subsidiaries is provided for general claims by the amount deemed necessary based on the historical loan loss ratio and for certain doubtful claims by the amount deemed uncollectible based on an assessment of each claim.

j. Employee retirement benefits

In calculating projected benefit obligations, expected benefits are attributed to each period by the benefit formula basis.

Prior service costs are recognized as profit or loss at the time of occurrence.

Actuarial gains and losses are amortized from the fiscal year following the year in which the gains and losses are recognized by the straight-line method over a fixed period (ten years) within the average remaining service years of the current employees.

Consolidated subsidiaries applied the simplified method where the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations in the calculation of the liability for retirement benefits and retirement benefit costs.

k. Reserve for reimbursement of deposits

A reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

l. Reserve for contingent losses

To pay its contribution to the Credit Guarantee Corporation, the Bank provides a reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated future losses.

m. Reserve for share-based payment

To prepare for the delivery of the Bank's shares through the Director Remuneration BIP (Board Incentive Plan) Trust, the estimated amount of shares to be delivered in proportion to the points allocated to the Directors in accordance with the stock benefit rules is recorded as reserve for share-based payment.

n. Reserve under special laws

Reserve under the special laws represents Financial Instruments Transaction Liability Reserve prescribed in Article 46-5, Paragraph 1 of the Financial Instruments Exchange Act. The amount is recorded as determined by the consolidated subsidiaries in accordance with the provisions of Article 175 of the Cabinet Office Order on Financial Instruments Business, etc., in order to provide for losses arising from security related accidents.

o. Foreign currency translations

Foreign currency assets and liabilities are translated at fiscal year-end exchange rates.

p. Income taxes

Deferred income taxes are recorded to reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

q. Criteria for recognizing lease income and costs for finance leases

Lease income and costs are recognized at the time of receiving lease fees.

r. Criteria for recognizing revenue from contracts with customers

The Group has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021), and recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Bank and its consolidated subsidiaries recognize information on transactions with customers based on the following five steps:

Step 1: Identify the contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from transactions with customers of the Bank and its consolidated subsidiaries, etc. relates mainly to transaction services that are recognized when control of the promised goods or services is transferred to the customer and includes fees and commissions related to deposit services, lending services, exchange services and others.

3. SIGNIFICANT ACCOUNTING ESTIMATES

Those items whose amounts have been recognized in the consolidated financial statements for the current consolidated fiscal year based on accounting estimates which could have a material impact on the consolidated financial statements for the next consolidated fiscal year are as follows.

(1) Reserve for possible loan losses

Credit operations are one of the major operations of the Group, and assets with credit risk, such as loans, occupy a very important place in consolidated net assets on the consolidated balance sheet. So recognition of the reserve for possible loan losses has a large impact on the operating results and financial position and is judged to be material in the accounting estimates.

(2) Amount recognized in the consolidated financial statements

The reserve for possible loan losses recognized in the consolidated balance sheets as of March 31, 2024 and 2023 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Reserve for possible loan losses	¥ 21,430	¥ 23,461	\$ 141,536

The details concerning the accounting estimates adopted when making the calculation are set forth below.

(3) Accounting estimates

(a) Methods for calculating amounts

Calculation methods are stated in the Notes (SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES i. Reserve for possible loan losses). The asset appraisals stated in the reserve for possible loan losses recognition standards refer to individually analyzing and considering the assets held and classifying them based on the degree of nonrecovery risk and loss of value risk. Appropriate write-off and reserves are implemented based on the category of borrowers (normal, need attention, likely to become bankrupt, effectively bankrupt and bankrupt).

(b) Major assumptions used in calculating amounts

The Bank assumes that losses nearly equivalent to historical loan losses for each category of borrowers would be incurred. For the claims equivalent to normal claims and claims which need attention, the Bank calculated the required reserve amount for each region using the expected loss rate taking into consideration the necessary adjustments to the average value of the loan loss ratio for a fixed period in the past.

The determination of the borrower category is based on the credit rating determined by the rating models and the borrower's repayment ability based on their substantial financial position, financing capacities, and profitability, etc., and the terms and conditions of the loans and payment status of the borrower. Also, the Bank comprehensively considers the outlook on sustainability and profitability of their businesses, and ability to service their obligations based on their annual repayable amount, appropriateness of their business improvement plans, and other factors in light of the borrower's industry characteristics.

Furthermore, in the case that management reconstruction is thought to be proceeding in line with a drastic and highly feasible business improvement plan and a reasonable and highly feasible business improvement plan, the loans shall be deemed not to qualify as claims corresponding to restructured loans or claims likely to become bankrupt borrowers.

Note that, at the end of the fiscal year ended March 31, 2024, though the COVID-19's category under the Infectious Diseases Control Law has been reclassified as Class 5 and socio-economic activities are normalizing, the Bank expected that the tough situation will persist for a certain period of time due to the expiry of repayment grace periods of the COVID-19 related loans, a rise in prices and a labor shortage. Considering these uncertainties, the Bank has provided for possible loan losses by judging the category of each borrower and reviewing it as necessary based on the available information after taking into account of the characteristics of the industrial sector, the possibility of recovery from the short-term business performance, and cash flow status, etc.

At the end of the fiscal year ended March 31, 2023, the Bank anticipated that the impact of the COVID-19 would continue for a certain period of time, and the individual category of borrowers was determined based on the available information after taking into account of the characteristics of the industrial sector, the possibility of recovery from the short-term business performance, and cash flow status, etc. Accordingly, an additional reserve was not provided.

(c) The impact on the consolidated financial statements for the next fiscal year

The uncertainties of the material estimates are included in the major assumptions used for the calculation of the amount of the reserve for possible loan losses, including the expected loss rate by region and by borrower category, the category of borrowers as of the end of the current fiscal year, the amount expected to be recovered using collateral and guarantees, the Russia-Ukraine situation and changes in geopolitical situations, and effects of foreign exchange rate.

The major assumptions concerning the estimates of the reserve for possible loan losses are determined based on the available information. However, if the business condition of a major customer worsens or incidents occur which affect the economy, there is a possibility that such events would have an impact on the operating results and financial position for the next fiscal year may change, such as an increase in the reserve for possible loan losses.

4. CHANGES IN ACCOUNTING POLICIES

Fiscal year ended March 31, 2024

There was no information to be reported on changes in accounting policies.

Fiscal year ended March 31, 2023

Application of implementation guidance on accounting standard for fair value measurement

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year ended March 31, 2023 and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional treatment prescribed in Paragraph 27-2 of the guidance. There was no effect on the consolidated financial statements due to this application.

5. STANDARDS AND GUIDANCE NOT YET ADOPTED

The following standards and guidance were issued but not yet adopted.

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)
- "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)
- "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These standards and guidance set forth the accounting classification of current income taxes in the case where other comprehensive income is taxable, as well as the treatment of tax effect accounting on sale of shares of subsidiaries, etc. under the group taxation regime.

(2) Effective date

The Group is scheduled to apply the standards and guidance from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of the application of the standards and guidance

The Group is currently evaluating the effects of the application of these standards and guidance.

6. ADDITIONAL INFORMATION

Director Remuneration BIP (Board Incentive Plan) Trust

The Bank has introduced a Director Remuneration BIP Trust for directors of the Bank (excluding outside directors, directors who are Audit & Supervisory Board Members, and nonresidents in Japan; hereinafter "the Bank's directors").

(1) Overview of transaction

The Director Remuneration BIP Trust is a board incentive plan designed to motivate the Bank's directors to contribute to achieving mid- to long-term performance improvement and increasing corporate value. This is a stock-based compensation plan in which points are awarded to the Bank's directors based on their position and achievement of performance targets, etc. The Bank's shares corresponding to the points and a cash payment equivalent to the value of the Bank's shares are delivered or paid to the Bank's directors at the time of their retirement from office (including the case when he/she resigns as a Director, who is not an Audit & Supervisory Board Member and assumes the position of Director and Audit & Supervisory Board Member).

(2) Accounting treatment for transactions in which the Bank's shares are delivered through the Trust

The Bank has followed the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (Practical Issues Task Force No. 30, March 26, 2015) with respect to the accounting treatment of this trust agreement.

(3) Matters on Bank's shares held by the Trust

- The book value of the Bank's shares held by the Trust as of March 31, 2024 and 2023 was ¥134 million (\$885 thousand) and ¥143 million, respectively.
- The Bank's shares held by the Trust are recorded as treasury stock under stockholders' equity.
- The numbers of shares as of March 31, 2024 and 2023 were 68 thousand and 73 thousand, respectively, and the average numbers of shares during the fiscal years ended March 31, 2024 and 2023 were 69 thousand and 73 thousand, respectively.
- The numbers of shares at the end of the fiscal years ended March 31, 2024 and 2023 and the average numbers of shares during the respective fiscal years are included in treasury stock to be deducted for computing per share information.

7. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2024 and 2023

	(Thousands of shares)				Remarks
	2024				
	April 1, 2023	Increase	Decrease	March 31, 2024	
Shares issued					
Common stock.....	33,025	—	—	33,025	
Total.....	33,025	—	—	33,025	
Treasury stock					
Common stock.....	1,273	1	4	1,270	Notes 1, 2 & 3
Total.....	1,273	1	4	1,270	

Notes: 1. The number of shares of treasury stock as of March 31, 2024 includes 68 thousand shares of the Bank's stock held by the Director Remuneration BIP Trust.
 2. The increase of 1 thousand shares in common stock of treasury stock is due to the purchase of shares of less than one unit.
 3. The decrease of 4 thousand shares in common stock of treasury stock is attributable to a decrease of 4 thousand shares due to the delivery of the Bank's shares by the Director Remuneration BIP Trust and a decrease of 0 thousand shares due to the sale of shares of less than one unit.

	(Thousands of shares)				Remarks
	2023				
	April 1, 2022	Increase	Decrease	March 31, 2023	
Shares issued					
Common stock.....	33,025	—	—	33,025	
Total.....	33,025	—	—	33,025	
Treasury stock					
Common stock.....	472	801	0	1,273	Notes 1, 2 & 3
Total.....	472	801	0	1,273	

Notes: 1. The number of shares of treasury stock as of March 31, 2023 includes 73 thousand shares of the Bank's stock held by the Director Remuneration BIP Trust.
 2. The increase of 801 thousand shares in common stock of treasury stock is attributable to an increase of 800 thousand shares due to the acquisition of treasury stock, which was resolved by the Board of Directors, and an increase of 1 thousand shares due to the purchase of shares of less than one unit.
 3. The decrease of 0 thousand shares in common stock of treasury stock is due to the sale of shares less than one unit.

(2) Stock acquisition rights

Fiscal years ended March 31, 2024 and 2023

Not applicable.

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2024

Millions of yen (thousands of U.S. dollars), except per share amount (yen (U.S. dollars))					
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual stockholders' meeting held on June 29, 2023	Common stock	¥2,323 (\$ 15,342)	¥73.00 (\$ 0.48)	March 31, 2023	June 30, 2023
Board of Directors' meeting held on November 13, 2023	Common stock	¥1,272 (\$ 8,401)	¥40.00 (\$ 0.26)	September 30, 2023	December 5, 2023

Notes: 1. Aggregate amount of dividends resolved by the Annual stockholders' meeting on June 29, 2023 includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥5 million (\$33 thousand).
 2. Aggregate amount of dividends resolved by the Board of Directors on November 13, 2023 includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥2 million (\$13 thousand).

(b) Dividends paid in the fiscal year ended March 31, 2023

Millions of yen, except per share amount (yen)					
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual stockholders' meeting held on June 29, 2022	Common stock	¥2,283	¥70.00	March 31, 2022	June 30, 2022
Board of Directors' meeting held on November 11, 2022	Common stock	¥1,273	¥40.00	September 30, 2022	December 5, 2022

(c) Dividends to be paid in the fiscal year ending March 31, 2025

Millions of yen (thousands of U.S. dollars), except per share amount (yen (U.S. dollars))						
Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Annual stockholders' meeting held on June 27, 2024	Common stock	¥2,354 (\$15,547)	Retained earnings	¥74.00 (\$0.48)	March 31, 2024	June 28, 2024

Note: Aggregate amount of dividends includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥5 million (\$33 thousand).

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8. STOCKHOLDERS' EQUITY

Under the Banking Law of Japan and the Company Law, the entire amount of the issue price of shares is required to be accounted for as capital, although the Bank may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations be appropriated and set aside as legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Bank has reached 100% of common stock. Therefore, the Bank is not required to provide additional legal earnings reserve.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or more than 100% of common stock, they are available for distribution by resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with the Company Law.

9. SHARES OR INVESTMENTS IN CAPITAL OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Shares or investments in capital of unconsolidated subsidiaries and affiliates at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Shares or investments in capital.....	¥ 4,842	¥ 4,032	\$ 31,979

10. NONPERFORMING CLAIMS

The Bank reported claims based on the Banking Act and the Act on Emergency Measures for the Revitalization of the Financial Functions at March 31, 2024 and 2023. The claims consisted of those recorded in the consolidated balance sheets as corporate bonds in "Securities" (limited to those for which redemption of the principal and payment of interest are guaranteed in whole or in part and are issued by private placement of securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), loans and bills discounted, foreign exchanges, accrued interest and suspense payments in "Other assets", customers' liabilities for acceptances and guarantees, and securities in lending securities transactions indicated in the Notes (limited to those under loan for use or lease contracts).

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bankrupt or quasi-bankrupt claims	¥ 4,053	¥ 3,665	\$ 26,768
Doubtful claims.....	46,266	46,239	305,567
Claims past due for three months or more	275	131	1,816
Restructured claims.....	7,430	8,997	49,072
Total.....	¥ 58,026	¥ 59,034	\$ 383,237

Bankrupt or quasi-bankrupt claims are claims made against obligors who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and claims similar to these.

Doubtful claims are claims that are made against obligors who are yet to have fallen into bankruptcy, but it is highly probable that the contractual principal and interest cannot be collected/received due to deterioration of the obligor's financial condition and business performance and those not classified as bankrupt or quasi-bankrupt claims.

Claims past due for three months or more represent claims for which payments of principal or interest have been in arrears for three months or more from the day following the agreed-upon payment date, but do not meet the criteria for bankrupt, quasi-bankrupt claims or doubtful claims.

Restructured claims are claims that provide certain concession favorable to the obligors with the intent of facilitating the obligor's restructuring or otherwise providing support, such as by reducing or exempting interest, postponing principal/interest payments, releasing credits, or providing other benefits and those that are not classified in any of the above categories.

The amounts of claims in the above table are before deduction of reserve for possible loan losses.

Bills discounted are accounted for as financing transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Committee Report No. 24, March 17, 2022). This accounting treatment gives the Bank the right to sell or pledge such bills without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥13,216 million (\$87,286 thousand) and ¥13,371 million at March 31, 2024 and 2023, respectively.

Regarding loan participation and based on the "Accounting Treatment and Presentation of Loan Participation" (JICPA Accounting System Committee Report No. 3, November 28, 2014), of the participating principal amount accounted for as loans and bills discounted with respect to the original debtor, the amount recorded in the consolidated balance sheets was ¥2,600 million (\$17,171 thousand) and ¥3,601 million at March 31, 2024 and 2023, respectively.

11. PLEDGED ASSETS

Assets pledged as collateral at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets pledged as collateral:			
Securities	¥ 549,513	¥ 440,547	\$ 3,629,304
Loans and bills discounted	116,466	141,347	769,209
Other assets	178	178	1,175
Liabilities corresponding to assets pledged as collateral:			
Deposits	68,031	79,537	449,316
Payables under securities lending transactions	253,137	139,161	1,671,864
Borrowed money	344,056	346,534	2,272,346

In addition to the above, the following were pledged as collateral for transaction guarantees or as a substitute for margin money for forward transactions.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Other assets	¥ 21,662	¥ 26,219	\$ 143,068

The following was pledged as collateral for borrowed money of ¥1,325 million (\$8,751 thousand) and ¥2,109 million at March 31, 2024 and 2023, respectively.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unexpired lease contract claims	¥ 1,830	¥ 2,978	\$ 12,086

Other assets included initial margins of futures markets and security deposits and other intangible fixed assets included key money as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Initial margins of future markets	¥ 983	¥ 892	\$ 6,492
Security deposits	969	960	6,399
Key money	444	446	2,932

12. LOAN COMMITMENTS

Overdrafts contracts and commitment line contracts on loans are agreements to lend to customers up to a prescribed amount when they apply for borrowing as long as there is no violation of any condition established in the contracts. The amounts of unused commitments at March 31, 2024 and 2023 were ¥997,815 million (\$6,590,152 thousand) and ¥1,006,735 million, respectively, and the amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time at March 31, 2024 and 2023 were ¥916,863 million (\$6,055,498 thousand) and ¥938,055 million, respectively.

Since many of these commitment line contracts are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily affect actual future cash flow.

Many of these commitments line contracts have clauses that allow the Group to reject the application from customers or reduce the contract amounts if economic conditions change. In addition, the Group may request that customers pledge collateral such as real estate and securities or take other necessary measures such as scrutinizing customers' financial positions and revising contracts when the need to secure claims arise.

13. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets was ¥43,574 million (\$287,788 thousand) and ¥43,802 million at March 31, 2024 and 2023, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥770 million (\$5,085 thousand) and ¥805 million at March 31, 2024 and 2023, respectively. For the fiscal years ended March 31, 2024 and 2023, the capital gain offset from acquisition costs was nil.

14. GUARANTEES

The amount guaranteed by the Bank for privately placed bonds (stipulated by Article 2, Paragraph 3 of the Financial Instruments Exchange Act) included in "Bonds" of "Securities" was ¥40,852 million (\$269,810 thousand) and ¥42,633 million at March 31, 2024 and 2023, respectively.

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15. REVENUE

(1) Revenue from contracts with customers

Ordinary income is not disclosed by disaggregating revenue from contracts with customers and other sources of revenue.

Revenue from contracts with customers on a disaggregated basis for the fiscal years ended March 31, 2024 and 2023 was as follows:

Millions of yen					
2024					
	Reportable segments			Total	
	Banking	Leasing	Other		
Fees and commissions	¥ 8,672	¥ —	¥ 2,257	¥	10,930
Deposit and loan services	1,888	—	—		1,888
Exchange services	2,149	—	—		2,149
Trust related services	141	—	—		141
Securities related services	—	—	452		452
Agency services	2,657	—	—		2,657
Custody and safe deposit box services	219	—	—		219
Guarantee services	—	—	—		—
Other	1,616	—	1,805		3,422
Ordinary income from contracts with customers	¥ 8,672	¥ —	¥ 2,257	¥	10,930
Ordinary income other than the above	63,165	10,544	1,096		74,805
Ordinary income from outside customers	¥ 71,838	¥ 10,544	¥ 3,354	¥	85,736

Millions of yen					
2023					
	Reportable segments			Total	
	Banking	Leasing	Other		
Fees and commissions	¥ 8,912	¥ —	¥ 1,996	¥	10,908
Deposit and loan services	1,887	—	—		1,887
Exchange services	2,170	—	—		2,170
Trust related services	134	—	—		134
Securities related services	—	—	280		280
Agency services	2,943	—	—		2,943
Custody and safe deposit box services	226	—	—		226
Guarantee services	—	—	—		—
Other	1,549	—	1,715		3,265
Ordinary income from contracts with customers	¥ 8,912	¥ —	¥ 1,996	¥	10,908
Ordinary income other than the above	56,097	9,308	1,434		66,839
Ordinary income from outside customers	¥ 65,009	¥ 9,308	¥ 3,430	¥	77,748

Thousands of U.S. dollars					
2024					
	Reportable segments			Total	
	Banking	Leasing	Other		
Fees and commissions	\$ 57,274	\$ —	\$ 14,906	\$	72,188
Deposit and loan services	12,469	—	—		12,469
Exchange services	14,193	—	—		14,193
Trust related services	931	—	—		931
Securities related services	—	—	2,985		2,985
Agency services	17,548	—	—		17,548
Custody and safe deposit box services	1,446	—	—		1,446
Guarantee services	—	—	—		—
Other	10,673	—	11,921		22,600
Ordinary income from contracts with customers	\$ 57,274	\$ —	\$ 14,906	\$	72,188
Ordinary income other than the above	417,178	69,638	7,238		494,055
Ordinary income from outside customers	\$ 474,460	\$ 69,638	\$ 22,151	\$	566,250

Note: "Other" is business segments which are not included in the reportable segments and include the following services: credit guarantees, real estate leasing and management, software development, credit cards and securities.

(2) Receivables from contracts with customers

Receivables from contracts with customers of ¥528 million (\$3,487 thousand) and ¥492 million as of March 31, 2024 and 2023, respectively, was included in other assets.

16. OTHER OPERATING INCOME

For the fiscal years ended March 31, 2024 and 2023, other operating income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on sales of bonds	¥ 1,134	¥ 1,989	\$ 7,489
Gain on foreign exchange transactions	1,544	1,936	10,197
Other	108	342	713
Total	¥ 2,787	¥ 4,268	\$ 18,406

17. OTHER INCOME

For the fiscal years ended March 31, 2024 and 2023, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on sales of stocks and other securities.....	¥ 3,902	¥ 1,129	\$ 25,771
Reversal of reserve for possible loan losses	913	—	6,029
Recovery of written-off claims	304	405	2,007
Other	1,465	1,508	9,675
Total	¥ 6,586	¥ 3,043	\$ 43,497

18. OTHER OPERATING EXPENSES

For the fiscal years ended March 31, 2024 and 2023, other operating expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Losses on financial derivatives	¥ 3,478	¥ 2,037	\$ 22,970
Losses on sales of bonds	207	10,873	1,367
Other	0	4	0
Total	¥ 3,686	¥ 12,914	\$ 24,344

19. GENERAL AND ADMINISTRATIVE EXPENSES

For the fiscal years ended March 31, 2024 and 2023, general and administrative expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries and allowances.....	¥ 19,105	¥ 18,947	\$ 126,180
Retirement benefit costs	1,483	1,523	9,794
Other	19,927	19,010	131,609
Total	¥ 40,516	¥ 39,481	\$ 267,591

20. OTHER EXPENSES

For the fiscal years ended March 31, 2024 and 2023, other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Write-offs of loans	¥ 1,275	¥ 718	\$ 8,420
Losses on sales of stocks and other securities	507	65	3,348
Reserve for possible loan losses	—	1,117	—
Other	1,051	581	6,941
Total	¥ 2,834	¥ 2,483	\$ 18,717

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21. IMPAIRMENT LOSS

Fiscal year ended March 31, 2024

There were no significant items to be reported.

Fiscal year ended March 31, 2023

The Group reports impairment losses for the following asset groups.

Region	Principle use	Type	Millions of yen	
			Impairment loss	
Nara Prefecture - outside	1 business store, etc.	Buildings, etc.	¥	7
Nara Prefecture - inside	1 idle asset	Buildings, etc.		26
Nara Prefecture - outside	1 idle asset	Buildings, etc.		6
Nara Prefecture - inside	1 business store, etc.	Software		2
Total			¥	43

Regarding the fixed assets above, due to the decline in operating cash flows and the reorganization of the store network, the Bank reduced the carrying amount to the recoverable amount and reported the decrease as an impairment loss of ¥43 million in other expenses.

The Bank uses the grouping method of area and business store units because it continuously determines income and expenditure for each area and for each business store. For idle assets, the grouping is carried out using each asset as the unit. Furthermore, the Headquarters, Administrative Center, Training Center, etc., are assets that contribute to the generation of the future cash flows of multiple assets and asset groups, so they are deemed to be corporate assets. Each subsidiary uses the grouping with each respective company as the unit.

The recoverable amount of impaired assets was measured at the net selling price or value in use, whichever was higher. Net selling prices were calculated based on Real Estate Appraisal Standards, etc., and the value in use was computed by discounting future cash flows at 0.7% to 1.4%.

22. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during the year	¥ 29,442	¥ (40,703)	\$ 194,452
Reclassification adjustments to net income	524	9,727	3,460
Amount before tax effect	29,966	(30,976)	197,912
Tax effect	(9,196)	9,316	(60,735)
Valuation difference on available-for-sale securities	20,770	(21,659)	137,177
Deferred gains (losses) on hedges			
Gains (losses) incurred during the year	11,299	(2,379)	74,625
Reclassification adjustments to net income	(1,988)	(90)	(13,129)
Amount before tax effect	9,310	(2,470)	61,488
Tax effect	(2,830)	751	(18,690)
Deferred gains (losses) on hedges	6,480	(1,719)	42,797
Adjustments for retirement benefits:			
Gains (losses) incurred during the year	0	1	0
Reclassification adjustments to net income	194	211	1,281
Amount before tax effect	194	212	1,281
Tax effect	(59)	(64)	(389)
Adjustments for retirement benefits	135	147	891
Total other comprehensive income (loss)	¥ 27,385	¥ (23,231)	\$ 180,866

23. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2024 and 2023 and cash and cash equivalents in the consolidated statements of cash flows for the fiscal years then ended was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and due from banks on the consolidated balance sheets.....	¥ 963,526	¥ 1,085,005	\$ 6,363,687
Current deposits due from banks.....	(117)	(41)	(772)
Time deposits due from banks.....	(600)	(600)	(3,962)
Other due from banks.....	(1,209)	(1,204)	(7,984)
Cash and cash equivalents on the consolidated statements of cash flows.....	¥ 961,599	¥ 1,083,159	\$ 6,350,960

24. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Due within one year	¥ 154	¥ 197	\$ 1,017
Due after one year	711	489	4,695
Total.....	¥ 865	¥ 686	\$ 5,712

As lessor:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Due within one year	¥ 33	¥ 7	\$ 217
Due after one year	88	24	581
Total.....	¥ 122	¥ 31	\$ 805

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Status of financial instruments

(1) Policy on financial instruments

The Group is composed of the Bank, its eleven (eleven in 2023) consolidated subsidiaries and its three (three in 2023) affiliates accounted for by the equity method and provides financial services such as banking, securities, leasing and credit guarantee services.

The Group's major banking business includes (i) the acceptance of deposits, lending services, bills discounting and remittance, and (ii) the guarantee of debt, acceptance of bills and other services related to the banking business. The securities business includes underwriting and dealing in securities, over-the-counter derivative transactions and other related services, including security index future transactions in accordance with the Financial Instruments and Exchange Act.

The Bank, in addition to being a money lender and borrower in the interbank market to adjust its surpluses and deficits of funds, raises funds by borrowed money and bonds with consideration for the financial market conditions and the balance of length.

The Bank conducts asset and liability management (ALM), identifying various types of risk exposures associated with the banking business as the Bank holds financial assets and liabilities exposed to the market risk associated with fluctuation in interest rates. As part of its risk management, the Bank utilizes derivative transactions such as interest rate swaps. The Bank also enters into derivative transactions for trading purposes with certain position limits.

(2) Contents and risk of financial instruments

Financial assets held by the Group are composed mainly of loans to corporate and individual customers that are exposed to credit risk arising from customer nonperformance. In addition, loan balances are significantly concentrated in Nara prefecture, where the head office of the Bank is located. Accordingly, changes in the economic circumstances of the region could have a great impact on the credit risk.

Securities consist principally of Japanese government bonds, Japanese local government bonds, equity securities, foreign securities, investment trusts that are classified as other securities (available-for-sale), private bonds guaranteed by the Bank that are classified as held-to-maturity debt securities and Japanese government bonds classified as trading purpose securities. These securities are exposed to the credit risk of issuers and the market risk of fluctuation in interest rates and market prices. Since financial assets denominated in foreign currencies are exposed to exchange rate risk, currency related derivative transactions are used to balance the amount of funding and amount of operations for each currency to reduce the risk.

In the banking business, financial liabilities consist principally of deposits from retail clients in Japan and are exposed to interest rate risk. In addition, foreign currency deposits are exposed to exchange rate risk. With respect to borrowed money, the Group may be forced to raise funds under unfavorable conditions and, accordingly, become significantly exposed to liquidity risk if the fund raising capacity of the Group significantly declined and led to the inability to repay under circumstances such as the significant deterioration of the financial position of the Group. Furthermore, borrowed money with floating interest rates is exposed to interest rate risk.

Derivative transactions include interest rate swaps for interest rate related transactions, currency swaps and forward foreign exchange transactions for currency related transactions, and bond future transactions and bond option transactions for bond related transactions. The Bank utilizes those derivative transactions in order to hedge the position of the customers as well as to capture various risks associated with transactions with customers and control those risks properly. The Bank also uses derivatives for trading purposes with certain position limits. Interest rate swaps are used as hedging instruments to avoid interest rate risks of hedged items such as loans and deposits with fixed interest rates. Deferred hedge accounting has been applied to derivatives used as hedging instruments.

The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the interest rate components between the hedged items and the hedging instruments. Transactions which do not meet the requirements of hedge accounting and derivative transactions for trading purposes are exposed to interest rate risk, foreign currency risk, price fluctuation risk and credit risk.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a framework for credit control which includes credit reviews for individual transactions, credit limits, credit information management, internal credit ratings, guarantees and collateral and self-assessment in accordance with the Group's "Rules on Credit Risk Management" and "Rules on Self-Assessment of Assets." These credit controls are performed by each branch and the Examination Department. The Audit Department, which is independent from the said branches and department, audits the status of credit risk controls and its results. The status of credit risk controls is periodically evaluated and reported to the Management Meeting and the Board of Directors.

Credit risks associated with the issuers of securities are managed by the Market Operations Department and Risk Management Division. With respect to the credit risks associated with the issuer of the securities and counterparty risk associated with derivative transactions, related credit information and fair values of the securities are periodically checked to monitor those risks.

Market risk management

The Group's "Rules on Market Risk Management" stipulates that the Bank makes efforts to manage the market sector effectively, taking risk and reward into account as well as avoiding excessive risk taking by setting appropriate risk limits based on the Group's ability to take risk and identifying market risk properly.

The ALM Committee, the decision making entity for the management of market risks, sets certain semiannual risk limits determined by VaR based upon the Bank's capital adequacy and market conditions. The Bank pursues profit opportunities within the risk limits while taking appropriate risks.

The Bank has a market risk management structure to ensure checks and balances by segregating a market operations department (front office) and an administrative management department (back office), as well as establishing a risk management department (middle office).

The Risk Management Division, which acts as the risk management department, monitors VaR, and captures and analyses the risk in a multifaceted manner such as interest rate risk based on standards for Interest Rate Risk in the Banking Book (IRRBB), Basis Point Value (BPV) and Stress Test. The result of the said monitoring and analysis is reported to the ALM Committee every month.

With respect to derivative transactions for hedging purposes, the Group establishes internal rules defining the authority and hedge policies which are governed by the Risk Management Division. With respect to derivative transactions for trading purposes, certain trading limits and loss limit rules are set semiannually by the ALM Committee. The Risk Management Division, which serves as the middle office, monitors compliance and calculates the total amount of risk. The Market Operations Department, which serves as the back office, checks each derivative transaction, marked-to-market position, and evaluates the profit and loss from the transactions on a daily basis. In addition to those functions, the related divisions check each other so as not to exceed limits on loss.

The directors of the Bank are reported to from both the middle office and the back office and monitor the risks associated with the Bank's portfolio as a whole, including loans, deposits and securities at the ALM Committee.

Quantitative information relating to market risk

The Group manages the quantity of market risk for financial instruments such as loans, deposits, securities and derivatives by VaR. To calculate VaR, the Group has adopted the historical method (confidence level of 99%, observation period of 1,250 business days, holding period of 120 business days [holding period for equity securities that are not purely for investment purposes are 240 business days in 2023]) and the correlation of risk categories are considered (it had been calculated by simply aggregating without considering the correlation until the fiscal year ended March 31, 2023).

At March 31, 2024, the Group's total market risk (decrease in estimated economic value) was ¥68,484 million (\$452,308 thousand) (¥45,514 million in 2023). In addition, the Group conducted back tests comparing actual profit or loss with the VaR calculated by the model. However, VaR is a statistical measure of market risk based on past fluctuations in the market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Management of liquidity risk associated with financing activities

The Group has established a structure that appropriately manages its liquidity risk, prescribing the basic policy and management structure of the liquidity risk management in accordance with the Group's "Rules on Liquidity Risk Management." The Market Operations Department manages the Bank's cash position based upon the monthly funding plan designed by the ALM Committee, while the Risk Management Division monitors the situation. The ALM Committee manages financing risk comprehensively by understanding the amount of cash for which the Bank can liquidate and also can raise from the market on a regular basis.

In addition, the Group categorizes its financing situation into "Regular Phase," "Concern Phase" and "Crisis Phase" and prepares appropriate management structures for each phase so that the Group can take proper action accordingly.

(4) Supplementary explanation on the fair value of financial instruments

Certain assumptions are used in measuring the fair value of financial instruments. Accordingly, the result of these fair value measurements may vary if different assumptions are used.

b. Fair value of financial instruments

The table below summarizes the carrying amounts, fair values and differences for financial instruments as of March 31, 2024 and 2023. Equity securities, etc., with no market price and investments in partnerships are not included in the following table (see Note 1 below).

Cash and due from banks, debt purchased, foreign exchange in assets and negotiable certificates of deposit, call money and bills sold, payables under repurchase agreements, payables under securities lending transactions and foreign exchange in liabilities, whose fair value approximates carrying amount, and because they are settled within a short term, are also omitted. In addition, immaterial financial instruments are omitted.

	Millions of yen		
	Carrying amount	Fair value	Difference
Money held in trust (*1)	¥ 40,967	¥ 40,967	¥ —
Securities (*1)			
Held-to-maturity debt securities	40,852	40,776	(76)
Available-for-sale securities	1,398,302	1,398,302	—
Loans and bills discounted	4,170,554		
Reserve for possible loan losses (*2)	(21,029)		
	4,149,524	4,131,403	(18,121)
Total assets	¥ 5,629,647	¥ 5,611,450	¥ (18,197)
Deposits	¥ 5,797,765	¥ 5,797,805	¥ 40
Borrowed money	355,656	355,636	(20)
Total liabilities	¥ 6,153,421	¥ 6,153,441	¥ 20
Derivative transactions (*3)			
Hedge accounting not applied	¥ (3,026)	¥ (3,026)	¥ —
Hedge accounting applied (*4)	10,095	10,095	—
Total derivative transactions	¥ 7,068	¥ 7,068	¥ —

	Millions of yen		
	Carrying amount	Fair value	Difference
Money held in trust (*1)	¥ 43,579	¥ 43,579	¥ —
Securities (*1)			
Held-to-maturity debt securities	42,633	42,471	(162)
Available-for-sale securities	1,256,882	1,256,882	—
Loans and bills discounted	3,944,387		
Reserve for possible loan losses (*2)	(23,043)		
	3,921,344	3,909,715	(11,628)
Total assets	¥ 5,264,439	¥ 5,252,648	¥ (11,791)
Deposits	¥ 5,715,665	¥ 5,715,670	¥ 4
Borrowed money	356,490	356,458	(32)
Total liabilities	¥ 6,072,156	¥ 6,072,128	¥ (27)
Derivative transactions (*3)			
Hedge accounting not applied	¥ 3,285	¥ 3,285	¥ —
Hedge accounting applied (*4)	204	204	—
Total derivative transactions	¥ 3,490	¥ 3,490	¥ —

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Thousands of U.S. dollars			
2024			
	Carrying amount	Fair value	Difference
Money held in trust (*1)	\$ 270,569	\$ 270,569	\$ —
Securities (*1)			
Held-to-maturity debt securities	269,810	269,308	(501)
Available-for-sale securities	9,235,202	9,235,202	—
Loans and bills discounted	27,544,772		
Reserve for possible loan losses (*2)	(138,887)		
	27,405,878	27,286,196	(119,681)
Total assets	\$ 37,181,474	\$ 37,061,290	\$ (120,183)
Deposits	\$ 38,291,823	\$ 38,292,087	\$ 264
Borrowed money	2,348,959	2,348,827	(132)
Total liabilities	\$ 40,640,783	\$ 40,640,915	\$ 132
Derivative transactions (*3)			
Hedge accounting not applied	\$ (19,985)	\$ (19,985)	\$ —
Hedge accounting applied (*4)	66,673	66,673	—
Total derivative transactions	\$ 46,681	\$ 46,681	\$ —

(*1) These include investment trusts whose standard quotation is deemed as fair value by applying the treatment prescribed in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(*2) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans are deducted.

(*3) Assets and liabilities arising from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(*4) These are interest rate swaps, etc., designated as hedging instruments in order to fix the cash flow from loans, etc., which are the hedged items, and mainly deferred hedge accounting is applied. The "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Issues Task Force (PITF) No. 40, March 17, 2022) is applied to these hedging relationships.

(Note 1) The carrying amount of equity securities, etc., with no market price and investments in partnerships as of March 31, 2024 and 2023 are set forth in the table below. These amounts are not included in "Available-for-sale securities" in the table for fair value of financial instruments.

Carrying amount			
Millions of yen			Thousands of U.S. dollars
	2024	2023	2024
Unlisted equity securities (*1) (*2)	¥ 1,496	¥ 1,659	\$ 9,880
Investments in partnerships (*3)	20,443	19,369	135,017

(*1) Unlisted equity securities are not subject to fair value disclosure in accordance with Paragraph 5 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

(*2) The Group recognized impairment loss of ¥91 million (\$601 thousand) on unlisted equity securities for the fiscal year ended March 31, 2024, while no impairment loss was recognized for the fiscal year ended March 31, 2023.

(*3) Investments in partnerships are not subject to fair value disclosure in accordance with Paragraph 24-16 of "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(Note 2) Redemption schedule of monetary claims and securities with maturities

Millions of yen						
2024						
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 911,340	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	1,892	—	—	—	—	—
Debt purchased	1,494	—	—	—	—	—
Securities	18,564	25,144	40,654	89,271	237,355	297,027
Held-to-maturity debt securities	12,447	20,008	7,122	1,274	—	—
Bonds	12,447	20,008	7,122	1,274	—	—
Available-for-sale securities with contractual maturities	6,116	5,136	33,531	87,997	237,355	297,027
Japanese government bonds	—	—	—	10,000	124,000	37,000
Japanese local government bonds	594	3,912	11,291	76,197	108,513	1,323
Corporate bonds	5,522	1,223	6,699	1,800	300	141,689
Other	—	—	15,541	—	4,542	117,015
Loans and bills discounted (*)	524,342	779,504	601,047	425,097	405,193	1,028,034
Total	¥ 1,457,634	¥ 804,648	¥ 641,701	¥ 514,368	¥ 642,549	¥ 1,325,062

Millions of yen

2023

	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks.....	¥ 1,028,426	¥ —	¥ —	¥ —	¥ —	¥ —
Debt purchased.....	1,503	—	—	—	—	—
Securities	53,149	28,854	28,980	58,955	106,019	315,046
Held-to-maturity debt securities.....	14,089	18,975	8,335	1,233	—	—
Bonds.....	14,089	18,975	8,335	1,233	—	—
Available-for-sale securities with contractual maturities.....	39,060	9,878	20,644	57,722	106,019	315,046
Japanese government bonds.....	—	—	—	—	10,000	74,000
Japanese local government bonds.....	21,477	3,552	1,422	54,622	91,613	1,764
Corporate bonds	8,903	6,326	5,869	2,700	400	148,493
Other	8,679	—	13,353	400	4,005	90,788
Loans and bills discounted (*)	473,350	799,217	591,805	371,197	398,510	928,985
Total	¥ 1,556,429	¥ 828,071	¥ 620,785	¥ 430,153	¥ 504,529	¥ 1,244,031

Thousands of U.S. dollars

2024

	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks.....	\$ 6,019,021	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	12,495	—	—	—	—	—
Debt purchased.....	9,867	—	—	—	—	—
Securities	122,607	166,065	268,502	589,597	1,567,630	1,961,739
Held-to-maturity debt securities	82,207	132,144	47,037	8,414	—	—
Bonds.....	82,207	132,144	47,037	8,414	—	—
Available-for-sale securities with contractual maturities.....	40,393	33,921	221,458	581,183	1,567,630	1,961,739
Japanese government bonds.....	—	—	—	66,045	818,968	244,369
Japanese local government bonds.....	3,923	25,837	74,572	503,249	716,683	8,737
Corporate bonds	36,470	8,077	44,244	11,888	1,981	935,796
Other	—	—	102,641	—	29,998	772,835
Loans and bills discounted (*)	3,463,060	5,148,299	3,969,665	2,807,588	2,676,131	6,789,736
Total	\$ 9,627,065	\$ 5,314,364	\$ 4,238,167	\$ 3,397,186	\$ 4,243,768	\$ 8,751,482

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid, amounting to ¥44,662 million (\$294,973 thousand) and ¥45,069 million at March 31, 2024 and 2023, respectively, are not included.
Loans whose payment terms were not determined amounting to ¥362,673 million (\$2,395,304 thousand) and ¥336,252 million at March 31, 2024 and 2023, respectively, are not included.

(Note 3) Redemption schedule of borrowed money and interest bearing liabilities

Millions of yen

2024

	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 5,426,344	¥ 340,749	¥ 30,671	¥ —	¥ —	¥ —
Negotiable certificates of deposit	5,738	—	—	—	—	—
Payables under securities lending transactions	253,137	—	—	—	—	—
Borrowed money	86,797	129,076	136,755	3,028	—	—
Total	¥ 5,772,017	¥ 469,826	¥ 167,426	¥ 3,028	¥ —	¥ —

Millions of yen

2023

	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 5,299,164	¥ 377,645	¥ 38,856	¥ —	¥ —	¥ —
Negotiable certificates of deposit	8,140	—	—	—	—	—
Payables under securities lending transactions	139,161	—	—	—	—	—
Borrowed money	53,944	148,395	151,480	—	2,670	—
Total	¥ 5,500,409	¥ 526,040	¥ 190,336	¥ —	¥ 2,670	¥ —

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Thousands of U.S. dollars

	2024					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	\$ 35,838,742	\$ 2,250,505	\$ 202,569	\$ —	\$ —	\$ —
Negotiable certificates of deposit	37,897	—	—	—	—	—
Payables under securities lending transactions	1,671,864	—	—	—	—	—
Borrowed money	573,258	852,493	903,209	19,998	—	—
Total	\$ 38,121,768	\$ 3,103,005	\$ 1,105,779	\$ 19,998	\$ —	\$ —

(*) Demand deposits are included in "Due within one year or less."

c. Financial instruments categorized by fair value hierarchy

The fair value of financial instruments is categorized into the following three levels depending on the observability and materiality of the inputs used to calculate fair value.

Level 1: Fair values measured by using observable inputs that are quoted prices in active markets for identical assets or liabilities

Level 2: Fair values measured by using observable inputs other than those included within Level 1

Level 3: Fair values measured by using unobservable inputs

In cases where multiple inputs with a material impact on the fair value measurement are used, the fair value is classified into the lowest level from which significant inputs were used.

(1) Financial instruments carried at fair value in the consolidated balance sheet

	Millions of yen				
	2024				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money held in trust (trading purposes and other) (*1)	¥ 9,918	¥ 27,120	¥ —	¥	37,038
Securities					
Available-for-sale securities (*1)					
Japanese government bonds and Japanese local government bonds, etc.	164,632	197,836	—		362,468
Corporate bonds	—	153,976	—		153,976
Stocks	92,987	90	—		93,077
Other	118,296	669,757	—		788,053
Derivative transactions (*2)					
Interest rate related	—	11,360	—		11,360
Currency related	—	5,310	—		5,310
Total assets	¥ 385,834	¥ 1,065,451	¥ —	¥	1,451,285
Derivative transactions (*2)					
Interest rate related	¥ —	¥ 979	¥ —	¥	979
Currency related	—	8,623	—		8,623
Total liabilities	¥ —	¥ 9,602	¥ —	¥	9,602

	Millions of yen				
	2023				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money held in trust (trading purposes and other) (*1)	¥ 7,543	¥ 31,990	¥ —	¥	39,533
Securities					
Available-for-sale securities (*1)					
Japanese government bonds and Japanese local government bonds, etc.	81,591	171,301	—		252,892
Corporate bonds	—	172,223	—		172,223
Stocks	73,789	50	—		73,839
Other	101,015	656,190	—		757,205
Derivative transactions (*2)					
Interest rate related	—	3,511	—		3,511
Currency related	—	5,171	—		5,171
Total assets	¥ 263,939	¥ 1,040,438	¥ —	¥	1,304,377
Derivative transactions (*2)					
Interest rate related	¥ —	¥ 3,018	¥ —	¥	3,018
Currency related	—	2,174	—		2,174
Total liabilities	¥ —	¥ 5,193	¥ —	¥	5,193

Thousands of U.S. dollars

	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Money held in trust (trading purposes and other) (*1)	\$ 65,504	\$ 179,116	\$ —	\$ 244,620
Securities				
Available-for-sale securities (*1)				
Japanese government bonds and Japanese local government bonds, etc.	1,087,325	1,306,624	—	2,393,950
Corporate bonds	—	1,016,947	—	1,016,947
Stocks	614,140	594	—	614,734
Other	781,295	4,423,466	—	5,204,761
Derivative transactions (*2)				
Interest rate related	—	75,028	—	75,028
Currency related	—	35,070	—	35,070
Total assets	\$ 2,548,272	\$ 7,036,860	\$ —	\$ 9,585,133
Derivative transactions (*2)				
Interest rate related	\$ —	\$ 6,465	\$ —	\$ 6,465
Currency related	—	56,951	—	56,951
Total liabilities	\$ —	\$ 63,417	\$ —	\$ 63,417

(*1) Investment trusts whose standard quotation is deemed as fair value by applying the treatment prescribed in Paragraphs 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) are not included in the above tables.

The amount of investment trusts in the consolidated balance sheet at March 31, 2024 to which the treatment of Paragraphs 24-3 and 24-9 are applied was ¥3,928 million (\$25,942 thousand) and ¥726 million (\$4,794 thousand), respectively.

The amount of investment trusts in the consolidated balance sheet at March 31, 2023 to which the treatment of Paragraphs 24-3 and 24-9 are applied was ¥4,045 million and ¥721 million, respectively.

(*2) The amount of derivative transactions to which hedge accounting is applied in the consolidated balance sheet at March 31, 2024 and 2023 was ¥10,095 million (\$66,673 thousand) and ¥204 million, respectively.

(a) Reconciliation from the beginning balance to the ending balance of investment trusts to which the treatment of Paragraphs 24-3 and 24-9 are applied

Millions of yen

2024							
Beginning balance	Income (loss) or other comprehensive income for the current fiscal year		Net amount of purchase, sale and redemption	Amount of investment trusts of which standard quotations are deemed as fair value	Amount of investment trusts of which standard quotations are not deemed as fair value	Ending balance	Valuation gains (losses) on investment trusts held at year-end recorded in income (loss) for the current fiscal year (*1)
	Recorded in income (loss) (*1)	Recorded in other comprehensive income (*2)					
¥ 4,767	¥ 240	¥ 4	¥ (357)	¥ —	¥ —	¥ 4,655	¥ 240

Millions of yen

2023							
Beginning balance	Income (loss) or other comprehensive income for the current fiscal year		Net amount of purchase, sale and redemption	Amount of investment trusts of which standard quotations are deemed as fair value	Amount of investment trusts of which standard quotations are not deemed as fair value	Ending balance	Valuation gains (losses) on investment trusts held at year-end recorded in income (loss) for the current fiscal year (*1)
	Recorded in income (loss) (*1)	Recorded in other comprehensive income (*2)					
¥ 4,756	¥ 37	¥ 10	¥ (37)	¥ —	¥ —	¥ 4,767	¥ 37

Thousands of U.S. dollars

2024							
Beginning balance	Income (loss) or other comprehensive income for the current fiscal year		Net amount of purchase, sale and redemption	Amount of investment trusts of which standard quotations are deemed as fair value	Amount of investment trusts of which standard quotations are not deemed as fair value	Ending balance	Valuation gains (losses) on investment trusts held at year-end recorded in income (loss) for the current fiscal year (*1)
	Recorded in income (loss) (*1)	Recorded in other comprehensive income (*2)					
\$ 31,484	\$ 1,585	\$ 26	\$ (2,357)	\$ —	\$ —	\$ 30,744	\$ 1,585

(*1) Included in "Other operating income" in the consolidated statements of income.

(*2) Included in "Valuation difference on available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

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(b) Breakdown of restrictions on cancellation or claims for repurchase at year-end

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Main restrictions on cancellation or claims for repurchase			
Halted acceptance of cancellation due to being in the process of liquidation of funds	¥ 1,563	¥ 1,345	\$ 10,322
Lock-up period: One year after purchase			
Acceptance of cancellation: At the end of every quarter with 90 days' advance notice required			
Upper limit per cancellation: 25% of each investor's initial investment value	1,399	1,393	9,239
Refund: Retain 5% of cancellation refund in funds and pay back after settlement of funds			
Acceptance of cancellation: At the end of every month with 4 months' advance notice required			
Upper limit per cancellation: 10% of the entire fund	966	1,306	6,380
Refund: Pay back after 2 months from the cancellation date			

(2) Financial instruments not carried at fair value in the consolidated balance sheet

	Millions of yen			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Corporate bonds	¥ —	¥ —	¥ 40,776	¥ 40,776
Loans and bills discounted	—	148,959	3,982,443	4,131,403
Total assets	¥ —	¥ 148,959	¥ 4,023,219	¥ 4,172,179
Deposits	¥ —	¥ 5,797,805	¥ —	¥ 5,797,805
Borrowed money	—	347,131	8,505	355,636
Total liabilities	¥ —	¥ 6,144,936	¥ 8,505	¥ 6,153,441

	Millions of yen			
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Corporate bonds	¥ —	¥ —	¥ 42,471	¥ 42,471
Loans and bills discounted	—	50,619	3,859,096	3,909,715
Total assets	¥ —	¥ 50,619	¥ 3,901,567	¥ 3,952,186
Deposits	¥ —	¥ 5,715,670	¥ —	¥ 5,715,670
Borrowed money	—	349,275	7,182	356,458
Total liabilities	¥ —	¥ 6,064,946	¥ 7,182	¥ 6,072,128

	Thousands of U.S. dollars			
	2024			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Corporate bonds	\$ —	\$ —	\$ 269,308	\$ 269,308
Loans and bills discounted	—	983,812	26,302,377	27,286,196
Total assets	\$ —	\$ 983,812	\$ 26,571,686	\$ 27,555,504
Deposits	\$ —	\$ 38,292,087	\$ —	\$ 38,292,087
Borrowed money	—	2,292,655	56,171	2,348,827
Total liabilities	\$ —	\$ 40,584,743	\$ 56,171	\$ 40,640,915

(Note) Valuation techniques and inputs used in fair value measurement

Assets

Money held in trust:

The fair value of securities managed as trust assets in individually managed money held in trust primarily for securities management purposes is determined based the price provided by the financial institutions, and classified according to the level of their components.

Money held in trust categorized by holding purposes is described in Note 26, "SECURITIES AND MONEY HELD IN TRUST."

Securities:

The fair value of securities with unadjusted quoted prices in active markets are classified as Level 1. This includes mainly listed equity securities and Japanese government bonds.

Even when there are published quoted prices, however, fair values arising from markets that are not active are classified as Level 2. This mainly includes Japanese local government bonds, corporate bonds and residential mortgage-backed securities. The fair value of investment trusts with no transaction price in markets is determined using a standard quotation if there are no material restrictions causing market participants to demand compensation for risk of cancellation or claims for repurchase, and is classified as Level 2.

The fair value of private bonds guaranteed by the Bank is calculated by discounting the total amount of principal and interest at an interest rate applicable to new similar bonds, following a division into certain periods, redemption methods and guarantee classification. For private bonds guaranteed by the Bank issued by “bankrupt,” “effectively bankrupt” and “likely to become bankrupt” borrowers, an estimated loan loss is calculated based on either a present value of estimated future cash flows or an amount expected to be recovered from collateral and guarantees. Therefore, their fair values approximate the carrying amounts of bonds at the balance sheet date less reserve for possible loan losses, and such amounts used as fair values. The fair value of private bonds guaranteed by the Bank is classified as Level 3.

Securities categorized by the purpose for which they are held are described in Note 26, “SECURITIES AND MONEY HELD IN TRUST.”

Loans and bills discounted:

The fair value of loans and bills discounted is calculated by discounting the total amount of principal and interest at a discounted rate, that is a market interest rate adjusted for credit risk, etc., following a division into loan type, internal rating and period. For loans with floating interest rates which reflect market interest rates within a short period of time, fair value approximates carrying amount as long as the credit standing of the borrowers has not changed significantly from the time of the transaction, therefore the carrying amount is used as the fair value. For loans to “bankrupt,” “effectively bankrupt” and “likely to become bankrupt” borrowers, the fair value is calculated based on the discounted present value of the estimated future cash flows or that using an amount expected to be recovered from collateral and guarantees. These are classified as Level 3.

The fair value of embedded derivative loans is determined based on the discounted present value of future cash flows or a value calculated by option pricing models, etc., using observable inputs, such as interest rates, and are classified as Level 2.

Liabilities**Deposits:**

For demand deposits, the amount required to be paid if demanded on the consolidated balance sheet date is deemed to be the fair value. The fair value of time deposits is determined based on the present value by discounting future cash flows classified by a certain period. The interest rate applicable to new deposits is used as the discount rate. For deposits whose contract period is short (within a year), the fair value approximates carrying amount, which is therefore used as the fair value.

These are classified as Level 2.

Borrowed money:

The fair value of borrowed money is based on the net present value calculated by discounting the total amount of principal and interest classified by a certain period at an interest rate that takes the remaining period and credit risk into account. For borrowed money with floating interest rates which reflect market interest rates within a short period of time, the fair value is deemed to approximate the carrying amount as long as the credit standing of the Bank and its consolidated subsidiaries has not changed significantly after the transaction. In the cases, the carrying amount is used as fair value. For borrowed money whose contract period is short (within a year), the fair value approximates the carrying amount, which is therefore used as fair value.

These are classified mainly as Level 2.

Derivative transactions:

The fair value of derivative transactions with unadjusted quoted prices in active markets available is classified as Level 1. This includes mainly bond futures transactions and interest rate futures transactions.

However, as most derivatives are over-the-counter transactions and there are no published quoted prices, the fair value is determined based on a discounted present value of future cash flows or a value calculated by option pricing models, etc., depending on the transaction type and the period to maturity. In cases in which unobservable inputs are not used or their impact is immaterial, fair value is classified as Level 2. These cases include plain vanilla interest rate swaps and forward foreign exchange contracts. In addition, in cases in which significant unobservable inputs are used, the fair value is classified as Level 3.

26. SECURITIES AND MONEY HELD IN TRUST

The securities in this note include “Trading account securities” and beneficial interests in trust assets under “Debt purchased,” in addition to “Securities” classified on the consolidated balance sheets.

(1) Trading account securities and securities with available fair values at March 31, 2024 and 2023**(a) Trading securities**

Not applicable for the fiscal years ended March 31, 2024 and 2023.

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(b) Held-to-maturity debt securities

	Millions of yen		
	2024		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	¥ 15,995	¥ 16,012	¥ 17
Subtotal	¥ 15,995	¥ 16,012	¥ 17
Fair value not exceeding carrying amount:			
Corporate bonds	¥ 24,857	¥ 24,763	¥ (93)
Subtotal	¥ 24,857	¥ 24,763	¥ (93)
Total	¥ 40,852	¥ 40,776	¥ (76)

	Millions of yen		
	2023		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	¥ 9,703	¥ 9,708	¥ 5
Subtotal	¥ 9,703	¥ 9,708	¥ 5
Fair value not exceeding carrying amount:			
Corporate bonds	¥ 32,930	¥ 32,762	¥ (168)
Subtotal	¥ 32,930	¥ 32,762	¥ (168)
Total	¥ 42,633	¥ 42,471	¥ (162)

	Thousands of U.S. dollars		
	2024		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	\$ 105,640	\$ 105,752	\$ 112
Subtotal	\$ 105,640	\$ 105,752	\$ 112
Fair value not exceeding carrying amount:			
Corporate bonds	\$ 164,170	\$ 163,549	\$ (614)
Subtotal	\$ 164,170	\$ 163,549	\$ (614)
Total	\$ 269,810	\$ 269,308	\$ (501)

(c) Available-for-sale securities

	Millions of yen		
	2024		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 92,837	¥ 31,344	¥ 61,492
Bonds	117,837	117,238	599
Japanese government bonds	61,025	60,689	336
Japanese local government bonds	36,233	36,023	210
Japanese corporate bonds	20,578	20,525	52
Others	224,877	220,892	3,985
Foreign securities included	11,650	11,646	4
Subtotal	¥ 435,552	¥ 369,475	¥ 66,077
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 239	¥ 266	¥ (26)
Bonds	398,607	412,933	(14,326)
Japanese government bonds	103,606	107,898	(4,291)
Japanese local government bonds	161,602	165,678	(4,075)
Japanese corporate bonds	133,397	139,356	(5,959)
Others	563,902	598,054	(34,152)
Foreign securities included	115,712	127,763	(12,050)
Subtotal	¥ 962,750	¥ 1,011,254	¥ (48,504)
Total	¥ 1,398,302	¥ 1,380,730	¥ 17,572

Millions of yen

2023

	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks.....	¥ 73,034	¥ 32,474	¥ 40,560
Bonds	89,177	87,708	1,468
Japanese government bonds	39,551	38,375	1,176
Japanese local government bonds	23,358	23,253	104
Japanese corporate bonds	26,266	26,079	187
Others	56,242	55,242	999
Foreign securities included.....	36,390	35,760	630
Subtotal.....	¥ 218,454	¥ 175,425	¥ 43,028
Carrying amount not exceeding acquisition cost:			
Stocks.....	¥ 805	¥ 917	¥ (112)
Bonds	335,938	345,178	(9,240)
Japanese government bonds	42,039	44,687	(2,648)
Japanese local government bonds	147,942	151,201	(3,258)
Japanese corporate bonds	145,956	149,289	(3,333)
Others	701,684	747,488	(45,804)
Foreign securities included.....	85,636	90,657	(5,021)
Subtotal.....	¥ 1,038,428	¥ 1,093,585	¥ (55,157)
Total	¥ 1,256,882	¥ 1,269,010	¥ (12,128)

Thousands of U.S. dollars

2024

	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks.....	\$ 613,149	\$ 207,014	\$ 406,129
Bonds	778,264	774,308	3,956
Japanese government bonds	403,044	400,825	2,219
Japanese local government bonds	239,303	237,916	1,386
Japanese corporate bonds	135,909	135,559	343
Others	1,485,218	1,458,899	26,319
Foreign securities included.....	76,943	76,916	26
Subtotal.....	\$ 2,876,639	\$ 2,440,228	\$ 436,411
Carrying amount not exceeding acquisition cost:			
Stocks.....	\$ 1,578	\$ 1,756	\$ (171)
Bonds	2,632,633	2,727,250	(94,617)
Japanese government bonds	684,274	712,621	(28,340)
Japanese local government bonds	1,067,313	1,094,234	(26,913)
Japanese corporate bonds	881,031	920,388	(39,356)
Others	3,724,337	3,949,897	(225,559)
Foreign securities included.....	764,229	843,821	(79,585)
Subtotal.....	\$ 6,358,562	\$ 6,678,911	\$ (320,348)
Total	\$ 9,235,202	\$ 9,119,146	\$ 116,055

(2) Held-to-maturity debt securities sold for the fiscal years ended March 31, 2024 and 2023

Millions of yen

2024

	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	¥ 130	¥ 130	¥ 0
Japanese corporate bonds	130	130	0
Total	¥ 130	¥ 130	¥ 0

Millions of yen

2023

	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	¥ 177	¥ 177	¥ 0
Japanese corporate bonds	177	177	0
Total	¥ 177	¥ 177	¥ 0

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Thousands of U.S. dollars			
2024			
	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	\$ 858	\$ 858	\$ 0
Japanese corporate bonds	858	858	0
Total	\$ 858	\$ 858	\$ 0

(Reason for sale) Sales of Japanese corporate bonds comprise retirement by purchase of private bonds.

(3) Available-for-sale securities sold for the fiscal years ended March 31, 2024 and 2023

Millions of yen			
2024			
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 4,946	¥ 3,108	¥ —
Bonds	97,222	606	128
Japanese government bonds	97,132	606	127
Japanese local government bonds	89	—	0
Others	64,152	1,320	587
Foreign securities included	50,435	830	36
Total	¥ 166,321	¥ 5,036	¥ 715

Millions of yen			
2023			
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 1,837	¥ 1,123	¥ —
Bonds	180,004	1,502	310
Japanese government bonds	120,866	1,357	103
Japanese local government bonds	59,137	145	206
Others	115,100	491	10,628
Foreign securities included	96,366	327	9,992
Total	¥ 296,942	¥ 3,117	¥ 10,939

Thousands of U.S. dollars			
2024			
	Sales amount	Gains on sales	Losses on sales
Stocks	\$ 32,666	\$ 20,527	\$ —
Bonds	642,110	4,002	845
Japanese government bonds	641,516	4,002	838
Japanese local government bonds	587	—	0
Others	423,697	8,718	3,876
Foreign securities included	333,102	5,481	237
Total	\$ 1,098,480	\$ 33,260	\$ 4,722

(4) Money held in trust at March 31, 2024 and 2023

Money held in trust for trading purposes

Millions of yen			Thousands of U.S. dollars
	2024	2023	2024
Carrying amount (fair value)	¥ 19,000	¥ 22,000	\$ 125,487
Amount of net unrealized gains (losses) included in the consolidated statements of income	489	545	3,229

Money held in trust for purposes other than trading or held-to-maturity

Millions of yen			Thousands of U.S. dollars
	2024	2023	2024
Carrying amount	¥ 21,967	¥ 21,579	\$ 145,082
Acquisition cost	22,099	21,913	145,954
Difference	(131)	(334)	(865)
Unrealized gain	240	26	1,585
Unrealized loss	(371)	(361)	(2,450)

The principal amount in trust with contracts to compensate losses on the principal was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Money held in trust	¥ 4,103	¥ 4,659	\$ 27,098

(5) Components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Valuation difference	¥ 17,553	¥ (12,413)	\$ 115,930
Deferred tax assets (liabilities)	(3,321)	5,875	(21,933)
Valuation difference on available-for-sale securities before adjustment for noncontrolling interests	¥ 14,232	¥ (6,537)	\$ 93,996
Noncontrolling interests adjustment	—	—	—
Valuation difference on available-for-sale securities	¥ 14,232	¥ (6,537)	\$ 93,996

(6) Securities reclassified for the fiscal years ended March 31, 2024 and 2023

Not applicable.

(7) Impairment loss on securities

In the event that the fair value of securities other than securities held for trading purpose (excluding stocks, etc. that do not have a market price and investments in partnerships) declines significantly from the acquisition cost and the fair value is not expected to recover, such securities are stated at fair value and the difference between the fair value and the acquisition cost is recognized as loss in the period of the decline ("impairment loss"). The fair value is regarded as "significantly declined" when (i) the fair value as of the end of the fiscal year has declined by more than 50% of the acquisition cost or (ii) the fair value as of the end of the fiscal year has declined by more than 30% but less than 50% of the acquisition cost, and is not expected to recover within one year. No impairment loss was recognized for the fiscal years ended March 31, 2024 and 2023.

27. DERIVATIVE TRANSACTIONS

(1) Derivative contracts to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, the contract amount or notional principal amount defined in the contract, fair value and unrealized gains (losses) by transaction type as of March 31, 2024 and 2023 were as follows.

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related transactions

		Millions of yen			
		2024			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Interest rate futures				
	Sold	¥ —	¥ —	¥ —	¥ —
	Bought	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
Over-the-counter transactions	Bought	—	—	—	—
	Forward rate agreements				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Interest rate swaps				
	Receive fixed rate/pay floating rate	32,449	31,093	(773)	(773)
	Receive floating rate/pay fixed rate	33,389	31,937	1,059	1,059
	Receive floating rate/pay floating rate	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
Total	Sold	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ 286	¥ 286

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		Millions of yen			
		2023			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Interest rate futures				
	Sold.....	¥ —	¥ —	¥ —	¥ —
	Bought	—	—	—	—
	Interest rate options				
	Sold.....	—	—	—	—
Over-the-counter transactions	Bought	—	—	—	—
	Forward rate agreements				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Interest rate swaps				
	Receive fixed rate/pay floating rate	38,114	32,093	(697)	(697)
	Receive floating rate/pay fixed rate	39,363	33,342	986	986
	Receive floating rate/pay floating rate.....	—	—	—	—
	Interest rate options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Other	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ 288	¥ 288

		Thousands of U.S. dollars			
		2024			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Interest rate futures				
	Sold.....	\$ —	\$ —	\$ —	\$ —
	Bought	—	—	—	—
	Interest rate options				
	Sold.....	—	—	—	—
Over-the-counter transactions	Bought	—	—	—	—
	Forward rate agreements				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Interest rate swaps				
	Receive fixed rate/pay floating rate	214,312	205,356	(5,105)	(5,105)
	Receive floating rate/pay fixed rate	220,520	210,930	6,994	6,994
	Receive floating rate/pay floating rate.....	—	—	—	—
	Interest rate options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Other	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		\$ —	\$ —	\$ 1,888	\$ 1,888

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses), except as in Note 2 below, are recognized in the consolidated statements of income.

2. The following amounts for which the application of hedge accounting was cancelled since the requirements for hedge accounting were not met were included in "Receive floating rate/pay fixed rate" of interest rate swaps.

		Millions of yen		Thousands of U.S. dollars
		2024	2023	2024
Contract amount	¥	940	¥ 1,249	\$ 6,208
Fair value		(1)	(19)	(6)
Unrealized gains (losses)		(1)	(19)	(6)

The following unrealized gains (losses) on "Receive floating rate/pay fixed rate" were deferred over the hedge period due to the cancellation.

		Millions of yen		Thousands of U.S. dollars
		2024	2023	2024
Unrealized gains (losses)	¥	(38)	¥ (57)	\$ (250)

(b) Currency related transactions

		Millions of yen			
		2024			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Currency futures				
	Sold.....	¥ —	¥ —	¥ —	¥ —
	Bought	—	—	—	—
	Currency options				
	Sold.....	—	—	—	—
Over-the-counter transactions	Bought	—	—	—	—
	Currency swaps	1,120,912	982,519	(3,436)	(3,436)
	Forward foreign exchange contracts				
	Sold.....	18,263	14,852	(1,843)	(1,843)
	Bought	23,532	14,247	1,967	1,967
	Currency options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ (3,312)	¥ (3,312)

		Millions of yen			
		2023			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Currency futures				
	Sold.....	¥ —	¥ —	¥ —	¥ —
	Bought	—	—	—	—
	Currency options				
	Sold.....	—	—	—	—
Over-the-counter transactions	Bought	—	—	—	—
	Currency swaps	1,084,269	1,002,207	2,995	2,995
	Forward foreign exchange contracts				
	Sold.....	16,077	10,164	(862)	(862)
	Bought	14,906	9,265	863	863
	Currency options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ 2,996	¥ 2,996

		Thousands of U.S. dollars			
		2024			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Exchange transactions	Currency futures				
	Sold.....	\$ —	\$ —	\$ —	\$ —
	Bought	—	—	—	—
	Currency options				
	Sold.....	—	—	—	—
Over-the-counter transactions	Bought	—	—	—	—
	Currency swaps	7,403,156	6,489,128	(22,693)	(22,693)
	Forward foreign exchange contracts				
	Sold.....	120,619	98,091	(12,172)	(12,172)
	Bought	155,419	94,095	12,991	12,991
	Currency options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		\$ —	\$ —	\$ (21,874)	\$ (21,874)

Note: The above transactions are measured at fair value, and unrealized gains (losses) are recognized in the consolidated statements of income.

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(c) Stock related transactions

None.

(d) Bond related transactions

None.

(e) Commodity related transactions

None.

(f) Credit derivative transactions

None.

(2) Derivative contracts to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, the contract amount or notional principal amount defined in the contract, and fair value by transaction type and by hedge accounting method as of March 31, 2024 and 2023 were as follows. Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related transactions

			Millions of yen		
			2024		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans, deposits, and securities denominated in foreign currencies			
	Receive fixed rate/pay floating rate		¥ —	¥ —	¥ —
	Receive floating rate/pay fixed rate		116,334	116,318	10,095
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	—			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		—	—	—
Total		—	¥ —	¥ —	¥ 10,095

			Millions of yen		
			2023		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans, deposits, and securities denominated in foreign currencies			
	Receive fixed rate/pay floating rate		¥ —	¥ —	¥ —
	Receive floating rate/pay fixed rate		127,358	127,208	204
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	—			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		—	—	—
Total		—	¥ —	¥ —	¥ 204

			Thousands of U.S. dollars		
			2024		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans, deposits, and securities denominated in foreign currencies			
	Receive fixed rate/pay floating rate		\$ —	\$ —	\$ —
	Receive floating rate/pay fixed rate		768,337	768,231	66,673
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	—			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		—	—	—
Total		—	\$ —	\$ —	\$ 66,673

Note: Gain/loss on the above contracts is principally deferred until the maturity of the hedged items under the fundamental method in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Committee Report No. 24, March 17, 2022).

(b) Currency related transactions

None.

(c) Stock related transactions

None.

(d) Bond related transactions

None.

28. PROJECTED BENEFIT OBLIGATIONS

(1) Outline of employees' retirement allowance

The Bank provides a non-contributory unfunded lump-sum retirement allowance plan, a funded defined benefit pension plan, and a funded defined contribution pension plan for employees.

On April 1, 2018, the Bank transferred its defined benefit pension plans to risk sharing pension plans and defined contribution pension plans classified as a defined contribution plan provided in Paragraph 4 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, December 16, 2016). In addition, a plan similar to a cash balance plan has been introduced to some of the employees subject to the risk sharing pension plans.

In addition to the amounts that are equivalent to standard contributions, the Bank makes contributions to risk sharing pension plans that are commensurate with risks as prescribed in the plan terms. Benefits from the risk sharing pension plans increase or decrease each fiscal year based on the assets of the pension plan.

Under the plan similar to a cash balance plan, a virtual individual account balance corresponding to the funded amounts and source of pension funds will be set up for each participant, and after retirement, interest principally based on market interest rate trends will be credited to the balance.

Eleven consolidated subsidiaries have non-contributory unfunded lump-sum retirement allowance plans as defined benefit plans and apply the simplified method in the calculation of their liability for retirement benefits and retirement benefit costs using the method in which the necessary amounts to be paid for retirement benefits on a voluntary basis is regarded as the retirement benefit obligations. Certain consolidated subsidiaries have adopted funded defined contribution pension plans.

In addition, some consolidated subsidiaries participate in the Smaller Enterprise Retirement Allowance Mutual Aid Scheme (the "SERAMA Scheme").

(2) Defined benefit plans

(a) Movement in projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Balance at the beginning of the fiscal year	¥ 12,145	¥ 12,191	\$ 80,212
Service cost.....	588	607	3,883
Interest cost.....	80	80	528
Actuarial loss (gain)	(0)	(1)	(0)
Benefits paid.....	(905)	(733)	(5,977)
Prior service costs.....	—	—	—
Balance at the end of the fiscal year.....	¥ 11,908	¥ 12,145	\$ 78,647

Note: Plans based on the simplified method have been included in the above.

(b) Movements in plan assets

Not applicable for the fiscal years ended March 31, 2024 and 2023.

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(c) Reconciliation from projected benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded projected benefit obligations	¥ 498	¥ 482	\$ 3,289
Plan assets	—	—	—
Funded assets under the SERAMA Scheme	(227)	(229)	(1,499)
	270	252	1,783
Unfunded projected benefit obligations	11,410	11,663	75,358
Net liability (assets) for retirement benefits recorded on the consolidated balance sheet	¥ 11,680	¥ 11,916	\$ 77,141
Liability for retirement benefits	¥ 11,680	¥ 11,916	\$ 77,141
Asset for retirement benefits	—	—	—
Net liability (assets) for retirement benefits recorded on the consolidated balance sheet	¥ 11,680	¥ 11,916	\$ 77,141

Note: Plans based on the simplified method have been included in the above.

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥ 588	¥ 607	\$ 3,883
Interest cost	80	80	528
Expected return on plan assets	—	—	—
Net actuarial loss amortization	194	211	1,281
Amortization of prior service costs	—	—	—
Total retirement benefit costs	¥ 863	¥ 899	\$ 5,699

Note: Retirement benefit costs of consolidated subsidiaries which have applied the simplified method are included in "Service cost."

(e) Adjustments for retirement benefits

The components of adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Actuarial gain (loss)	¥ 194	¥ 212	\$ 1,281
Total	¥ 194	¥ 212	\$ 1,281

(f) Accumulated adjustments for retirement benefits

The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized actuarial gain (loss)	¥ (377)	¥ (572)	\$ (2,489)
Total	¥ (377)	¥ (572)	\$ (2,489)

(g) Plan assets

Not applicable for the fiscal years ended March 31, 2024 and 2023.

(h) Actuarial assumptions

The principal actuarial assumptions for the fiscal years ended March 31, 2024 and 2023 were as follows:

	2024	2023
Discount rate	0.70%	0.70%
Long-term expected rate of return	— %	— %
Estimated rate of increase in salary	2.50%	2.50%

(3) Defined contribution plans

(a) Retirement benefit costs for defined contribution plans

The amounts paid to defined contribution plans by the Bank and its consolidated subsidiaries was ¥620 million (\$4,094 thousand) and ¥626 million for the fiscal years ended March 31, 2024 and 2023, respectively.

(b) The amounts equivalent to contributions commensurate with risks

The contributions that are commensurate with risks required to be contributed from the next fiscal year onwards are ¥827 million (\$5,461 thousand), and the number of years remaining for contributions equivalent to the contributions that are commensurate with risks is five and a half years.

29. INCOME TAXES

The Group is subject to a number of taxes based on income, including corporation tax, inhabitant tax and enterprise tax, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 30.4 % for the fiscal years ended March 31, 2024 and 2023.

(1) Significant components of deferred tax assets and liabilities as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Excess reserve for possible loan losses.....	¥ 7,754	¥ 7,535	\$ 51,211
Liability for retirement benefits	3,583	3,654	23,664
Depreciation.....	666	711	4,398
Write-down of land.....	872	872	5,759
Impairment loss	1,188	1,218	7,846
Valuation loss on securities	2,593	2,738	17,125
Valuation difference on available-for-sale securities.....	—	5,912	—
Deferred gains or losses on hedges	—	230	—
Tax loss carryforwards	777	677	5,131
Other	2,637	1,874	17,416
Subtotal deferred tax assets:	20,074	25,426	132,580
Valuation allowance pertaining to tax loss carryforwards (Note 2)	(762)	(659)	(5,032)
Valuation allowance pertaining to total of deductible temporary differences, etc. ...	(6,689)	(7,266)	(44,178)
Subtotal valuation allowance.....	(7,452)	(7,926)	(49,217)
Total deferred tax assets	12,622	17,499	83,363
Deferred tax liabilities:			
Valuation difference on available-for-sale securities.....	(3,321)	(36)	(21,933)
Deferred gains or losses on hedges	(2,872)	(272)	(18,968)
Other	(162)	(156)	(1,069)
Total deferred tax liabilities	(6,355)	(465)	(41,972)
Net deferred tax assets (liabilities) (Note 1)	¥ 6,266	¥ 17,034	\$ 41,384

Notes: 1. Net deferred tax assets (liabilities) as of March 31, 2024 and 2023 are included in the following accounts in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets.....	¥ 6,278	¥ 17,046	\$ 41,463
Deferred tax liabilities	11	11	72

2. Amount of tax loss carryforwards and their deferred tax assets by carryforwards period

	Millions of yen						
	2024						
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Tax loss carryforwards (*)...	¥ —	¥ —	¥ —	¥ —	¥ 123	¥ 653	¥ 777
Valuation allowance	—	—	—	—	(123)	(639)	(762)
Deferred tax assets.....	—	—	—	—	—	14	14

	Millions of yen						
	2023						
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Tax loss carryforwards (*)...	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 677	¥ 677
Valuation allowance	—	—	—	—	—	(659)	(659)
Deferred tax assets.....	—	—	—	—	—	17	17

	Thousands of U.S. dollars						
	2024						
	One year or less	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years	Total
Tax loss carryforwards (*)...	\$ —	\$ —	\$ —	\$ —	\$ 812	\$ 4,312	\$ 5,131
Valuation allowance	—	—	—	—	(812)	(4,220)	(5,032)
Deferred tax assets.....	—	—	—	—	—	92	92

(*) The tax loss carryforwards are the amounts multiplied by the statutory tax rate.

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(2) Significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2024 and 2023

	2024	2023
Statutory tax rate	30.4%	30.4%
Valuation allowance.....	(2.8)%	(4.7)%
Non-deductible expenses	0.2%	0.5%
Non-taxable income.....	(0.8)%	(2.7)%
Inhabitant tax on per capita basis, etc.....	0.4%	1.0%
Other	0.2%	0.5%
Effective tax rate	27.5%	25.0%

30. SEGMENT AND RELATED INFORMATION

(1) Overview of the reportable segments

The Bank's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performance of the segments within the Group. The Group's main operations are banking services. The Bank also provides leasing services and operates securities services, credit card services, and consulting services. The Group has divided its business operations into the two reportable segments of "Banking" and "Leasing."

(2) Basis of measurement for reported segment profit (loss), segment assets, segment liabilities and other material items

The accounting methods used for reportable business segments are presented in accordance with Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." The reportable segment profit figures are based on ordinary profit. Income arising from intersegment transactions is based on arm's length prices.

(3) Reportable segment profit (loss), segment assets, segment liabilities and other material items

Segment information for the fiscal years ended March 31, 2024 and 2023 is summarized as follows:

	Millions of yen						
	2024						
	Reportable segments			Other	Total	Adjustment	Consolidated
Banking	Leasing	Total					
Ordinary income:							
Outside customers	¥ 71,839	¥ 10,542	¥ 82,382	¥ 3,168	¥ 85,550	¥ 185	¥ 85,736
Intersegment income	1,139	478	1,617	2,671	4,288	(4,288)	—
Total.....	¥ 72,978	¥ 11,020	¥ 83,999	¥ 5,840	¥ 89,839	¥ (4,102)	¥ 85,736
Segment profit.....	¥ 15,885	¥ 149	¥ 16,035	¥ 1,502	¥ 17,537	¥ (906)	¥ 16,631
Segment assets.....	6,763,816	44,639	6,808,455	29,771	6,838,226	(51,169)	6,787,056
Segment liabilities	6,476,968	39,603	6,516,572	13,083	6,529,656	(41,230)	6,488,425
Others:							
Depreciation	3,258	107	3,365	113	3,479	27	3,507
Interest income	51,314	7	51,321	501	51,823	(1,028)	50,795
Interest expense	7,837	114	7,951	6	7,958	(100)	7,858
Extraordinary gain.....	112	—	112	—	112	—	112
Extraordinary loss	114	0	114	1,946	2,061	(1,943)	118
Tax expense	4,079	48	4,127	442	4,570	16	4,587
Increase in tangible and intangible fixed assets...	4,734	238	4,972	99	5,072	(196)	4,876

Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.

2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development, credit cards and securities.

3. Adjustments are as below:

(1) Adjustment of ordinary income from outside customers of ¥185 million is mainly the recovery of written-off claims included in "Other."

(2) Adjustment of segment profit of ¥(906) million is the elimination of intersegment transactions.

(3) Adjustment of segment assets of ¥(51,169) million is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of ¥(41,230) million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of ¥27 million is the elimination of intersegment transactions.

(6) Adjustment of interest income of ¥(1,028) million is the elimination of intersegment transactions.

(7) Adjustment of interest expense of ¥(100) million is the elimination of intersegment transactions.

(8) Adjustment of extraordinary loss of ¥(1,943) million is the elimination of intersegment transactions.

(9) Adjustment of tax expense of ¥16 million is the elimination of intersegment transactions.

(10) Adjustment of increase in tangible and intangible fixed assets of ¥(196) million is due to intersegment transactions.

4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

Millions of yen

2023

	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	¥ 65,009	¥ 9,276	¥ 74,285	¥ 3,312	¥ 77,598	¥ 149	¥ 77,748
Intersegment income	1,411	613	2,025	2,648	4,674	(4,674)	—
Total	¥ 66,421	¥ 9,890	¥ 76,311	¥ 5,961	¥ 82,273	¥ (4,524)	¥ 77,748
Segment profit	¥ 5,768	¥ 316	¥ 6,084	¥ 1,522	¥ 7,607	¥ (1,285)	¥ 6,322
Segment assets	6,521,463	40,773	6,562,237	31,413	6,593,651	(51,534)	6,542,117
Segment liabilities	6,270,024	35,793	6,305,818	13,319	6,319,138	(39,819)	6,279,318
Others:							
Depreciation	3,181	93	3,275	109	3,385	27	3,412
Interest income	47,599	6	47,605	654	48,259	(1,396)	46,862
Interest expense	3,739	85	3,824	7	3,832	(90)	3,741
Extraordinary gain	105	—	105	—	105	—	105
Extraordinary loss	105	0	105	6	111	—	111
Tax expense	1,028	99	1,127	434	1,562	22	1,584
Increase in tangible and intangible fixed assets ...	6,133	166	6,300	42	6,343	(52)	6,290

Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.

2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development, credit cards and securities.

3. Adjustments are as below:

(1) Adjustment of ordinary income from outside customers of ¥149 million is mainly the recovery of written-off claims included in "Other."

(2) Adjustment of segment profit of ¥(1,285) million is the elimination of intersegment transactions.

(3) Adjustment of segment assets of ¥(51,534) million is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of ¥(39,819) million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of ¥27 million is the elimination of intersegment transactions.

(6) Adjustment of interest income of ¥(1,396) million is the elimination of intersegment transactions.

(7) Adjustment of interest expense of ¥(90) million is the elimination of intersegment transactions.

(8) Adjustment of tax expense of ¥22 million is the elimination of intersegment transactions.

(9) Adjustment of increase in tangible and intangible fixed assets of ¥(52) million is due to intersegment transactions.

4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

Thousands of U.S. dollars

2024

	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	\$ 474,466	\$ 69,625	\$ 544,098	\$ 20,923	\$ 565,022	\$ 1,221	\$ 566,250
Intersegment income	7,522	3,156	10,679	17,640	28,320	(28,320)	—
Total	\$ 481,989	\$ 72,782	\$ 554,778	\$ 38,570	\$ 593,349	\$ (27,092)	\$ 566,250
Segment profit	\$ 104,913	\$ 984	\$ 105,904	\$ 9,920	\$ 115,824	\$ (5,983)	\$ 109,840
Segment assets	44,672,188	294,822	44,967,010	196,625	45,163,635	(337,949)	44,825,678
Segment liabilities	42,777,676	261,561	43,039,244	86,407	43,125,658	(272,306)	42,853,345
Others:							
Depreciation	21,517	706	22,224	746	22,977	178	23,162
Interest income	338,907	46	338,953	3,308	342,269	(6,789)	335,479
Interest expense	51,760	752	52,513	39	52,559	(660)	51,898
Extraordinary gain	739	—	739	—	739	—	739
Extraordinary loss	752	0	752	12,852	13,612	(12,832)	779
Tax expense	26,940	317	27,257	2,919	30,182	105	30,295
Increase in tangible and intangible fixed assets ...	31,266	1,571	32,837	653	33,498	(1,294)	32,203

Notes: 1. Ordinary income ("Total income" less extraordinary gain included in "Other income" in the consolidated statements of income) is presented in place of net sales of operating companies of other industry groups.

2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development, credit cards and securities.

3. Adjustments are as below:

(1) Adjustment of ordinary income from outside customers of \$1,221 thousand is mainly the recovery of written-off claims included in "Other."

(2) Adjustment of segment profit of \$(5,983) thousand is the elimination of intersegment transactions.

(3) Adjustment of segment assets of \$(337,949) thousand is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of \$(272,306) thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of \$178 thousand is the elimination of intersegment transactions.

(6) Adjustment of interest income of \$(6,789) thousand is the elimination of intersegment transactions.

(7) Adjustment of interest expense of \$(660) thousand is the elimination of intersegment transactions.

(8) Adjustment of extraordinary loss of \$(12,832) thousand is the elimination of intersegment transactions.

(9) Adjustment of tax expense of \$105 thousand is the elimination of intersegment transactions.

(10) Adjustment of increase in tangible and intangible fixed assets of \$(1,294) thousand is due to intersegment transactions.

4. Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" less extraordinary loss included in "Other expenses" in the consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit, is reconciled to "Income before income taxes" through the addition/deduction of extraordinary gain/loss, net.

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(4) Information about services

	Millions of yen				
	2024				
	Lending	Securities and investments	Leasing	Other	Total
Ordinary income from outside customers.....	¥ 38,521	¥ 16,040	¥ 10,542	¥ 20,631	¥ 85,736

	Millions of yen				
	2023				
	Lending	Securities and investments	Leasing	Other	Total
Ordinary income from outside customers.....	¥ 35,771	¥ 14,746	¥ 9,276	¥ 17,953	¥ 77,748

	Thousands of U.S. dollars				
	2024				
	Lending	Securities and investments	Leasing	Other	Total
Ordinary income from outside customers.....	\$ 254,415	\$ 105,937	\$ 69,625	\$ 136,259	\$ 566,250

Note: Ordinary income ("Total income" less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.

(5) Information about geographic areas

(a) Ordinary income

The ratio of ordinary income from outside customers within Japan to the total ordinary income in the consolidated statements of income exceeded 90% for both fiscal years ended March 31, 2024 and 2023; therefore, no information about geographic areas is required to be disclosed.

(b) Tangible fixed assets

The ratio of tangible fixed assets located in Japan to the total tangible fixed assets in the consolidated balance sheets exceeded 90% as of March 31, 2024 and 2023; therefore, no information about geographic areas is required to be disclosed.

(6) Information about major customers

There was no ordinary income from a specific customer exceeding 10% of the total consolidated ordinary income for both fiscal years ended March 31, 2024 and 2023; therefore, information about major customers is not required to be disclosed.

(7) Impairment loss on fixed assets for each reportable segment

	Millions of yen				
	2024				
	Reportable segments				Total
	Banking	Leasing	Other		
Impairment loss	¥ —	¥ —	¥ 2	¥	2

	Millions of yen				
	2023				
	Reportable segments				Total
	Banking	Leasing	Other		
Impairment loss	¥ 40	¥ —	¥ 2	¥	43

	Thousands of U.S. dollars				
	2024				
	Reportable segments				Total
	Banking	Leasing	Other		
Impairment loss	\$ —	\$ —	\$ 13	\$	13

Note: "Other" comprises financial product transactions.

(8) Amortization of goodwill and its remaining balance for each reportable segment

There is no information to be reported on amortization of goodwill and its remaining balance.

(9) Gain on negative goodwill for each reportable segment

There is no information to be reported on gain on negative goodwill.

31. RELATED PARTY TRANSACTIONS

For the fiscal year ended March 31, 2024, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Occupation/Business	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Transaction amount (thousands of U.S. dollars)	Accounting title	Year-end balance (millions of yen)	Year-end balance (thousands of U.S. dollars)
Officers of the Bank and their relatives	Haruyuki Kakutani	—	¥—	Office worker	—	Executive Officer of the Bank	Lending of money (Note 2) Interest receivable	¥— 0	\$— 0	Loans —	¥10 —	\$66 —
A company in which a majority of voting rights are held by officers of the Bank and their relatives	Kyowa Shokai Yakuhin K.K. (Note 3)	Kizugawa City Kyoto	10	Sales of chemicals	—	Loans	Lending of money Interest receivable	115 1	759 6	Loans —	83 —	548 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.

2. Real estate is accepted as collateral for loan transactions.

3. Relatives of Hisayoshi Tahara (Executive Officer of the Bank) owned 62.5% of the voting rights of this company directly.

4. Mr. Matazaemon Kitamura resigned as a Director of the Bank on June 29, 2023 and the loan balance to Kitamura Forestry Co., Ltd., of which 100% of the voting rights was owned directly by his relatives, was ¥290 million (\$1,915 thousand) as of that date.

5. Mr. Naoki Minowa resigned as a Corporate Auditor of the Bank on June 29, 2023 and the loan balance to NIKKEN BLAST CO., LTD., of which 62.5% of the voting rights was owned directly by his relatives, was ¥73 million (\$482 thousand) as of that date.

For the fiscal year ended March 31, 2023, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Occupation/Business	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Accounting title	Year-end balance (millions of yen)
Officers of the Bank and their relatives	Haruyuki Kakutani	—	¥—	Office worker	—	Executive Officer of the Bank	Lending of money (Note 2) Interest receivable	¥— 0	Loans —	¥10 —
A company in which a majority of voting rights are held by officers of the Bank and their relatives	Kitamura Forestry Co., Ltd. (Note 3)	Osaka City Osaka	32	Forestry	Directly owned 1.31	Loans	Lending of money Interest receivable	200 2	Loans —	200 —
	NIKKEN BLAST CO., LTD. (Note 4)	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 0	Loans —	74 —
	Kyowa Shokai Yakuhin K.K. (Note 5)	Kizugawa City Kyoto	10	Sales of chemicals	—	Loans	Lending of money Interest receivable	98 1	Loans —	89 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.

2. Real estate is accepted as collateral for loan transactions.

3. Relatives of Matazaemon Kitamura (Director of the Bank) owned 100% of the voting rights of this company directly.

4. Relatives of Naoki Minowa (Corporate Auditor of the Bank) owned 62.5% of the voting rights of this company directly.

5. Relatives of Hisayoshi Tahara (Executive Officer of the Bank) owned 62.5% of the voting rights of this company directly.

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32. PER SHARE INFORMATION

Net assets per share at March 31, 2024 and 2023 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2024	2023	2024
Net assets per share.....	¥ 9,404.25	¥ 8,276.62	\$ 62.11
Net income per share – basic	379.08	147.75	2.50

Basic information in computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
(Net assets per share)			
Net assets	¥ 298,631	¥ 262,798	\$ 1,972,333
Net assets attributed to common stock	298,631	262,798	1,972,333
Outstanding number of shares of common stock at end of year (unit: thousands of shares)	31,754	31,751	—
(Net income per share – basic)			
Net income attributable to owners of parent	¥ 12,037	¥ 4,731	\$ 79,499
Net income attributable to common stockholders of parent	12,037	4,731	79,499
Average outstanding number of shares during the year (unit: thousands of shares)...	31,754	32,024	—

Notes: 1. Net income per share –diluted for the fiscal years ended March 31, 2024 and 2023 is not presented because there were no residual shares.

2. The Bank introduced the Director Remuneration BIP Trust. Shares of the Bank remaining in the Trust, which were recorded as treasury stock in stockholders' equity, were included in treasury stock to be deducted for computing net assets per share and net income per share.

The numbers of shares of treasury stock as of March 31, 2024 and 2023 that were deducted for computing net asset per share were 68 thousand and 73 thousand, respectively. In addition, the average numbers of shares of treasury stock during the fiscal years ended March 31, 2024 and 2023 that were deducted for computing net income per share were 69 thousand and 73 thousand, respectively.

33. SUBSEQUENT EVENTS.

Purchase of treasury stock

At the Board of Directors' meeting held on May 10, 2024, the Bank resolved on matters concerning purchase of treasury stock based on Article 156 of the Companies Act applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the said act.

(1) Reason to the purchase of treasury stock

In order to conduct the Bank's flexible capital policy in response to changes in the business environment, and to increase its corporate value by improving capital efficiency, and to reward its shareholders.

(2) Details of the purchase of treasury stock

(a) Type of shares to be purchased

Common stock

(b) Total number of shares to be purchased

450,000 shares (maximum)

(1.41% of the total number of shares issued (excluding treasury stock))

(c) Total purchase cost of shares

¥1 billion (\$6,604 thousand) (maximum)

(d) Period of the purchase

From May 13, 2024 to July 31, 2024

(e) Method of the purchase

Market purchase on the Tokyo Stock Exchange

34. BORROWED MONEY AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Borrowed money			
Due from April 2024 through August 2030	¥ 355,656	¥ 356,490	\$ 2,348,959
Average interest rate: 0.85% p.a.			

Annual maturities of borrowed money as of March 31, 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Millions of yen		Thousands of U.S. dollars
2025.....	¥ 86,797		\$ 573,258
2026.....	2,291		15,131
2027.....	126,785		837,362
2028.....	136,305		900,237
2029.....	450		2,972
2030 and thereafter	3,028		19,998
Total.....	¥ 355,656		\$ 2,348,959

b. Lease obligations

Lease obligations are included in “Other liabilities” in the accompanying consolidated balance sheets.

Annual maturities of lease obligation as of March 31, 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Millions of yen		Thousands of U.S. dollars
2025.....	¥ 0		\$ 0
2026 and thereafter	—		—
Total.....	¥ 0		\$ 0

Average interest rates are omitted since the interest equivalent amount included in total lease charges is allocated over the related period using the straight-line method.

c. Other

The Group has not issued commercial paper by way of promissory notes to fund operating activities.



Independent auditor's report

To the Board of Directors of The Nanto Bank, Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of The Nanto Bank, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the estimates of the reserve for possible loan losses for loans and bills discounted to small and medium-sized enterprises (SMEs)

The key audit matter	How the matter was addressed in our audit
The Nanto Bank, Ltd. ("the Company") and its consolidated subsidiaries reported loans and bills discounted of ¥4,170,554 million, accounting for 61.4% of total assets, and a corresponding reserve for possible loan losses of ¥21,029 million in the	The primary procedures we performed to assess whether the Company's estimates of the reserve for possible loan losses for loans

consolidated balance sheet. Reserve for possible loan losses reported in the balance sheet of the Company accounted for a significant portion in the consolidated balance sheet.

As described in the Notes to Consolidated Financial Statements, 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES i. Reserve for possible loan losses and 3. SIGNIFICANT ACCOUNTING ESTIMATES, the Company classifies borrowers based on their credit risk rating in accordance with the predetermined standards for write-offs and reserves and reports the reserve for possible loan losses by calculating the loan loss ratio based on the category of borrowers by region.

The category of borrowers is determined based on the credit rating determined by the rating model and the borrowers' repayment ability based on their substantial financial positions, financing capacities, and profitability, etc., and the terms and conditions of the loans and payment status of the borrowers. Also, the Company gives comprehensive consideration to the borrowers' sustainability, projected profitability, and ability to pay obligations based on their annual repayable amounts, appropriateness of their business improvement plans, and other factors in light of the borrowers' industry characteristics.

The Company aims to increase Nara prefecture's real gross domestic product by 10%, as compared with 2016, in its management plan, "Nanto Mission and Objectives for the Next 10 Years," targeted to be achieved by 2029, and to contribute to the development of the region by taking the initiative in resolving regional issues, with the aim of "sustainable business that grows together with the region."

The Company operates mainly in Nara prefecture, neighboring prefectures, and Tokyo, but its business coverage area is limited. The main borrowers are SMEs, and the Company's balance sheet reported loans and bills discounted to SMEs of ¥1,550,726 million.

and bills discounted to SMEs was appropriate included the following:

(1) Internal control testing

In order to test the design and operating effectiveness of certain internal controls of the Company that are relevant to the determination of the category of borrowers, we:

- tested the effectiveness of internal controls related to various regulations for the internal self-assessment criteria, and the policy for write-offs and reserves;
- tested the effectiveness of internal controls to ensure the reliability of borrowers' financial information entered into the financial reporting system;
- tested IT application controls over the quantitative determination of the category of borrowers; and
- tested the effectiveness of internal controls of the Credit Analysis Division related to the determination of the category of borrowers in consideration of qualitative factors.

(2) Assessment of determination of the category of borrowers

In order to assess the appropriateness of the determination of the category of borrowers, we selected borrowers to be tested individually by considering quantitative factors such as credit limits and qualitative factors such as the progress of the borrower's business improvement plans and the impact of rising prices, and performed the following procedures:

- compared the quantitative information of borrowers, including financial ratios, to the supporting materials, in order to verify that the information is based on accurate and the latest information;
- inspected related documents and inquired of personnel in the relevant

Since the business fundamentals of SMEs tends to be weaker than medium to large-sized enterprises, the Company determines the category of SME borrowers by comprehensively considering not only their financial conditions but their technical capabilities, sales capacity and growth potential, their managements' income status, asset quality, and guarantee status and capacity, in light of their business conditions.

As a result, management judgment is required over the qualitative factors including the reasonableness and feasibility of the business improvement plan which is important for borrowers categorized as "need-attention borrowers (excluding claims corresponding to restructured loans)" based mainly on the premise that reasonable and highly feasible business improvement plans exist.

In addition, SMEs may be significantly impacted by the end of the grace period for the COVID-19 special fund loans, rising prices and shortage of human resources. Accordingly, management judgment on the determination of the category of borrowers may have a significant impact on the reported amount of the reserve for possible loan losses.

We, therefore, determined that our assessment of the appropriateness of the estimates of the reserve for possible loan losses for loans and bills discounted to SMEs, especially the appropriateness of the management judgment on the category of borrowers, was of the most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

divisions, such as the Credit Analysis Division, to assess whether judgments based on qualitative factors were made in a timely and appropriate manner, and assessed the appropriateness of the determination of the categories of borrowers based on qualitative factors for borrowers of which the categories have a relatively high degree of dependency on management judgment, particularly those categorized as need-attention borrowers (excluding claims corresponding to restructured loans) based mainly on the grounds that a reasonable and highly feasible business improvement plan exists; and

- assessed whether the determined categories of borrowers were appropriate, focusing on the recoverability from the current business performance and financial conditions by understanding the latest business conditions of borrowers and considering their industry characteristics through the inspection of related documents and the inquiries of personnel in the relevant divisions, such as the Credit Analysis Division, to evaluate the impact of the end of the grace period for the COVID-19 special fund loans, rising prices and shortage of human resources on borrowers' operating results.

Other Information

The other information comprises the information included in the Integrated Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the

other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the audit and supervisory committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

Independent Auditors' Report

report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 95 million yen and 18 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Manabu Matsumoto

Designated Engagement Partner

Certified Public Accountant

Yoshiyuki Sumihiro

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

October 28, 2024

• Consolidated Capital Adequacy Ratio

As of March 31, 2024 and 2023

	Millions of yen	
	2024	2023
(1) Capital adequacy ratio ((2)/(3))	10.77%	9.25%
(2) Capital	¥ 275,082	¥ 272,924
(3) Risk-weighted assets	2,553,816	2,948,007
(4) Requisite capital	102,152	117,920

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

• Nonconsolidated Capital Adequacy Ratio

As of March 31, 2024 and 2023

	Millions of yen	
	2024	2023
(1) Capital adequacy ratio ((2)/(3))	10.46%	8.95%
(2) Capital	¥ 261,838	¥ 261,612
(3) Risk-weighted assets	2,503,172	2,920,859
(4) Requisite capital	100,126	116,834

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.



Nanto Bank supports the Kizukai Movement organized to promote use of wood from Japan's domestic forests.

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