

Nanto Report Integrated Report

Fiscal year ended March 2025



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.

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Nanto Bank Profile (as of March 31, 2025)

Established: June 1, 1934

Headquarters: 297-2 Omiyacho 4-chome, 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.

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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, 2024 ~ March 31, 2025

Date issued

July 2025

Precautions concerning future predictions

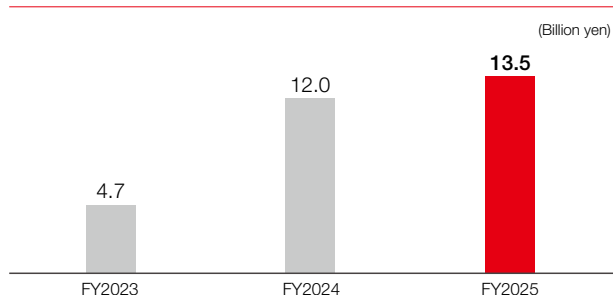
This report contains forecasts and statements concerning the future prospects for the Nanto Bank Group's business strategies and financial condition. These forecasts and statements involve risks and uncertainties stemming from their dependence on future events. Please be aware that the actual results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

Information Highlights

Fiscal Year Ending March 31, 2025 Financial Highlights

Net income (consolidated)

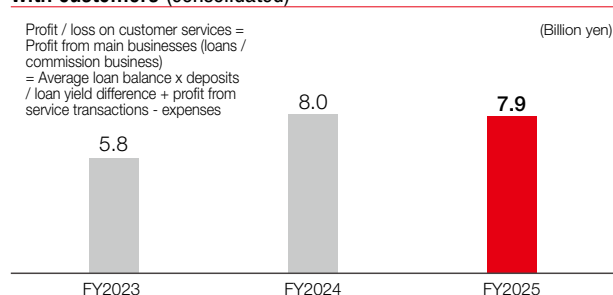
13.5 billion yen



Nanto Bank's net income for fiscal 2024 in-creased by 1.4 billion yen year on year to 13.5 billion yen, driven by higher interest income and fee income, despite higher operating and credit-related expenses and lower gains on government and other bonds.

Profit / loss on transactions with customers (consolidated)

7.9 billion yen

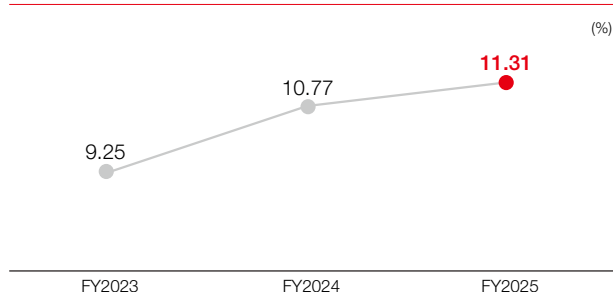


Profit / loss on customer services =
Profit from main businesses (loans / commission business)
= Average loan balance x deposits / loan yield difference + profit from service transactions - expenses

Income from customer service operations declined by 0.1 billion yen year on year to 7.9 billion yen, reflecting higher operating expenses despite an increase in interest income on loans.

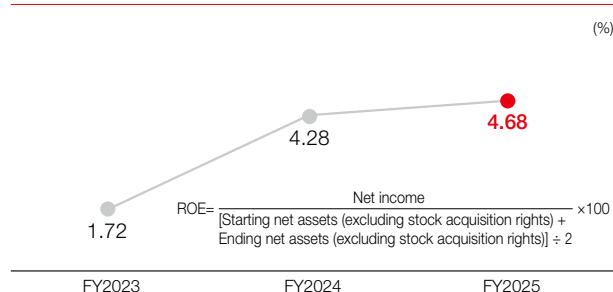
Capital adequacy ratio (consolidated)

11.31 %



ROE (consolidated)

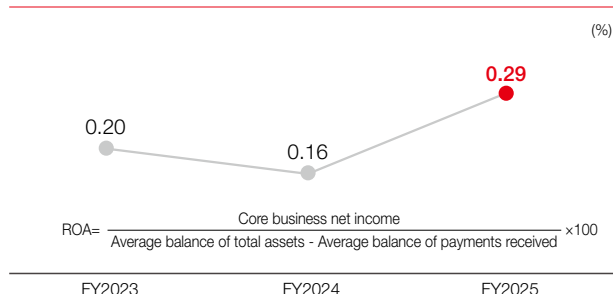
4.68 %



ROE = $\frac{\text{Net income}}{[\text{Starting net assets (excluding stock acquisition rights)} + \text{Ending net assets (excluding stock acquisition rights)}] \div 2} \times 100$

ROA (non-consolidated)

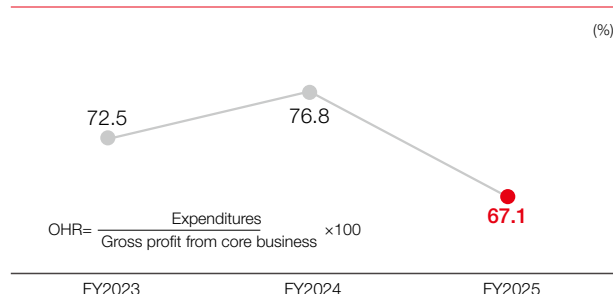
0.29 %



ROA = $\frac{\text{Core business net income}}{\text{Average balance of total assets} - \text{Average balance of payments received}} \times 100$

OHR (consolidated)

67.1 %

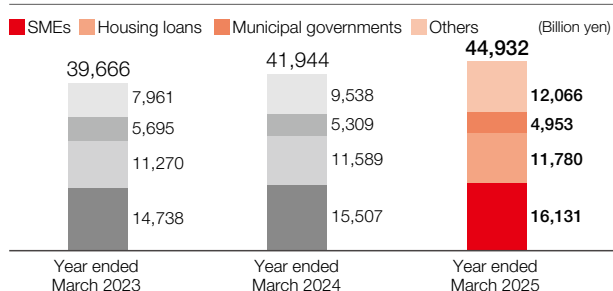


OHR = $\frac{\text{Expenditures}}{\text{Gross profit from core business}} \times 100$

The capital adequacy ratio was 11.31% at year-end. With both core business net income and net income rising year on year, ROE and ROA increased and the OHR improved.

Loan balance (non-consolidated)

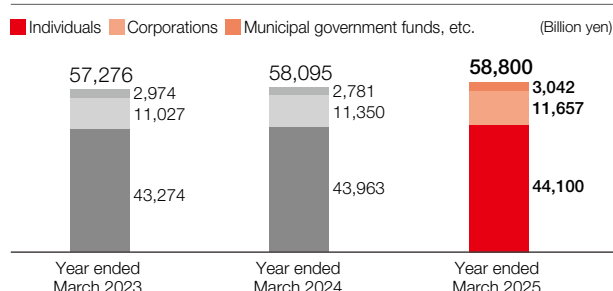
44,932 billion yen



The loan balance grew by 298.7 billion yen from end March 2024 to 4,493.2 billion yen, mainly due to corporate loans and mortgages.

Balance of deposits (non-consolidated)

58,800 billion yen



The deposit balance increased by 70.5 billion yen from end March 2024 to 5.88 trillion yen, mainly due to personal deposits.

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

Non-financial Highlights



Environment

Rate of CO₂ emissions reduction
(FY2013 → FY2024)

-41.3%

(Emissions for scopes 1 and 2)

(Increase of 6.6 points from the previous year)

CO₂ reduction through
renewable energy-related loans
(FY2024)

Approx. **130,000** tons CO₂

(Number of loan transactions/amount:
6 loans/7.0 billion yen)



Society (End March 2025)

Percentage of female managers

16.6%

(Increase of 0.6 point from
the previous year)

Number of certified personnel
participating in vitality creation*

1,062

Percentage of employees 46.8%

(Increase of 369 from the previous year) (Increase of 16.1 points)

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

Male parental leave utilization rate

100%

Activities contributing to the improvement
of financial literacy and related areas
Number of customer seminars held

309 times (4,920 participants)



Governance

Number/ratio of outside directors
(As of June 27, 2025)



5 (41.6%)

Cross-shareholding

March 31, 2015 March 31, 2025

Percentage of Consolidated Net Assets (market value)

38.3% ▶ **17.8%**

Book value*

Number of issuers*

51.5 billion yen ▶ **16.2** billion yen **129** ▶ **59**

*Listed stocks only

Building an Open Culture to Maximize the Value of Our Human Capital—Our Most Important Management Asset

Introduction

At the outset, I would like to express my sincere gratitude for your continued support. I am Satoshi Ishida, and I assumed the position of President of Nanto Bank in April of this year. I am proud and deeply honored to find myself at the helm of this historic banking group, which has grown in step with our local community, centered in Nara prefecture.

Our mission remains unchanged amidst the structural changes occurring in Japan's regional economies driven by population aging and declining birthrates: to evolve beyond being a mere provider of funds and become a driving force for regional vitality.

Last year, the Nanto Bank Group celebrated its 90th anniversary. Looking ahead to our centennial, we will not rest on our laurels and will strive to become a banking group that is chosen by all our stakeholders, including our community and traditional customers.

We have prepared this Integrated Report to clarify the issues identified by management and the policies we have established, with the aim of deepening dialogue with our stakeholders. We ask that you take the time to read through it and get to know us better.



President (Representative Director)
Satoshi Ishida

Aims of the Medium-Term Management Plan

The Nanto Bank Group has introduced a new three-year Medium-Term Management Plan for the 2025 fiscal year titled “Creating Regional Vitality Through Human Capital.” This plan rests on two pillars: “developing talent” and “pursuing sound management,” with the aim of “creating regional vitality.”

Our employees are responsible for “creating regional vitality.” If they are not recognized by our regional customers and other stakeholders as reliable, vibrant human resources, we will be unable to create vitality, however much we try, since we will be unable to provide the value-added services that are a prerequisite to this goal.

It is essential that we share a vision for the future with our stakeholders. We must explore how fully we can envision, surface, and discuss the future our community members aspire to. We bring our own vision for tomorrow to the table, of course, but it is by exchanging ideas, integrating our respective visions, and ultimately sharing them that I believe we can create the greatest added value. If we can build these kinds of relationships with the community, I am confident that our employees will serve as catalysts to realize “regional vitality creation.”

To cultivate the talent we need to meet our goals, the Group is creating many opportunities for employees to acquire new insights. These range from secondments to local governments and regional businesses to secondments to banks in Japan and overseas, as well as to mid-career and alumni hiring. By actively incorporating perspectives, ideas, and values that we may not have considered before—even some that may seem difficult to accept at first—we will foster the flexibility we need to adapt to our rapidly changing business environment.

In this way, I believe our Group will generate ideas that could not have emerged in the past, and that our people will be recognized by stakeholders as reliable and engaging.

We recognize that we still have a long road ahead, but we will continue to advance steadily toward our desired future.

At the same time, our efforts will amount to little if they do not produce results. This is where “sound management” becomes critical.

In this connection, we have set targets of increasing consolidated net income to 18 billion yen and ROE to over 5.5% by the final year of the Medium-Term Management Plan in fiscal 2027. As concerns ROE, moreover, while we cannot yet provide a timeline for its achievement, we intend to raise it to 8% over time.

I view the current changes in the interest-rate environment as an opportunity for our Group to take on new challenges and achieve further growth. Eschewing complacency, we will invest actively in human capital, digital transformation, governance, and regional revitalization to improve not only our ROE, but also our PER, with the ultimate goal of achieving a PBR above 1.

Our Medium-Term Management Plan is thus a blueprint for realizing the future we want to share with our stakeholders, and the phrase “creating regional vitality through human capital” expresses our Group’s strong commitment—including my own—to this goal.

Three Areas of Engagement

Engagement with Employees

Banking products are difficult to differentiate, and with the rapid advances in AI, I believe that the value created by human capital can be a differentiating factor in creating a competitive advantage.

Our Group's current emphasis is on developing outstanding talent, and on building an organization in which these human resources can continue to create value in the future.

This year, I plan to place a particular focus on the latter, with the aim of fostering an open culture across the Group.

By "open culture," I mean an environment where people can speak up, acknowledge challenges and failures, share issues openly, and work together on improvements.

Creating a culture of this kind will require us not only to evaluate accomplishments but also to recognize progress—especially turning what we could not do into what we can. My hope is that these efforts will lead to creation of an organization where all employees feel fortunate to work.

In this way, the development of attractive human capital will enable us to provide our community and our customers with higher value-added activities and proposals. I am also confident that our Group's performance will improve as engagement with both employees and customers increases.

One of the new systems introduced to initiate this virtuous cycle is the Employee Stock Ownership Plan (ESOP) announced in May. This reflects our belief that, to meet stakeholders' expectations, employees must take ownership of the Bank's management.

From the perspective of improving governance, we believe that reflecting the perspectives of our employees in management will lead to more transparent and credible corporate management. Every employee will act as an owner, with responsibility for regional development and enhancing the Group's corporate value, working together with management to address challenges and measure progress using the "Employee Engagement Score," one of the KPIs set in our Medium-Term Management Plan.



President's Message

Engagement with Customers

Last year, Japan's economy reached a major turning point when the Bank of Japan ended its nearly eight-year negative-interest-rate policy. With the ensuing return to a positive-interest-rate environment, customer needs and values are also diversifying.

When interest rates rise, customers become even more discerning when choosing a bank. In addition to rates and services, brand recognition also becomes a key factor.

In Nara prefecture, where our bank is based, many people still associate the word "bank" most strongly with Nanto Bank. However, I am concerned that the younger generations, who will comprise our main customer base in 20 or 30 years, may not associate the word "bank" with Nanto Bank.

If we are to secure our position with customers, it will first be necessary to make them aware of Nanto Bank's existence, and then to clarify our service offering and, finally, to establish a feeling of connection, expressed by such phrases as, "It's convenient to do business with them" or "I want to use their services." To create more contact points with customers, we have opened new branches in a number of large commercial facilities with high foot traffic.

At the same time, the Nanto Bank app now has approximately 180,000 users since its launch last year; about 80% are younger, asset-building customers (20s–50s). However, opening branches and developing an app alone will not be enough to secure a lasting competitive advantage.

If the Group is to continue to exist in this region 20 or 30 years from now, we must give customers a clear reason to choose and use our services. One effective measure may be to create a system that makes customers feel that depositing funds with us is a contribution to Nara's development and an investment in the resolution of its issues. We are also considering systems that encourage people with a strong attachment to their region or hometown to deposit their money in our Bank.

We are convinced, moreover, that it is impossible to establish the "basic trust and security" customers require when choosing a bank overnight. The "trust and sense of security" our

predecessors cultivated over long years are valuable asset that can be lost in an instant if we let our guard down.

If we are to sustain customer engagement, I believe it will be essential to clearly define the reasons why customers should choose our Group and to continuously maintain and enhance the "foundation of trust and peace of mind" they feel.



Engagement with Regional Society

Nara prefecture boasts the largest number of World Heritage sites in Japan, as well as numerous historical and cultural properties designated as National Treasures and Important Cultural Properties. Accordingly, urban planning is subject to rules that limit the degree of development possible. Against this backdrop, our Group has identified real estate as one of the region's key issues in our Medium-Term Management Plan.

I envision our Bank Group collaborating with local governments in Nara prefecture to proactively discuss and shape future urban planning. To achieve this, we must first consolidate real-estate information, analyze how it can contribute to regional revitalization, and establish a framework for consultation with relevant local governments.

Assessment of real estate information in Nara prefecture can provide insights into property owners' asset circumstances, transactions, inheritances, and funding needs associated with development.

Consolidating real estate information in this way will enable us to provide information, not only to customers in Nara prefecture, but also to customers outside the prefecture as well as to real estate-matching services. Grounded in our Group's foundation of trust and peace of mind, we can add value to all this consolidated information and make high-quality proposals to our customers. Rather than shying away from regional issues that have been difficult to resolve in the past, we will tackle them proactively from new and diverse perspectives to further enhance our engagement with the community.

Meeting Shareholders' Expectations

By implementing these initiatives, we expect to achieve record net income of 15 billion yen in fiscal 2025, along with steady improvement in ROE.

In March 2025, moreover, we revised our shareholder return policy—increasing the dividend payout ratio from 30% to 40%, among other measures—to strengthen returns to shareholders. As a result, the annual dividend per share for the previous fiscal year increased by 56 yen to 170 yen. What is more, for fiscal 2025, we plan to increase the dividend by 20 yen to 190 yen, a record high.

Our Group's PBR remains at around 0.5, however, and we recognize this as an important challenge for us in meeting the expectations of our shareholders and raising our Group's corporate value. Improving not only ROE but also the price-earnings ratio (PER) is essential to enhancing PBR. We will strive to improve PBR by raising ROE and clearly communicating our growth scenario to shareholders to strengthen expectations.

Finally, the Nanto Bank Group will continue to fulfill its role of "protecting the regional economy" under any circumstances—supporting our stakeholders' futures through financing and assistance tailored to their management challenges. We will strive to grow together with our stakeholders, and to do our utmost to maintain business relationships for generations to come. We ask for your continued support as we move forward.

New Medium-Term Management Plan

New Medium-Term Management Plan: “Create Regional Vitality with the Power of Human Capital”

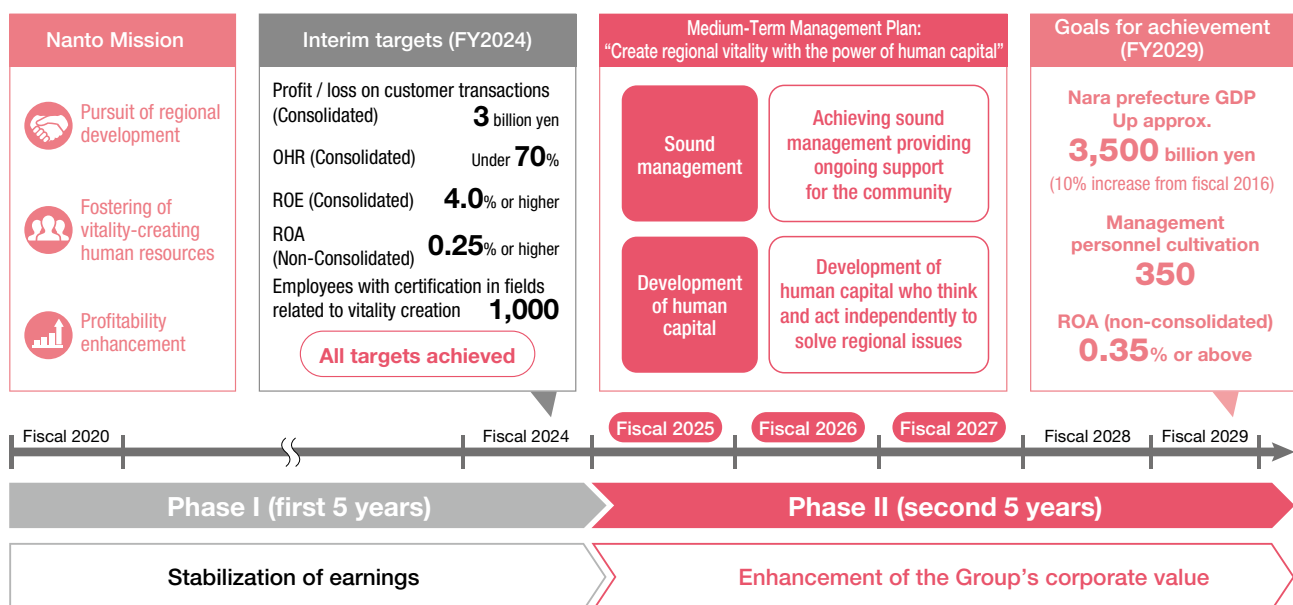
— “Nanto Mission and Goals for the Next 10 Years, Phase II” —

■ Overview of the Medium-Term Management Plan

In fiscal 2020 the Nanto Bank Group introduced a 10-year management plan titled “Nanto Mission and Goals for the Next 10 Years.” With the first five years (Phase I) of the Plan now completed, we have achieved all of our interim targets.

The newly formulated second half of the Medium-Term Management Plan (Phase II) focuses on the 3-year period from fiscal 2025 to fiscal 2027, which we have designated as “three years to enhance our Group’s corporate value.” We will dedicate this period to creating regional vitality by reinforcing the two pillars of the Plan: “sound management” and “developing talent.”

Management Plan, “Nanto Mission and Objectives for the Next 10 Years”



■ Numerical targets of the New Medium-Term Management Plan

Our updated Medium-Term Management Plan sets numerical targets for reinforcing the Plan’s two pillars: “sound management” and “developing talent.”

We will fortify our sales foundation by further deepening transactions in the Nara regional community,* while also increasing penetration and expanding transactions in Osaka, our second home market. At the same time, we will pursue sound management by implementing appropriate cost controls and capital policies.

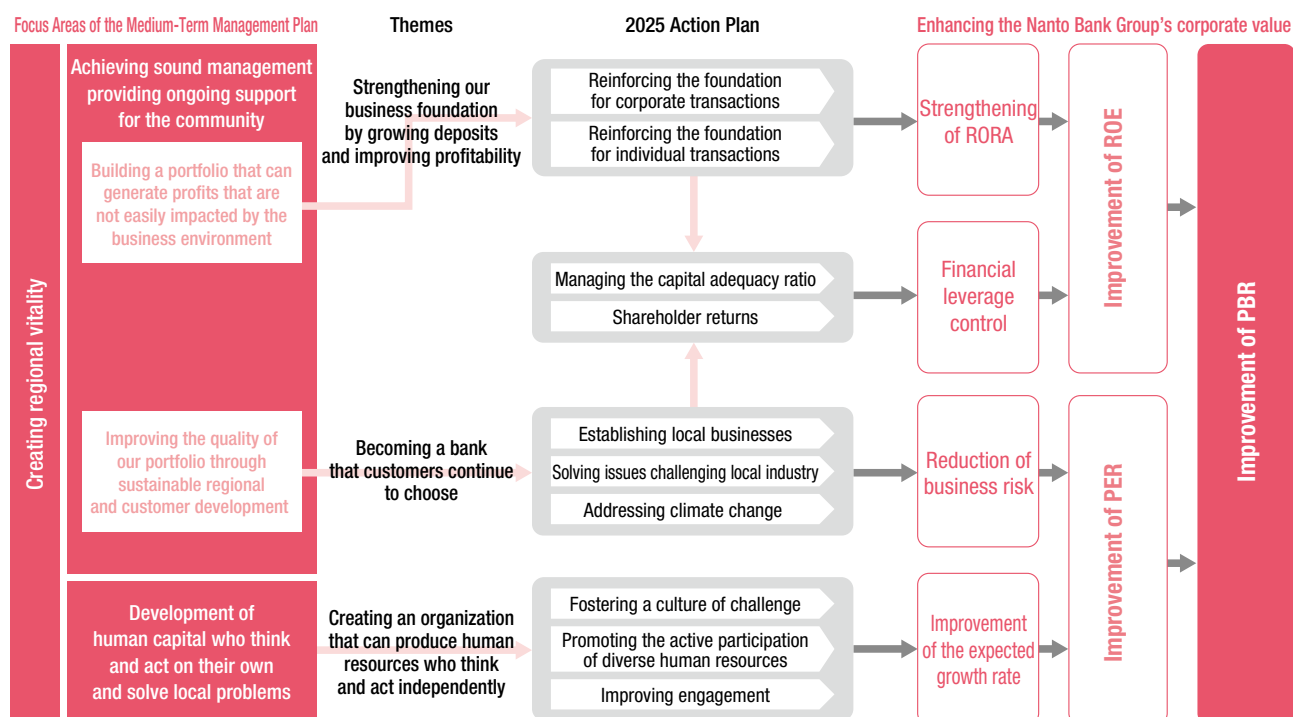
In developing talent, we will strive to motivate employees to think and act independently in accordance with our management policies, and to enhance engagement by promoting dialogue among the members of our staff. We will set targets for engagement scores and work to increase the proportion of female managers to create an organization where diverse talents can thrive.

*Nara region: Nara Prefecture, southern Kyoto Prefecture, northern Wakayama Prefecture, and western Mie Prefecture.

		FY2024 (actual)	FY2027 target
Sound management	ROE (Consolidated)	4.6%	5.5% or more → Target level 8.0% or more
	Capital adequacy ratio (Consolidated)	11.3%	Target range 11-12%
	Net Income (Consolidated)	135億円	18 billion yen or more
	OHR (Consolidated)	67.1%	Less than 65%
Development of human resources	Engagement score	70点	72 points or more
	Percentage of female managers	16.6%	20% or more

■ Overview of the 2025 Action Plan

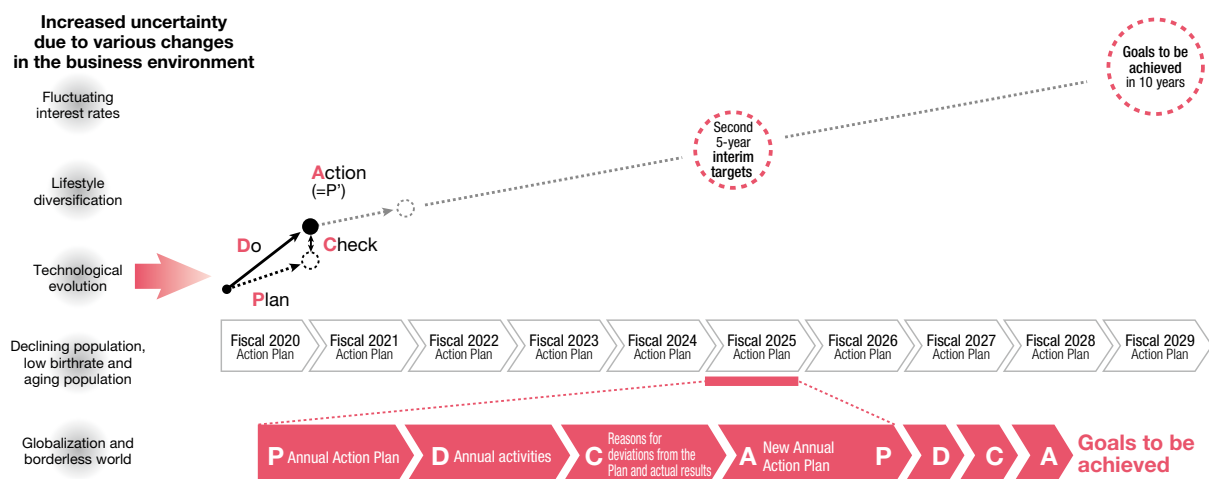
Based on the two pillars of our Medium-Term Management Plan, we will focus this fiscal year on “deposit procurement” and “developing talent” as themes for our action plan, with the aim of enhancing our Group’s corporate value.



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.

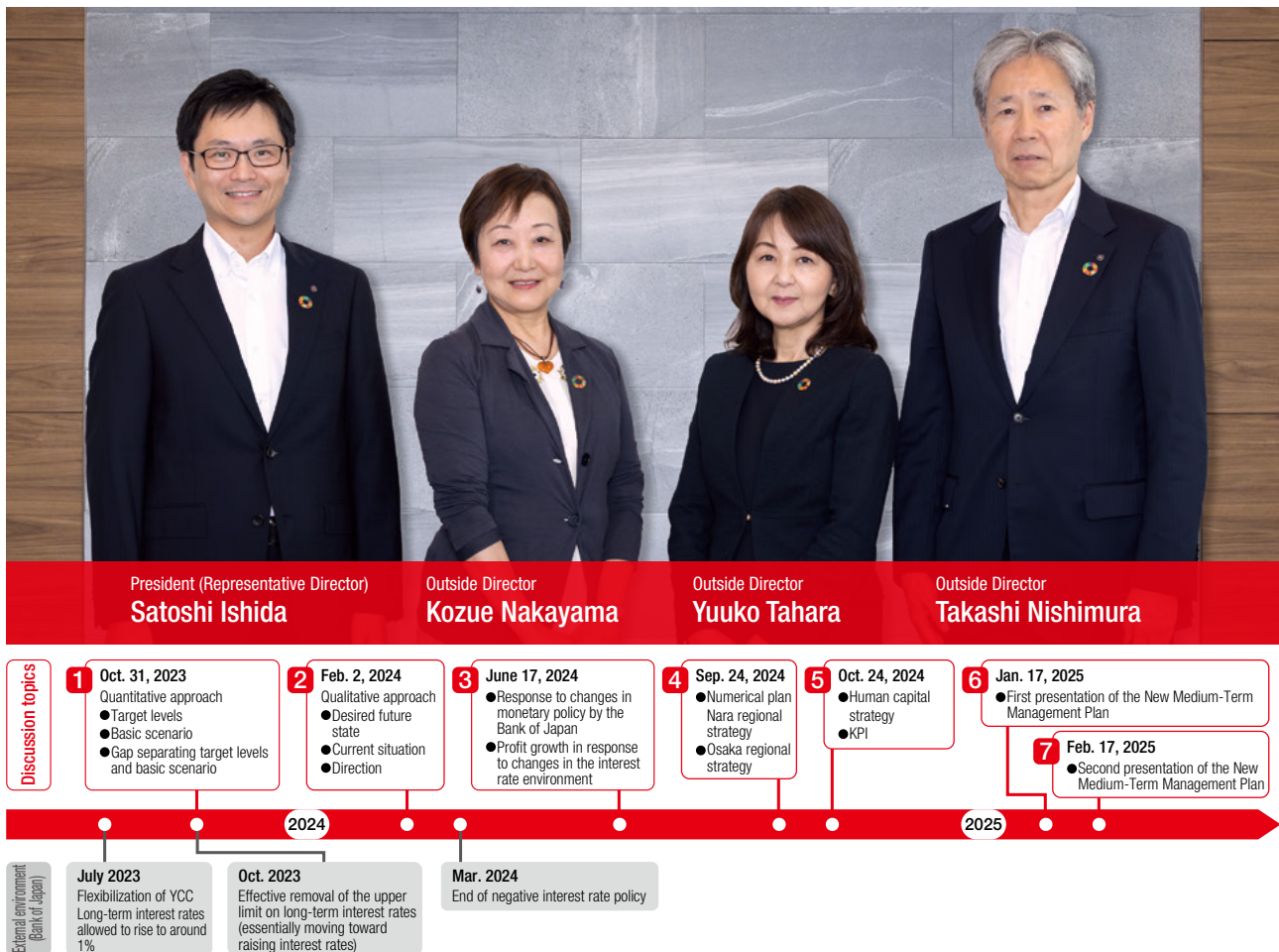


Overcoming Change and Envisioning the Future

— Behind the New Medium-Term Management Plan —

The Nanto Bank Group has been operating under its Medium-Term Management Plan, “Nanto Mission and Goals for the Next 10 Years,” since April 2020. Now in the Plan’s sixth year, the Group has launched an updated Medium-Term Management Plan, “Creating Regional Vitality Through Human Capital,” which covers the three years beginning April 2025.

The updated Plan was finalized after approximately 18 months of in-depth discussions, held seven times, primarily by the Board of Directors, beginning in October 2023. In this report, we hear from external directors Kozue Nakayama, Takashi Nishimura, and Yuuko Tahara as well as President and CEO Satoshi Ishida, about the process and core decisions behind the plan.



The starting point for the discussion is fears of an impending future crisis

Ishida: The discussions on the updating of the Medium-Term Management Plan that began in October 2023 started from a strong sense that the status quo is unsustainable. Factors such as the declining population, changes in the industrial structure, and advances in digitalization indicate that the regional environment is changing at a previously unimagined speed, and the Board of Directors shares an understanding that business as usual cannot continue.

I'd like to ask you all what manner of crisis you yourself envision for the future of our Group.

Nakayama: We are convinced that “maintaining the status quo is a step backward,” and that if we do not change, our conventional form of banking will no longer serve a function in the community. The question we must ask ourselves is how seriously we are committed to the future of the community.

The increasing entry by companies from other industries into the banking sector in recent years poses a threat to our

Group. This has given rise to a strong sense of impending crisis among members of the management team, leading us to realize the need to build distinct competitive strengths, such as a system that facilitates greater involvement by the Group in customers' life cycles, and that invites customers to rely on us more when they are in trouble.

Nishimura: It would be possible to increase profitability by strengthening sales in larger markets such as Osaka Prefecture in addition to Nara prefecture. Awareness of our Group is low in some areas of Osaka, however, and it would not be easy to attract new customers in these areas without a clear strategy. We have identified a need to discuss the kinds of added value we can offer customers, clarify the benefits of doing business with us, and differentiate ourselves from other banks.

Tahara: Our Group's long history with deep roots in the Nara prefecture community has made us liable to be influenced by our past successes. Times are changing rapidly, however, and it is now more important than ever to address issues in the community more seriously.

In the area of developing talent, we consider it necessary to promote visualization of our human resources and optimization of career paths in order to improve the quality of our employees, whom we recognize as an important management resource.



Diverse perspectives deepening the discussion — The role of outside directors —

Ishida: In the course of our ongoing discussions, our outside directors have drawn on their diverse range of experience to offer valuable insights. At this time, please share with us the points you considered particularly important, and the points you focused on during the discussions.

Tahara: As outside directors who are not banking experts, we consider it our role to ask simple questions. We prioritized such perspectives as, "Is this truly for the benefit of our customers?" and "Does this contribute to the community?"

Nakayama: While strongly aware of the role of regional financial institutions, I inserted many examples based on my experience in management of global companies and regional development at local governmental organizations into the discussion. One of the challenges we face in addressing population issues in regional cities is education, for example. If they offer distinctive school education programs, they can attract working-age individuals who care deeply about education, thus creating a virtuous cycle in which the quality of living-related facilities and infrastructure also improves. These regions inevitably feature core companies at their center, and I think it would be appropriate for the Nanto Bank Group to play this role.

Ishida: The questions and comments contributed by the outside directors at the opinion exchange meetings were extremely insightful, enabling us to conduct deeply meaningful discussions. I believe the Plan has been enriched through the frank discussions we had with all the participants.

Nishimura: I also continued to question the essential value of regional financial institutions. I felt that this questioning of the conventional wisdom of bankers from an objective, external perspective within the Bank made the discussion more profound.

The strongest impression the discussions left me with was that the internal directors not only shared our concern about an impending crisis, but that they also felt determined to change. This is why we, as external directors, were able to express our opinions without hesitation.

New Medium-Term Management Plan revealed through discussions amid changing circumstances

■ Interpreting the rising interest rate environment

Ishida: Operating in a negative- or zero-interest-rate environment, banks repeatedly engaged in intense competition in the spheres of low-interest lending and fee-based businesses, while also reorganizing their business locations to improve the operating efficiency of their office locations, inconveniencing customers in some cases. In March 2024, the Bank of Japan lifted its negative-interest-rate policy, and the external environment changed significantly, making it necessary to reexamine the banks' core business.

With the return to a positive-interest-rate environment, we decided to adopt a Medium-Term Management Plan centered on deposits, which we recognized as a particularly important management resource for bank operations.

What direction should the Nanto Bank Group take to further enhance deposit retention?

Nakayama: Beginning in the second half of fiscal 2023, our discussions focused on the prospect of rising interest rates. While there was consensus on returning to the fundamentals of the deposit-and-loan business, we argued that we should conduct

various analyses to determine the negative impact of population decline and trends in various sectors and took action accordingly.

Ultimately, interest income from loans constitutes the core of our revenue, but to grow this sector, we think it essential to leverage our Group's non-financial strengths. Within the Group, this excludes digital services such as online banking and focuses on leveraging our unique strengths as a bank to provide face-to-face services through our physical branches.

Nishimura: Deposits are important for increasing lending. While the strategy of transferring deposits from other banks is important, transferring deposits is an extremely cumbersome procedure from the customer's perspective. Nevertheless, we considered it important as a first step to provide added value that would make it worthwhile for customers to go to the trouble of transferring their deposits to our Group, thereby differentiating ourselves from other banks.

Tahara: If we are to change directions and place even greater importance on deposits, it will be necessary to communicate this policy to our employees. Rather than taking a top-down approach, we need to communicate the importance of deposits clearly and clarify the objectives and results to elicit a natural change in our employees' behavior.



■ Contributing to regional revitalization

Ishida: To this point, we have engaged in various discussions on such topics as setting target levels for ROE and focusing on the deposit and loan businesses to achieve our targets. In our capacity as a regional financial organization, however, our Group's overall direction remains to contribute to development of the region.

I believe that the greatest factor slowing regional growth is the economic contraction accompanying Japan's population decline. This is true in Nara Prefecture, as elsewhere, and we have been discussing specific approaches to growing the region under these circumstances.

Our Medium-Term Management Plan outlines some unique initiatives, such as revitalizing the regional real estate market, but we are continuing to consider new initiatives that can generate expectations in the market.



Nakayama: When comparing Nara prefecture with other prefectures, we analyzed areas where Nara prefecture has advantages and determined that we must clearly define the proper focus for the Nanto Bank Group in the current business environment in order to develop a scenario for remaining competitive. Other prefectures are also making concerted efforts to attract new businesses and support startups, for example, so it is not easy for Nara prefecture to stand out. Nara's companies and the people who work for them need to have something that sets Nara apart from other prefectures, such as its rich cultural heritage and low risk of natural disasters.

Nishimura: Nara prefecture is one of Japan's leading tourist destinations, but it faces challenges such as a shortage of hotels relative to the number of tourists and short nighttime restaurant business hours. Our Group has identified areas with significant room for further business opportunities we can open up by working with local businesses to develop and implement measures to capture inbound visitor demand.

■ Developing human capital

Ishida: Our new Medium-Term Management Plan is described as "Creating Regional Vitality Through Human Capital." After much heated discussion among our management team, we decided to make "people" the central focus of the Plan. We would like to hear your thoughts on this approach.

Nakayama: We proposed placing a clear emphasis on "human capital" as a key corporate asset and an important management resource for the Group. As the management team, we must organize our Group's efforts to address environmental risks such as contraction and aging of the population and communicate our scenario for sustainable growth to our employees. In this rapidly changing business environment, we will need to engage in meaningful dialogue with our employees and give them a clear awareness of the factors the Group will want to focus on.

Nishimura: It is said that employee turnover increases when a decline occurs in two of the three key employment factors—compensation, interpersonal relationships, and job satisfaction. Our Group appears to have no major issues concerning compensation or relationships, but we see room to create a better cycle of human capital growth and retention by establishing an environment in which employees can work with greater enthusiasm and a feeling of job satisfaction.

Tahara: I felt a need to communicate the New Medium-Term Management Plan's KPIs and action plans throughout the Nanto

Bank Group. People tend to feel that they must take action when they participate and see their opinions reflected in a plan. I believe that dialogue with employees and mechanisms to encourage their participation are essential to enhancing the effectiveness of the Medium-Term Management Plan.

As concerns the engagement score, which we have newly adopted as a KPI, we do not intend to use it merely to monitor fluctuations in employee scores. Instead, we plan to employ it as a tool for management to use in assessing whether employees understand and agree with our management policies and are acting accordingly.

Going forward, to realize this Medium-Term Management Plan, we intend to define the skills required of employees, visualize the expected behaviors, and evaluate them in a way that fosters employee growth and promotes career advancement.

Ishida: I want the employees of our Group to think not only in terms of lending, but also in terms of equity. Ordinary bank employees tend to focus on “past performance” factors such as financial information and asset holdings, because they are concerned with whether or not the funds they lend will definitely be repaid. By contrast, the equity approach focuses on “the fundamental strengths of a business and the value it can create in the future.” If equity-based thinking becomes ingrained among our Group’s employees and they can engage in future-oriented dialogue with customers, I believe it will create more opportunities to provide customers with valuable insights. As stated in our Medium-Term Management Plan, we aim to deepen and expand our investment activities beyond traditional lending operations—that is, to embed an equity mindset—and establish a customer-centric approach focused on the future within our Group over the next three years. This will enable us to cultivate human resources capable of providing customers with insights.

A sure step into the future

Nakayama: During the discussions, the fundamental question, “How should we manage this Group?” was raised repeatedly. I am convinced that the Medium-Term Management Plan is not only a set of numerical targets, but also a commitment to our stakeholders. I conveyed this opinion through the Board of Directors, and I believe it was incorporated into the overall Plan. Going forward, to advance the Medium-Term Management Plan in concrete terms, I believe we will need to strengthen our information-sharing with governments and collaborate with them on regional revitalization efforts. To build a regional ecosystem and ensure that our Group remains a valuable presence at its core, we will approach the Plan’s implementation with the resolve to become a top bank rooted in the community as a “social bank.”

Nishimura: I believe we have formulated a Plan that balances feasibility and idealism to combine “dreams and reality.” The Plan is based on two principles: it equips employees to take a proactive approach toward the future, and it will remain meaningful over the long term. Going forward, we need to clarify how we will allocate our management resources to each region as we move forward with our Medium-Term Management Plan. The future of our Group lies in growing together with the community by earning the trust of our customers, both individuals and corporations, through careful sales activities that are closely tied to the community.

Tahara: This Plan cannot be realized with the attitude, “We have formulated the Plan; the frontline employees can handle the rest.” As the management team, we must take the lead and continue to communicate messages that create empathy with the Plan among our employees. When it comes to developing talent, systematically reviewing the positioning of each measure will enable employees to visualize their careers and futures in concrete terms, leading to a sense of fulfillment and growth. The values and behavioral patterns of younger customers are changing with the times, so we must continuously review our strategies to understand their needs accurately and turn them into fans of our Group. We must also build on the strengths our Group has cultivated while reconciling and refining the differences in values between generations.

Ishida: I view the three years of this updated Medium-Term Management Plan as a period for promoting human capital and organizational transformation. By instilling a habit of strategic thinking throughout the organization, and revitalizing it through repeated in-depth discussions, I intend to prepare the Nanto Bank Group to survive and thrive in the future. By the time we formulate our next business plan three years from now, I hope to establish human capital investment and raise our management strategies to a higher level, so we can clearly demonstrate a winning business model to our stakeholders. This Medium-Term Management Plan is not a finished product but only a “starting point.” Looking to the next 100 years, we will work to ensure that all our employees share the challenges and future vision of our Group and to engage with them so that they can translate them into individual actions.



Nara Prefecture's Challenges and Potential

Current Conditions in Nara Prefecture—Our Primary Market—and the Role of the Nanto Bank Group

The Kinki region, centered on Osaka prefecture and the Nanto Group's primary region of operation, is one of Japan's three major metropolitan areas. Each prefecture in the region has its own unique, fascinating history that lives on to this day.

Among these, Nara prefecture, home to our head office, is distinguished as Japan's first capital and home to an immense wealth of historical and scenic sites and historic buildings dating back to the 8th century. As a result, Nara attracts visitors from across Japan and around the world. The prefecture also features deep geographical and human ties with neighboring prefectures, and significant potential for regional development.

At the same time, Nara prefecture faces unique challenges, and we believe that our Group has an important role to play in contributing to the development of the region.

Nara prefecture's potential and challenges

Tourism resources

- World Heritage sites **3** No.1 in Japan
- National Treasures/
Important Cultural Properties **1,337** 3rd place in Japan
- Historic sites and
natural monuments **150** No.1 in Japan
- Number of annual tourists **32.66** 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.

- Number of rooms
in Japanese inns and hotels **10,433** 43th 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.

Economy and industry

- Ratio of forest area **76.9%** 6th place in Japan
- Number of factory locations **28** 10th 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. With easy access to Osaka and Nagoya, relatively low land prices, and few natural disasters, Nara prefecture has been attracting attention in recent years as a location for manufacturing facilities.

- GDP (real) **3,834.7** billion yen 37th place in Japan
- Per capita income **2,549** thousand yen 44th place in Japan
- Number of private businesses **45** thousand 37th place in Japan
- Agricultural output **39.0** billion yen 45th place in Japan
- Number of employed residents **491,084** 37th place in Japan
- Number of annual tourists **32.66** million

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.

Human resources

- Percentage of high school graduates obtaining higher education **65.2%** 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.

- Ratio of women in the labor force **46.7%** 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.

Household finances and living conditions

- Financial assets per household **15,645** thousand yen 2nd place in Japan
- Ratio of owner-occupied households **73.2%** 8th 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.

- Percentage of consumer spending (purchasing) outside the prefecture **19.1%** No.1 in Japan

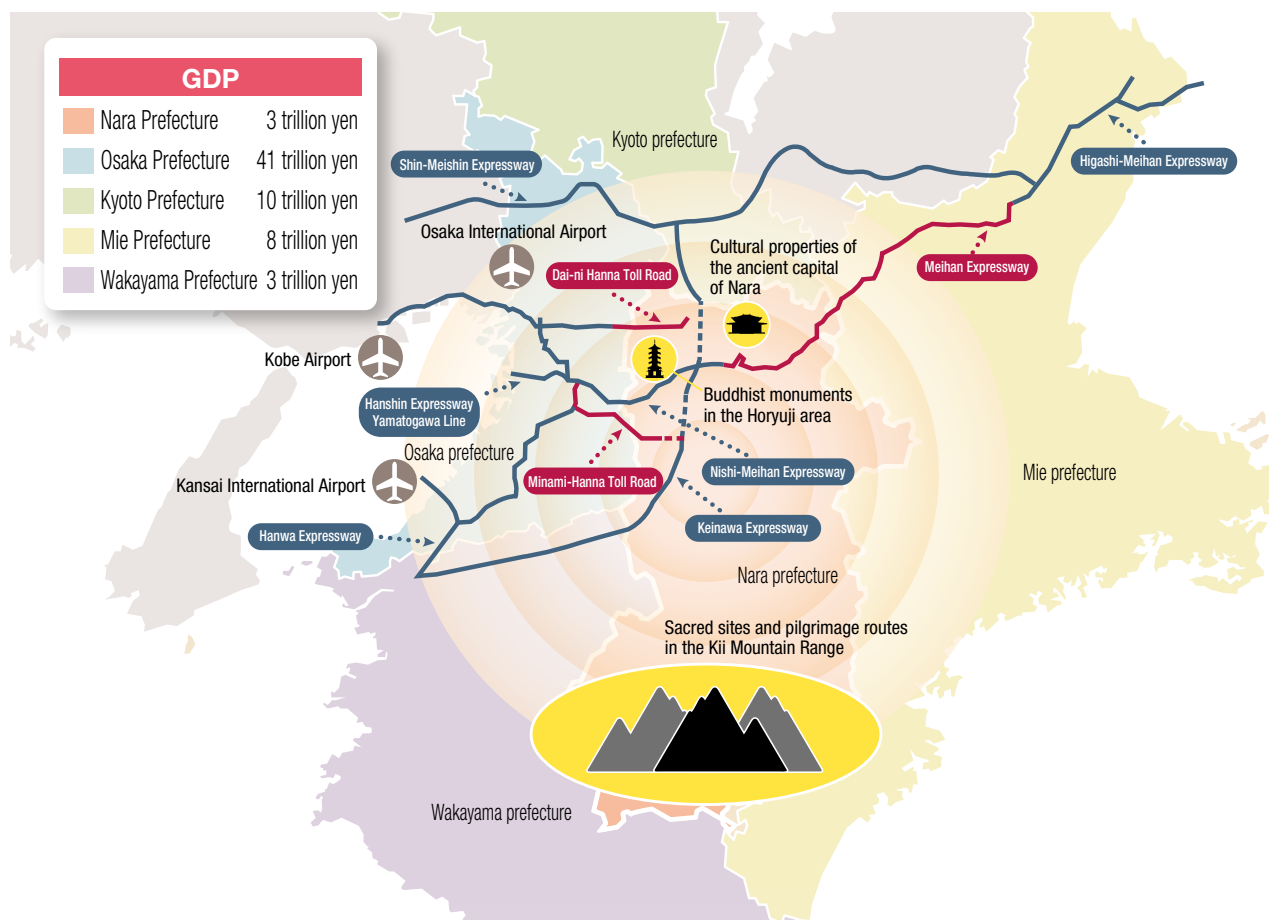
Challenges

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.

Sources

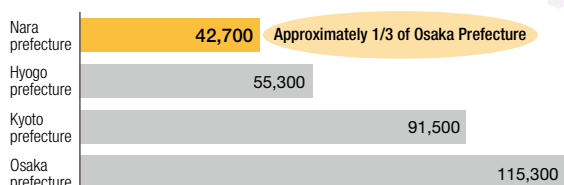
"Cabinet Office 2021 Prefectural Economic Accounts," "Ministry of Internal Affairs and Communications 2021 Economic Census," "The State of Nara Prefecture 2024," "Ministry of Education, Culture, Sports, Science and Technology 2023 School Basic Survey," "Ministry of Internal Affairs and Communications 2019 National Household Structure Survey," "Ministry of Internal Affairs and Communications 2020 National Census," "Ministry of Land, Infrastructure, Transport and Tourism 2023 Building Construction Statistics Survey Report," "May 2025 Agency for Cultural Affairs," "Nara Prefecture Official Website"

Geographical characteristics of Nara Prefecture



Lower land prices compared with surrounding areas

■ 2022 Land Price Survey/Industrial Land Average (per 1m²)



* Created based on the Ministry of Land, Infrastructure, Transport and Tourism's "2023 Prefectural Land Price Survey"

Connections between Nara prefecture and surrounding regions

Human connections with surrounding regions

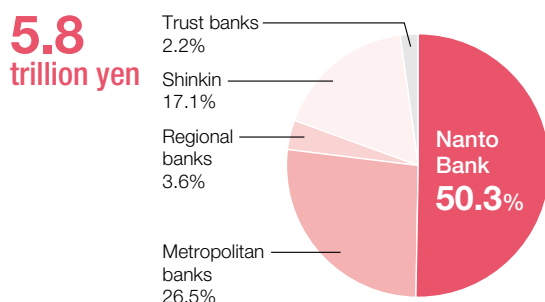
Resident employment rate outside Nara prefecture: 27.3% (3rd in Japan)

Geographical and historical connections between Nara and Osaka prefectures

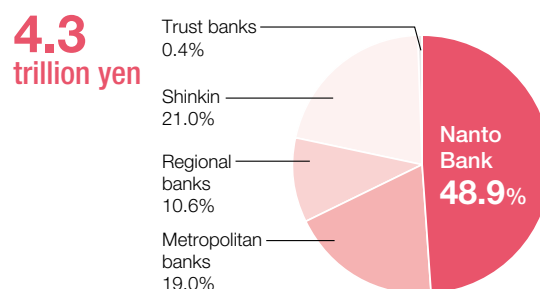
Three expressways Five railway lines
Historical roads History of Sakai prefecture

Nanto Bank Group's strong customer base in Nara Prefecture

■ Deposits and market share in Nara prefecture



■ Loans and market share in Nara prefecture

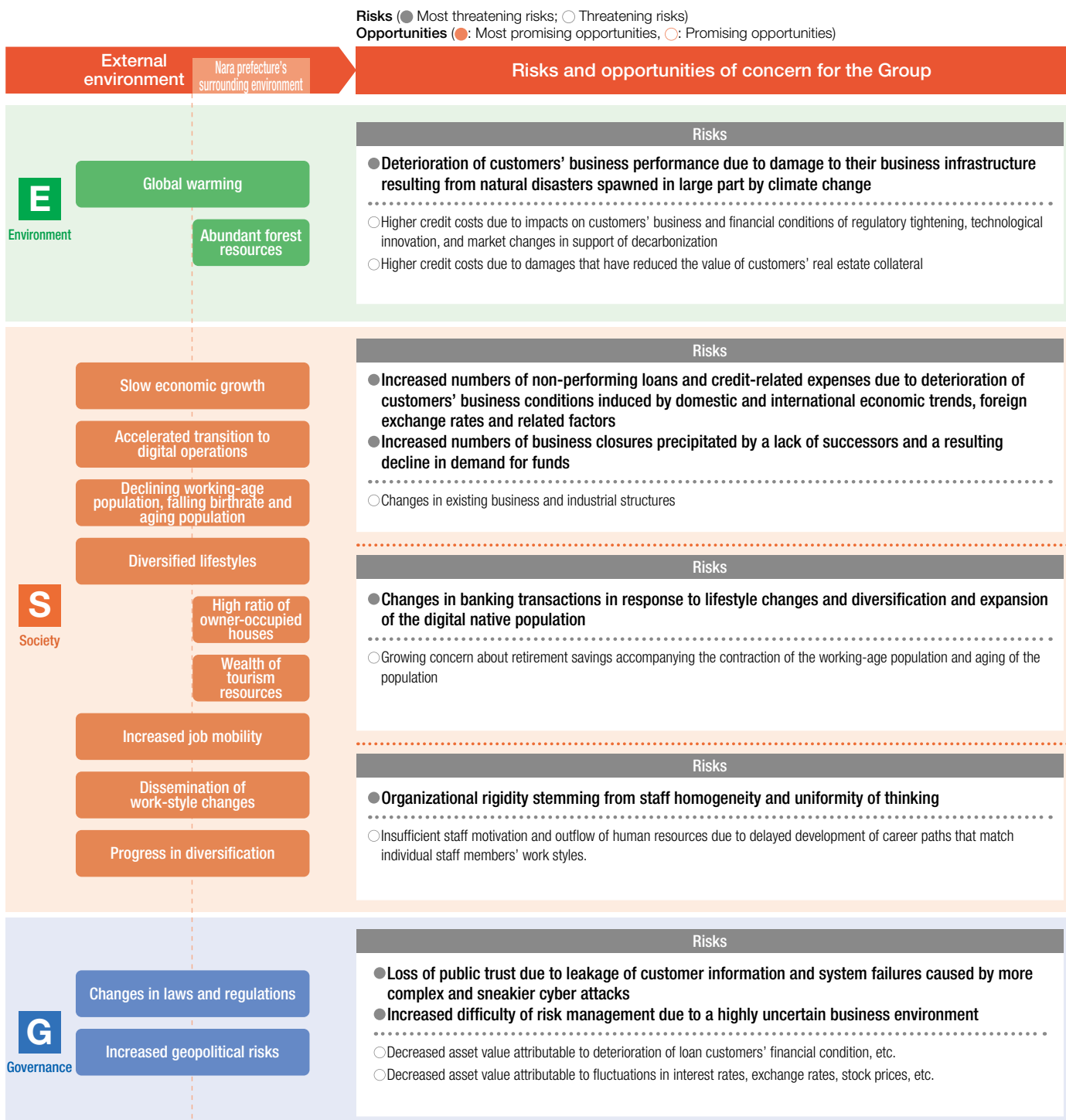


(As of the end of March 2025: Banks and credit unions in Nara prefecture, excluding the Japan Post Bank, agricultural cooperatives, etc., are included.)

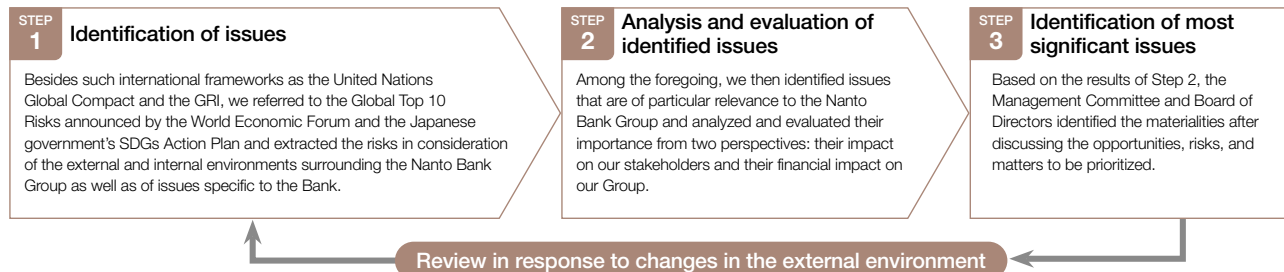
The Group's Materialities

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.



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



Value Creation Process

Value Creation Process

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.

Human capital that solves customer and community challenges and addresses social issues by commercializing solutions and other approaches.

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.**



INPUT

Materialities

Resolving material issues



Cultivating a Healthy Corporate Culture with Participation of Diverse Human Resources

Realizing Sustainable Growth of Our Regional Economy

Responding to the Effects of Accelerating Climate Change

Realizing a Convenient, Prosperous Society

Preparing for Increasingly Varied and Complex Risks

Operating capital

Customer base

- Large share of deposits and loans in Nara prefecture

Deposits **50.3%**

Loans **48.9%**

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

60.2%

(Teikoku Databank National Corporate "Main Bank" Trend Survey 2024)

Human resources base

- Number of employees supporting the Bank's management philosophy

2,267

- Number of employees with qualifications related to vitality creation

1,062

Financial base

- Strong capital adequacy ratio

Capital adequacy ratio

Consolidated **11.31%**

(End March 2025)

Nanto Mission



Pursuit of regional development



Fostering of vitality-creating human resources



Profitability enhancement

Fundamental trust and security

Empathy

New Medium-Term Management Plan

Achieving sound management providing ongoing support for the community

Building a portfolio that can generate profits that are not easily impacted by the business environment

Improving the quality of our portfolio through sustainable regional and customer development

Development of human capital who think and act on their own and solve local problems

Governance

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.

OUTCOME

Value we are offering
all our stakeholders

Goals to be
achieved by 2030

Access

Services

Satisfaction

Enhancing loyalty

2025 Action Plan

Reinforcing the foundation
for corporate transactions
Reinforcing the foundation
for individual transactions

Controlling the capital adequacy ratio
Returning profits to shareholders

Establishing local businesses
Solving issues challenging local industry
Addressing climate change

Fostering a culture of challenge
Promoting the active participation
of diverse human resources
Improving engagement

The Bank's Action Plan is reviewed annually with the PDCA cycle applied.

Counting targets (FY2027)

Engagement
score
72 points or more

Percentage of
female managers
20% or more

ROE (consolidated)
5.5% or more

Capital adequacy
ratio (consolidated)
**Target range
11-12%**

Net Income
(consolidated)
**18 billion yen
or more**

OHR (consolidated)
Less than 65%

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 a workplace environment that supports employees' autonomous growth and encourages taking on challenges

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

Enhancing Corporate Value through Sound Management

Message from the Executive in Charge of Management Planning and Finance

Managing Director and
Executive Officer
Yoshinori Kurahigashi



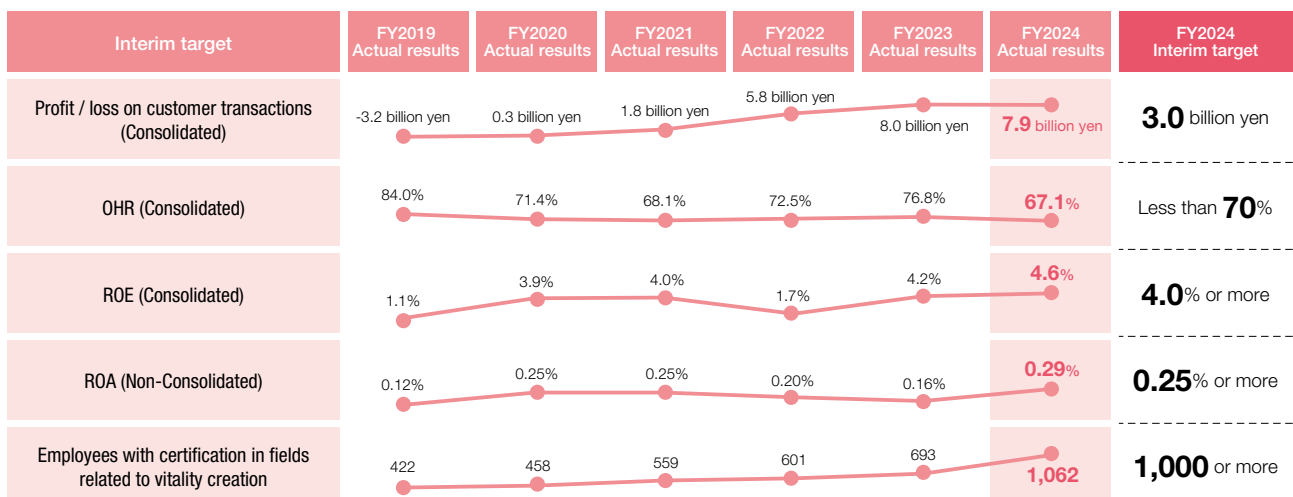
■ Review of Business Performance

Review of the Management Plan (Phase I)

The Nanto Bank Group set the following targets in its 10-year management plan for fiscal 2020 to fiscal 2029 titled “Our Mission and Goals for the Next 10 Years”: “Increase Nara Prefecture’s GDP by approximately 350 billion yen,” “Create 350 management personnel,” and “Achieve a standalone ROA of 0.35% or higher.”

In the first five years of the business plan (Phase I), we aimed to strengthen our core business, which had ceased to be profitable due to the introduction of negative interest rates and other factors. As interim targets for the final year of Phase I (fiscal year 2024), we set the following goals: “3 billion yen in consolidated customer service business profits,” “consolidated OHR below 70%,” “consolidated ROE of 4.0% or higher,” “standalone ROA of 0.25% or higher,” and “1,000 employees holding qualifications related to vitality creation.”

Despite challenging external conditions such as negative interest rates and the COVID-19 pandemic, the results of our efforts to strengthen the revenue base and reorganize our office network were steadily realized, leading to improvements in the Group’s financial structure. This enabled us to achieve our highest-ever net profit and meet all our interim targets in the 2024 fiscal year.



Review of 2024 fiscal year performance

In addition to strengthening our foundation in our home prefecture of Nara in fiscal 2024, we also reinforced our sales strategy in Osaka prefecture, which led to an increase in our loan balances. Our introduction of policy interest rate hikes enabled interest rates to rise, moreover, resulting in an increase in loan interest income. Interest income from securities increased as well due to investments in yen-denominated bonds in response to rising interest rates, among other factors. As a result, the Bank's core gross operating profit increased by 12.9 billion yen year-on-year to 61.8 billion yen.

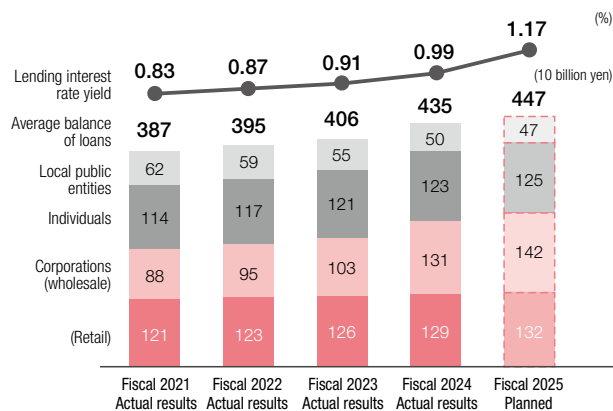
As concerns expenses, meanwhile, although costs such as property and personnel expenses rose due to the construction of our new Head Office building and base salary increases, an increase in our core gross operating profit led to net profit of 13.3 billion yen, which combined with our consolidated net profit of 13.5 billion yen to set a new record high.

We believe that steady implementation of reforms and a continued transformation into a robust financial foundation, even under negative interest rate conditions, combined with external factors such as the return to a "world with interest rates," contributed to this achievement of our record-high profit.

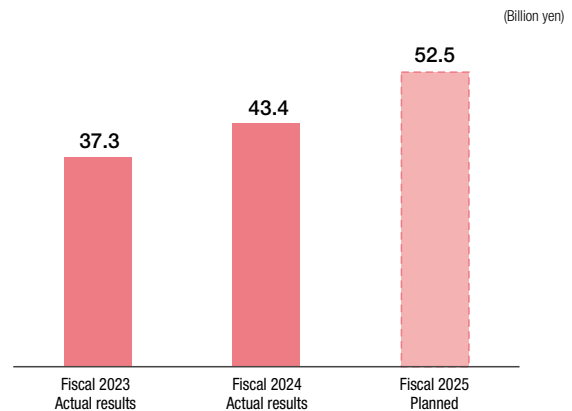
(Billion yen)

		FY2023 Actual results	FY2024 Actual results	Year-on-year comparison
Consolidated	Ordinary income	166	196	+30
	Net income	120	135	+14
Bank only	Core business gross profit	489	618	+129
	Funding income	434	563	+128
	Interest on loans	373	434	+61
	Interest on securities	107	197	+90
	Of which, gains/losses on redemption of investment trusts	-48	15	+63
	Interest on deposits	2	37	+34
	Fee and commission income	73	73	+0
	Other operating income (excluding gains/losses on government bonds and other bonds)	-19	-17	+1
	Expenses	379	416	+37
	Personnel expenses	210	223	+12
	Property expenses	144	160	+15
	Core business net profit	109	201	+91
	Gains/losses on government bonds and other bonds	9	-21	-30
	Gains/losses on stocks and other securities	33	39	+6
	Ordinary profit	158	190	+31
	Net profit	118	133	+15
	Credit-related expenses	0	27	+26

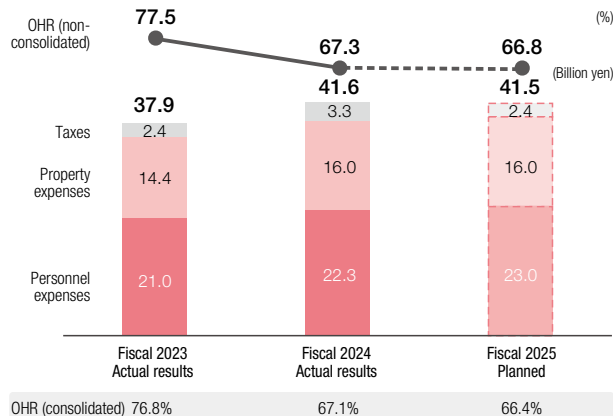
■ Lending interest rate yield and average balance



■ Interest on loans



■ Actual expenses



■ Factors affecting increase/decrease in expenses

		Fiscal 2024		Fiscal 2025 Plan	
		Year-on-year comparisons	Main factors	Year-on-year comparisons	Main factors
Taxes	+0.9		Consumption tax related to the construction of the new Head Office	-0.8	Temporary expenses in the previous fiscal year
			+0.8 billion yen		-0.8 billion yen
Property expenses	+1.5		Temporary expenses related to the relocation of the Head Office, etc.	+0	Temporary expenses in the previous fiscal year
			+1.0 billion yen		-1.0 billion yen
Personnel expenses	+1.2		IT investment, etc.	+0.7	Depreciation expenses for the new Head Office
			+0.8 billion yen		+0.5 billion yen
			Base salary increases, etc.		Introduction of an employee stock compensation plan
			+1.2 billion yen		+0.2 billion yen

Enhancing the Nanto Bank Group's Corporate Value

Initiatives to enhance corporate value

Numerical targets of the New Medium-Term Management Plan

P.10

Sound management targeted by the updated Medium-Term Management Plan

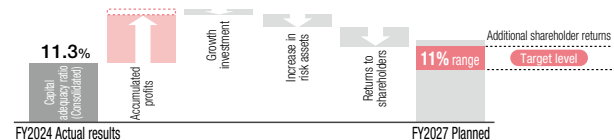
To put “sound management,” one of the two pillars of the updated Medium-Term Management Plan introduced in April 2025, into practice, we have set the following targets to improve profitability further: “ROE of 5.5% or higher,” “capital adequacy ratio of 11–12%,” “net income of 18 billion yen or higher,” and “OHR below 65%.”

Through the steady execution of our business strategy, we intend to increase loan interest income and secure stable income revenue in the Market Division. Meanwhile, we will control expenses appropriately, including increases in personnel costs due to base pay adjustments, and IT investments aimed at further enhancing customer convenience, with the intention of increasing our core business profit and achieving net profit of 18 billion yen and an OHR below 65%. Meanwhile, we are targeting a capital adequacy ratio of 11–12% through flexible share buybacks, with a target ROE of 5.5% or higher now and 8.0% or higher in the future.

We recognize the current situation in which our PBR is below 1x as a serious concern. We will respond with efforts to enhance our corporate value by presenting our stakeholders with a sustainable strategy for growth through improved profitability and capital efficiency.

Capital adequacy ratio

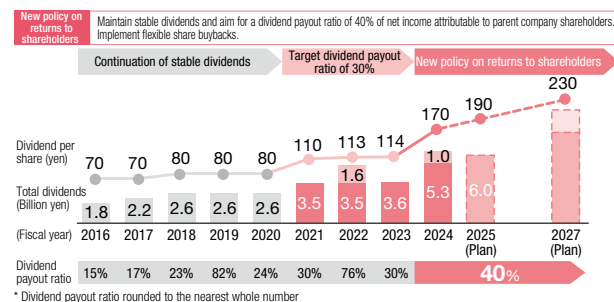
Our Group's capital adequacy ratio was 11.31% on a consolidated basis and 10.93% on a non-consolidated basis as of end March 2025. We will continue our efforts to maintain an appropriate capital adequacy ratio and allocate our capital efficiently, targeting a range of 11% in fiscal 2027.



Returns to shareholders

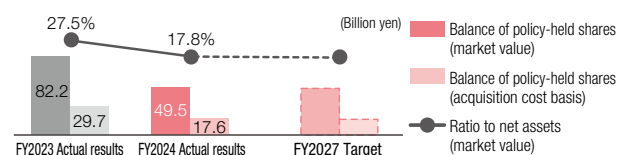
We will aim for continuous profit growth through the steady implementation of appropriate measures, including the flexible acquisition of treasury stocks, while reviewing our policy on returns to shareholders and seeking to maximize our corporate value by further strengthening these shareholder returns.

Under the revised policy, the dividend per share for fiscal 2025 is expected to be 190 yen. If we achieve our net income target for the final year of the medium-term plan (18 billion yen), moreover, the dividend per share is expected to be 230 yen.



Reduction of policy-held shares

We also consider it important to reduce the number of policy-held shares in order to improve our capital efficiency. We set a target of reducing the ratio of policy-held shares to consolidated net assets to 20% or below, and we had already achieved this target as of end March 2025 with a ratio of 17.8%. We will, however, continue to reduce our policy-held shares going forward.



Performance forecast for fiscal 2025

In fiscal 2025, we plan to increase our interest income on loans and Market Division revenue, with consolidated ordinary income of 21.5 billion yen and net income of 15 billion yen. This plan assumes that the policy interest rate will remain unchanged at 0.5%.

As concerns loan interest income, we plan to increase our loan balance, as well as to benefit from the two interest rate hikes implemented in the previous fiscal year, to increase our yield for the full year. In the Market Division, we aim to achieve our plans by constructing a portfolio that ensures stable revenue through flexible portfolio restructuring and diversified investments centered on yen-denominated bonds.

(Billion yen)		FY2025 Plan	Year-on-year comparison
Consolidated	Ordinary income	215	+18
	Net income	150	+14
Bank only	Core business gross profit	620	+1
	Funding income	578	+15
	Interest on loans	525	+90
	Interest on securities	174	-23
	Of which, gains/losses on redemption of investment trusts	0	-15
	Interest on deposits	109	+72
	Fee and commission income	71	-1
	Other operating income (excluding gains/losses on government bonds and other bonds)	-27	-9
	Expenses	415	-1
	Personnel expenses	230	+7
	Property expenses	160	+0
	Core business net profit	205	+3
	Gains/losses on government bonds and other bonds	-10	+11
	Gains/losses on stocks and other securities	28	-11
Ordinary profit		210	+19
Net profit		150	+16
Credit-related expenses		22	-5

Constructing a Securities Portfolio Designed to Deliver Stable, Recurring Returns

Message from the Executive in Charge of the Market Division

Director and Managing
Executive Officer
Haruyuki Kakutani



Basic policy

Stabilizing earnings over time

With the state of our balance sheet, including trends in our equity capital and deposits, in mind and capital efficiency and liquidity taken into account, we plan to achieve stable income earnings by investing from a medium- to long-term perspective. As we transition to a “world with interest rates,” we are focusing our investment activities on fixed-income yen-denominated bonds, while also working to build a ladder-type portfolio of yen-denominated bonds held to maturity as a stable source of earnings.

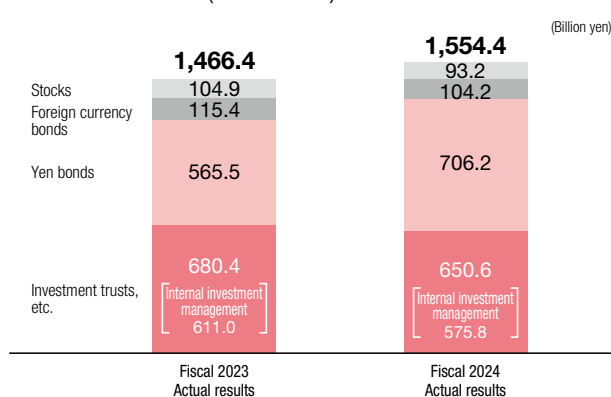
In our yen-denominated bond investing under current environmental conditions, in which the Bank of Japan has been raising interest rates, on the other hand, we are conducting careful investments that take rising interest rate risk into account. This means discussing and establishing clear market outlooks based on economic, price, and employment conditions, and diversifying our investment terms and timing.

Enhancing portfolio quality

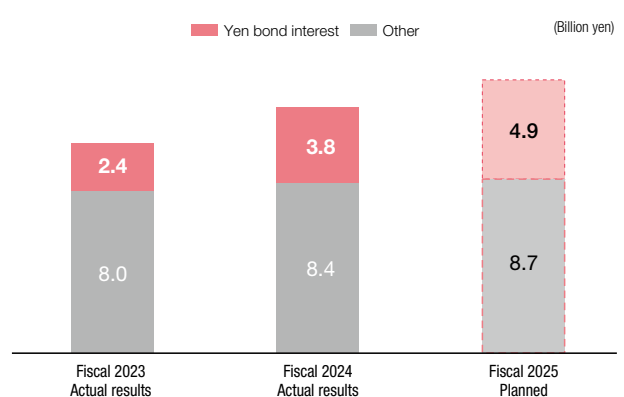
We aim to generate capital gains through flexible trading of highly liquid bonds and equity mutual funds, and to use these gains to sell low-yield assets and mutual funds with uncertain dividend prospects, replacing them with yen-denominated bonds and other assets to improve income returns and enhance our portfolio quality. Considering the possibility that funding costs for deposits and other assets will rise, depending on the direction taken by monetary policy, we are transitioning to assets that can be expected to generate returns over the medium to long term.

We are, at the same time, also investing in stocks that we expect to have an inverse correlation with yen-denominated bonds: foreign currency bonds for which hedging costs are expected to decrease and yield spreads to widen; and J-REITs on which the impact of tariffs is assumed to be minimal. Our efforts are aimed at attaining unrealized gains while diversifying across specific assets and risks.

Securities balance (end balance)



Income revenue





Building a Future of Trust and Peace of Mind

—A Core Partner in Regional
Governance—

Chairman (Representative Director)
Takashi Hashimoto

Passing the Torch to a New President

On April 1 of this year, I was appointed to the office of Chairman and Satoshi Ishida to the office of President, and we started out by introducing a new management structure.

The Bank has established a Nomination and Compensation Advisory Committee comprising a majority of its outside directors, with responsibility for nominating candidates for the position of director, deliberating on compensation, and making recommendations.

The appointment of the new president was decided after approximately one year of deliberation by this committee and approved by the Board of Directors. The committee began the process by discussing the qualities required of a president, and then deliberated these from various perspectives, including the Bank's approach to the local community as a regional financial institution and earning the trust of stakeholders. President Ishida was selected from among a group of several candidates.

As generational succession progresses among local companies in Nara Prefecture, the Nanto Bank Group also recognizes the pending need to take up many new challenges if we are to achieve significant growth and development toward our 95th anniversary and beyond. We have consequently sought to refresh the management team and entrusted its leadership to President Ishida, who brings youth and impressive execution capabilities to the job.

I am firmly convinced that President Ishida has the capabilities and courage to take our Group in the proper direction, and that he will draw on his deep roots in the community and his unwavering vision to accomplish his goals, even in our rapidly changing operating environment.

I am extraordinarily proud to have worked hand in hand with our customers in their daily lives and business activities during my years as President of Nanto Bank, remaining at the community's side through an era of rapid change. Throughout my tenure as president, I placed great importance on contributing to community development, striving to assure our position as a trusted and beloved bank in the belief that it is this accumulation of trust that brings peace of mind to a community. While ensuring that the baton is passed to the next generation, I will continue my efforts to strengthen our Group's governance and to ensure its soundness and reliability from my position as Chairman of the Board, overseeing operations objectively and rigorously.



Contributing to trust and peace of mind

Corporate Governance

As I take on the new role of Chairman of the Board, I am committed to further enhancing the soundness and transparency of management through appropriate oversight. I will fulfill my supervisory responsibilities for executive decision-making transparently, while at the same time approaching the job objectively and constructively, sometimes asking questions, and rigorously assessing whether my management is leading to sustainable value creation.

It is especially important in a rapidly changing business environment like today's to consider not only short-term results, but also the best results for our shareholders, customers, local community and employees in the medium to long term. I believe that this perspective, which considers whether our management decisions will earn the trust of society, will be the core concern of governance for our Group going forward.

The Board of Directors' operations will also need to be even more effective. As Chairman of the Board, I will work to implement a system that allows for strategic discussions by leveraging the diverse perspectives and expertise of our outside directors, while maintaining transparency and a sense of urgency in corporate oversight. I am confident that renewing the Board of Directors as a venue for substantive discussions and decision-making, rather than a body engaging in mere formalities, will lead directly to greater corporate trust and, ultimately, to customer peace of mind.



Contributing to the community

In addition to my role as Chairman, I hold several positions in local economic organizations and public bodies. In these roles, I engage with a wide range of opinions and issues related to the community on a daily basis, promoting initiatives that take a broad view of the sustainability of the community as a whole. Structural issues such as the contracting population, aging citizenry, and worker shortages in regional cities can no longer be addressed by any single organization or institution alone. It is only when the roles of government, the corporate sector, education, and finance are organically interconnected that we will be able to envision a secure future for the local community.

To be specific, in the economic organizations in which I participate, I am actively proposing measures to address the labor shortage faced by the region's small and medium-sized business owners. When it comes to supporting employment, I am actively proposing policies that will make work more enjoyable and rewarding for people of all ages, from young people to the elderly. In education, we continue to strongly emphasize the importance of uncertainty and risk management



Signing ceremony for the Partnership Agreement

as part of the financial education necessary for working adults.

Our Group is actively engaged in efforts to prevent crimes, such as unauthorized deposit withdrawals and wire fraud using cash cards and Internet banking systems that have become social issues, in addition to implementing the measures to counter money laundering and terrorist financing required by the international community. In

these efforts we collaborate closely with local police and other organizations to combat crime. As financial crimes become better organized and more widespread, and the methods used become increasingly sophisticated and diverse, we believe we must continue our steady promotion of financial literacy, which is the foundation for combating these threats, if the measures taken by financial institutions to protect the community are to be effective.

In these and other ways, I recognize that the role of the Nanto Bank Group is not merely to provide financial services but also to provide leadership in solving regional issues and creating value by collaborating with various organizations and institutions throughout the region. To achieve this, our Group must remain a trusted partner that listens to the diverse voices of the community. We believe that the essential value, and indeed the very meaning, of our existence in society, is to be an indispensable presence in the community that is trusted as a source of security.

Aware that ensuring financial security is essential to preserving the foundation of the local economy, we will help strengthen the community's governance functions.

Trust and peace of mind cannot be established overnight. Only the accumulation of honest daily work, responses, and dialogue will eventually produce a deep well of trust and bring peace of mind to an entire community. Even in this era of change, the values we must protect are clear. It is essential that we remain the community's most trusted entity with the deepest understanding of its needs. If we can do this, we feel certain that peace of mind will be achieved, leading to revitalization of the local economy.

Going forward, the Nanto Bank Group will remain focused on building a future of "trust" and "peace of mind," engage sincerely with the local community, and strive to be a bank that customers continue to choose.



Developing Talent Who Think and Act Independently to Solve Local Issues

Message from the Executive in Charge of the Human Resources Division

Senior Managing Executive
Officer and Director
Takeshi Sugiura



Japan's financial sector is undergoing unprecedented change today at a time when customer needs are rapidly diversifying. For our Group to maintain its sustainable growth, we must continue to take on new challenges aimed at transformation.

To meet these new challenges, which will define the future of our Group, we must develop “human resources who think and act independently to solve local issues,” as outlined in our Medium-Term Management Plan.

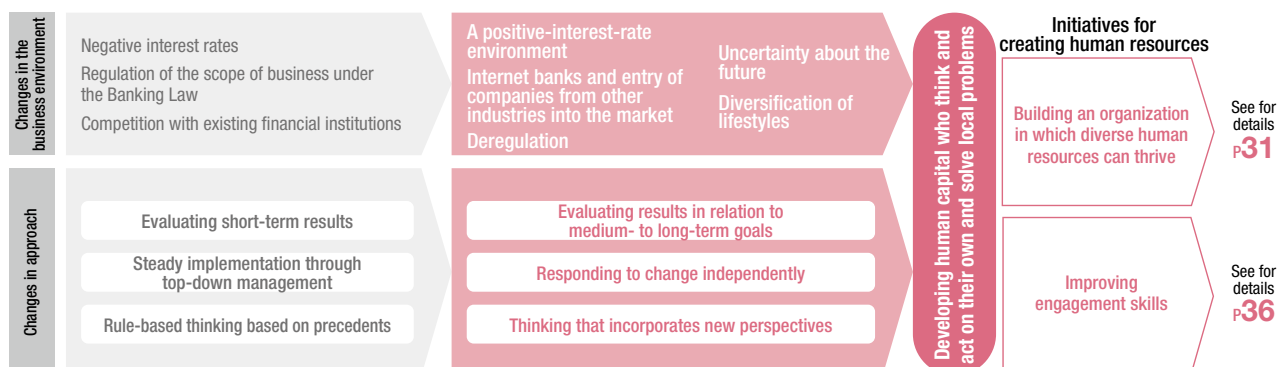
To this end, we will need to motivate our employees to “think and act independently.” We will seek to enhance engagement by fostering a workplace environment that supports employees’ autonomous growth and challenge-solution capabilities as a means of creating human resources who can solve regional issues.

To develop their skills in engagement, meanwhile, our management team not only communicates the direction and policies of the organization, but it also listens sincerely to the voices and ideas of individual employees and seeks to build relationships of mutual trust. We hope to employ this kind of two-way dialogue to build a foundation for engagement.

Going forward, we will continue to deepen our relationships of trust with our employees and foster an open organizational culture in which everyone can express their opinions freely. Maximizing the value of our human resources and cultivating our productivity and creativity, we will transform ourselves into a Group that creates vitality in the community.

■ Initiatives for human resources development

To cultivate employees who “think and act independently to solve local issues,” we will focus on the following initiatives: “Visualizing human resources and optimizing career paths;” “building an organization in which diverse human resources can thrive;” and “enhancing engagement.”

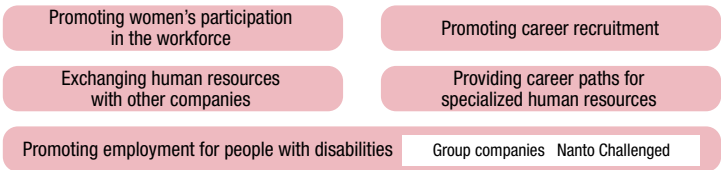


■ Creating an organization in which diverse human resources can thrive

Nanto Bank is committed to providing a rewarding workplace where employees who are passionate about contributing to regional development and their own growth can thrive and enhance their value.

At the same time, we anticipate a reduction in the workload through the adoption of digital technologies and a natural decline in the number of employees. It will therefore be important to shift human resources to high-value-added tasks through business efficiency and productivity improvements centered on smart work and digital transformation, while enabling individual employees to perform at a high level.

As the need for further improvements in knowledge and skills grows across all our business areas, we are strengthening our efforts to recruit highly specialized talents through new graduate and career hiring, in addition to Group-wide human resources development and exchange activities.

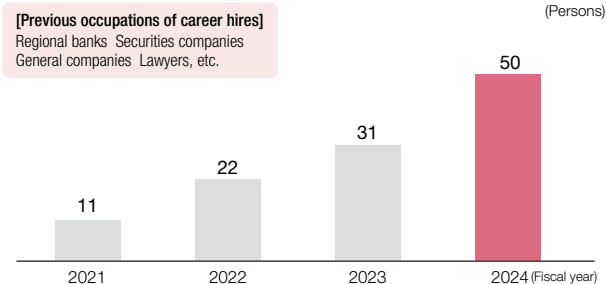


Promoting the active participation of diverse human resources

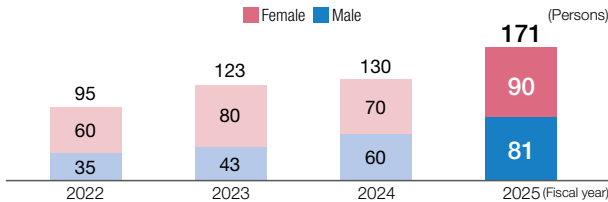
All our employees are growing toward their goals and playing active roles in various fields.

We are promoting the active participation of diverse human resources by increasing the number of career hires with work experience at other companies and raising the percentage of female managers.

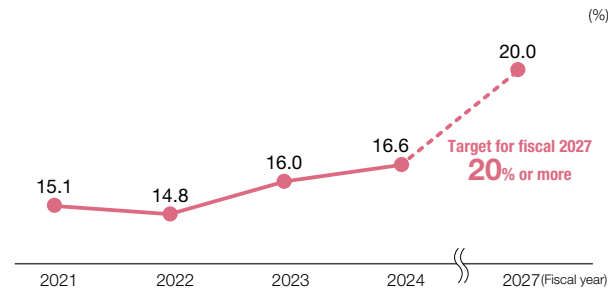
■ Number of career hires (cumulative total since fiscal 2020)



■ Number of new graduates hired



■ Percentage of female managers



Fostering an organizational culture of rising to challenges

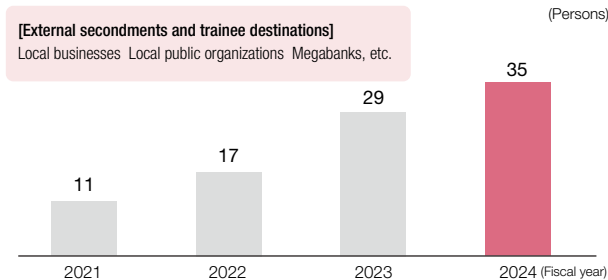
To foster a culture of overcoming challenges, we will actively promote the use of our Career Challenge Program, which encourages autonomous career development, while also expanding opportunities for external secondments to local businesses and local governments, as well as traineeships at other financial institutions.

■ Number of applicants for the Career Challenge Program (Program established December 2023)

[Assignments for Career Challenge Program Applicants]
Headquarters Planning Division
(Corporate Planning Department, Human Resources and General Affairs Department, etc.)
Tokyo Sales Department
External secondments, trainees, etc.

Fiscal 2024
Actual results
42

■ Number of external secondments and trainees (Cumulative total since fiscal 2020) *Excluding secondments of employees aged 50 or older



Creating an Open Culture Where Diverse Human Capital Can Thrive

Dialogue

Cultivating Unconventional Human Capital and Engaging with the Community

Its human resources are the Nanto Group's most important management capital, and we are committed to developing human resources who can think and act independently to solve regional issues.

As part of our efforts to build an organization in which diverse talents can thrive, we are expanding our offering of external assignments for employees in their 20s to 40s. After one such secondment, we had an opportunity to speak with Mr. Takekazu Hirohama, President and CEO of Toyo Screen Kogyo Co., Ltd., whose company accepted a seconded Bank employee, and Mr. Takashi Kawasaki,* the seconded employee, about the growth of regional companies and bank employees.

*Seconded to Toyo Screen as General Manager of General Affairs from April 2022 to March 2025



Toyo Screen Kogyo Co., Ltd.
Representative Director

Takekazu Hirohama

Senior Program Manager,
Corporate Planning Department

Takashi Kawasaki

Background to Accepting the Secondment

Hirohama: There is much talk about the shortage of human resources these days, but this has long been a problem for small and medium-sized companies. Under these circumstances, limited resources tend to be allocated to front-line operations such as sales and planning, resulting in delays due to limitations in resources allocated to back-office operations. Our company was no exception. Despite the retirement of our general affairs director, we had no successor in place, for example. While we were considering relocating our headquarters and factory to accommodate business growth, Nanto Bank, which is our main bank, introduced a campaign to “create unconventional talent” in its business plan. We found the idea of identifying and

resolving management issues together to be intriguing, and this led us to accept a seconded employee from the Bank.

Kawasaki: I had just obtained my SME diagnostic consultant certification and wanted to acquire a practical understanding of small and medium-sized enterprises, so I was genuinely delighted when I was selected. At the same time, this was the first time a mid-level employee had been seconded to a regional company, so I felt a particular sense of responsibility to contribute to the company that accepted me.

Organizational change through collaboration between local companies and Bank personnel

Hirohama: Initially, our most important expectation for the seconded employee was to use his strengths as a banker to solve issues related to our head-office and factory relocation project, including securing funding. We also expected him to reinforce our recruitment activities and streamline our back-office operations. Ideally, we hoped he would engage in activities that would contribute to revitalizing the organization in the role of general affairs manager.



Kawasaki: Convinced that it was important to gain understanding of our intentions among our employees from the start, we made a conscious effort to engage in dialogue with them. As the discussions continued, we realized that, although we were undertaking a major headquarters and factory relocation project, there was a disconnect between our management and employees, mainly due to a lack of organizational momentum. We conducted an employee survey and analyzed the results, concluding that our top priority must be to share the company's vision with all our employees in order to align our goals. We established a project team to develop a business plan and organize a presentation event for the plan. After approximately six months of deliberation, we were finally ready to hold the presentation event successfully.

Hirohama: We are now holding management plan presentations including progress reports every six months and conducting multiple surveys after each event. We have seen an increasing trend toward employee opinions that suggest a favorable shift in their mindsets, such as "I now understand the direction the company is heading," and "I want to consider what I can do from my own perspective." The number of questions raised and suggestions contributed after the presentations has increased as well, an encouraging sign to me as a manager.

Kawasaki: Almost no one raised their hand during the question-and-answer session following the first management plan presentation, but after the most recent presentation I attended, the question and answer session became quite lively. I feel that awareness of the value of participating in management is beginning to grow.

Hirohama: Speaking of changes in employee awareness, I believe our establishment of a new personnel system has also had a significant impact. Employees had no guarantee of transparency and fairness under the former system, and the surveys contained many complaints about it. The company took these issues seriously and worked hard to establish a personnel system that ensured transparency and fairness. I also participated actively in this process, starting with clarification of certain basic principles followed by the establishment of behavioral guidelines and human resources policies, including standardization of job titles and grade requirements. We also made the salary levels for each grade and job title transparent. Our intention was to make it

Creating an Open Culture Where Diverse Human Capital Can Thrive

easier for younger employees to plan for the future, while exerting pressure on our managers.

Kawasaki: As stated in the company's Management Philosophy, "We will realize management that allows every employee to continue to grow with a joyful feeling," we have focused on ensuring that the direction of the company's growth and that of its employees are aligned. This was accomplished by incorporating the ideal requirements for the company into the personnel system, while also striving to motivate as many employees as possible. With the cooperation of the project members, we believe we were able to announce a nearly ideal human resources system. My only regret is that I was unable to participate in its implementation, which I consider to be even more important than its design, due to the timing of my secondment period.

Hirohama: Although the personnel system is not yet firmly in place, we believe that the dissemination of our management plans and establishment of an optimized personnel system have revitalized our organization by raising employee awareness. We also believe that this organizational revitalization has improved our recruitment activities, as we have gratefully observed in an upward trend in the number of job applications.

The value of bank employees from a management perspective

Hirohama: Since we had never accepted an employee seconded from a bank before, we originally expected, as I mentioned earlier, that Mr. Kawasaki would focus mainly on cash flow management and improving the efficiency of our back-office operations. Our ongoing discussions of various matters with him on a daily basis soon made me aware, however, that he was providing new insights by offering his opinions from both a management and employee perspective. I tend to base my business decisions on overall optimization, and I found that his advice took my perspective into account, which gradually established trust between us. Before I knew it, he had become my right-hand man, and it wasn't long before I asked him to take on the role of General Manager of General Affairs.

As concerns the value of bank employees, I now realize that their value lies in the wealth of information they possess due to both the large number of customers they serve and the high level of analytical skills they develop over time. The challenges faced by small and medium-sized enterprises and the concerns of their managers are often similar, and I believe that by accumulating information that can contribute to resolving these management issues, you can become like a capable banker who can truly support customers. Perhaps as a side effect, the change in employee mindsets during the three years Mr. Kawasaki was seconded to us led to a sales increase of over 20%, and we believe that steady customer-focused efforts such as these are contributing to the Nanto Bank Group's goal of increasing Nara Prefecture's GDP by over 10%.

One thing I would like to ask today's bank employees, however, is to take one step further in engaging with customers and to show a willingness to learn more about them. I don't believe the real feelings of business owners or any other truly useful information can be obtained without taking an interest in your customers. Business owners are all proud of their companies, so I feel certain they would welcome this attitude.

Kawasaki: The two most important things I gained from my three years of secondment were: "(1) an opportunity to work closely with employees at small and medium-sized companies" and "(2) an ability to view things from various perspectives." Regarding the first point, I realized that I had not given much consideration to the people employed by the companies I interacted with at the Bank, since my conversations with clients usually centered on their financial statements. I believe my firsthand experience with the fact that there are employees who work diligently and enthusiastically in every company has made

me a banker who can support clients better than ever before.

As for the second point, I gained experience from three perspectives: “as a department head,” “as a member of management,” and “and as an employee of the company.” As General Affairs Manager, I focused on motivating my team members and setting the direction and goals for the department. I believe that being entrusted with the responsibility of managing a department at my age was an extremely valuable experience. As concerns the other two perspectives, as President Kawakami mentioned, I made an effort to offer opinions from both the management and employee perspectives and worked to align the goals of management with those of employees.

In any case, I believe that these three years were not only a time of diverse experiences, but also a time of significant personal growth. Of course, this was only possible thanks to the cooperation and support of the President, Executive Vice President, and project team members, and I am deeply grateful for that. Finally, the employees of Toyo Screen Industry are all honest, professional individuals who inspired me every day. I sincerely appreciate the warm welcome they gave me and the bittersweet farewell they bade me. I hope to continue to consider their company as my second home.

Hirohama: By accepting this secondment, I was able to show my gratitude to Nanto Bank for sending me a seconded employee, and my trust and empathy for Nanto Bank has increased. I believe there are many small and medium-sized enterprises facing similar challenges, so I hope that they will continue these efforts and contribute to the development of the local economy by creating “human resources who think for themselves, take action, and solve local issues.”



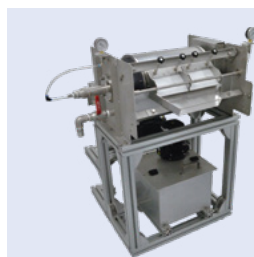
Company Overview Toyo Screen Kogyo Co., Ltd.



Founded in 1954 with a management philosophy of “contributing to the progress and development of the global environment and society, and continuing to be a necessary presence in society,” Toyo Screen develops, designs, and sells metal filters called wedge wire

screens that separate solids and liquids, as well as environmental conservation equipment. Notably, the company boasts world-class standards in terms of filter fineness and precision, thereby contributing to solving challenges for customers in industries from the automotive industry to the food industry who are struggling with filtering issues. In recent years, the company has successfully developed an innovative device capable of simultaneous filtration and dehydration and begun expanding into the semiconductor and chemical industries.

Toyo Screen has been selected as a “Regional Future Leading Enterprise” and one of the “300 Thriving Small and Medium-sized Enterprises and Small Businesses.” Most recently, it received approval for a “Large-Scale Growth Investment Subsidy for Wage Increases in Small and Medium-sized Enterprises,” demonstrating the high level of recognition accorded its business model.

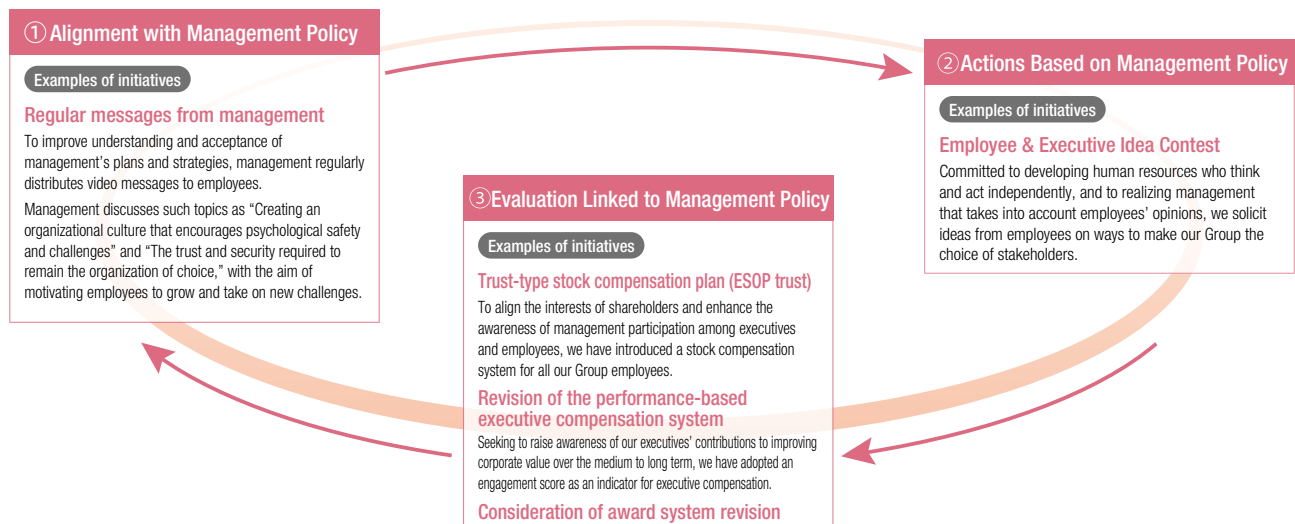


■ Enhancing Employee Engagement

To foster a culture in which employees think and act independently, we are strengthening engagement centered on dialogue across the organization.

Engagement Enhancement Cycle

Achieving our Management Plan will require that the dreams and actions of every employee be aligned with the Bank's Basic Philosophy and Management Strategy. To this end, we will work to improve engagement through a cycle of "empathy → action → evaluation" in order to develop "human resources who think and act independently."



① Empathy with management policy

Since April, the management team has been sharing messages regularly in an effort to deepen empathy with the Group.

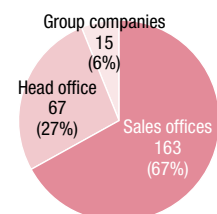


② Actions Based on Management Policy

We solicited and obtained ideas from our executives and employees, including those of our Group companies, on ways to ensure that our Group is chosen by stakeholders as we approach our 100th anniversary.

Number of applications	Number of applicants
245	436

*Total number including team applicants



③ Evaluation linked to management policy

In May 2025, our Group introduced a trust-based stock compensation system (stock grant ESOP trust) designed to make our employees take credit personally for the growth of the Bank. We determined that the best way to meet the expectations of our stakeholders, including our shareholders, customers, and local communities, is to enable employees to participate in management with a sense of ownership. The awareness that their individual efforts contribute directly to regional development, and to enhancement of our Group's corporate value, will encourage every employee to take ownership of their own actions, and to work in tandem with management to address challenges.

When it comes to enhancing governance, we also believe that incorporating employees' perspectives into management decisions will lead to transparent, convincing corporate management.

Roundtable Discussion

Employee Idea Contest

— Putting “Think and Act Independently” into Practice —

The Nanto Bank Group held an employee idea contest from December 2024 to January 2025 as part of our 90th anniversary celebrations. We began by soliciting ideas from all our employees, including our part-time staff, on “ideas to make our Group stand out among stakeholders.” We received 245 ideas from a total of 436 participants, including team entries, five of which were selected as winners through a review process.

After the contest, we held a roundtable discussion among the selected participants and several of the Group’s human resources executives, in which the participants exchanged opinions on the thinking behind the winning ideas, the reasoning involved, the type of talent they sought to cultivate, and their aspirations for the 100th anniversary.



Nanto Capital Partners
Nobuyuki Ohigashi

Administrative Support
Department
Ryunosuke Honda

Kashiba branch
Yukisa Nishida

Koyaguchi Branch
Masafumi Morinaga

Asset Consulting Department
Tsuyoshi Hosoo

Executive Director and Senior
Managing Executive Officer
Takeshi Sugiura

Club room store	Selected entries	Selected Ideas
Nanto Capital Partners Co., Ltd.	Nobuyuki Ohigashi	Startup studio created with local companies to solve regional issues
Administrative Support Department	Ryunosuke Honda	“Nanto No. 1 Project” to become No. 1 among regional banks in selected fields and categories by the 100th anniversary
Kashiba Branch	Yukisa Nishida	“Work Experience Fair” to raise awareness of local companies and nurture future leaders of local industries
Kouyaguchi Branch	Masafumi Morinaga	Establishment of an internal transfer system
Asset Consulting Department	Tsuyoshi Hosoo	Regular distribution of video messages from the President and other executives

Roundtable Discussion

Background and purpose of idea submission

Sugiura: Welcome to this gathering of all the winners of the staff idea contest. We hope you will enlighten us on the background and issues that led you to submit your ideas, as well as the aims and objectives behind them.

Ohigashi: I submitted an idea for a “startup studio for solving regional issues in collaboration with local companies.” I wanted to create a place where we could gather talent from local companies with ties to Nara and work together with our Bank’s human resources staff to establish new businesses aimed at solving regional issues. The underlying challenges I saw can be broadly divided into two main categories. First, I considered that our Group must engage actively in the “commercialization” of initiatives aimed at resolving regional challenges. Second, I recognized that relying solely on the Group’s resources would be insufficient for addressing these challenges, and that collaborating with a diverse range of stakeholders would enhance their potential for success. We believe that by addressing regional issues, securing profits, and establishing businesses that contribute to the region, we can demonstrate the unique value of our Group that other financial institutions cannot offer. Creating this value will require gathering talent from various industries, not just the financial industry, and involving regional businesses to address issues from various perspectives, thereby creating new value that could not be achieved by a bank alone.



Morinaga: In my role as a branch office manager, I have encountered several challenges related to employee development. In recent years, the era of lifetime employment has come to an end, and the barriers to changing jobs have become extremely low, especially for younger employees. To ensure that talented young employees find fulfillment in their work and feel motivated to contribute further to the Group, I felt that a system to bridge the gap between “desirable work” and “actual work” would help to retain young talent. Nanto Bank has an excellent system called the Career Challenge Program, which enables many employees to transfer to their desired departments.



There seem to be many cases, however, in which employees who apply for the program find the actual work to be different from what they had imagined. Drawing inspiration from the player loan system in professional soccer, I proposed creation of an “internal loan system” within our bank to provide opportunities for employees to experience the work they think they would enjoy.

The idea behind this system is to develop as many vibrant employees as possible. If the work they aspire to reflects the actual job content, they will be able to work enthusiastically. Experiencing work in their chosen departments might also have the added benefit of providing employees with

an opportunity to discover strengths they didn’t know they had.

Hosoo: I submitted an idea for “regular distribution of video messages from the President and top executives” among the Bank’s employees. I just joined the Bank last November through a career recruitment program, and, as an employee who came from outside, I believe I have a responsibility to share my objective observations and to help improve the Bank’s operations. Communication between management and front line employees is an important issue for any organization, and this includes our Bank, where many employees feel distanced from the executives, whose faces and voices they may not even know. When the contest was announced, I drew on examples from my previous job and submitted this proposal in hopes of hearing personal messages from the President and Board members that included their faces and voices.

The goal is to use these message videos to make management’s policies and passions feel more tangible, winning employee support for the activities. We hope that watching the video messages will encourage employees to confirm that their activities align with management policy and motivate them to pursue the conforming activities enthusiastically.

Nishida: I thought the contest offered a good opportunity to propose something I often think, “It would be nice if this were possible,” especially about things that would be difficult for individual employees to achieve. With this in mind,

I proposed a “job experience event” to raise awareness of local companies and nurture future leaders in local industries. Although I have been working at the same branch since joining the Bank, I don’t have a complete picture of the diverse range of businesses in our service area. If we introduce local children to the work these



local companies do, we can hope they will remember them during their own job searches and perhaps even follow their lead to find actual employment with local companies. I also believe that this type of event would help give parents who participate alongside their children a broader understanding of our local business community.

This type of career experience event can be expected to expand the network of horizontal connections among local companies. I believe, moreover, that nurturing talent among workers who might join our local companies in the future will contribute to regional development and, ultimately, to growth of the Nanto Bank Group.

Honda: I called the idea I submitted “The No. 1 Project.” It derived from the fact that many employees, including myself, have been asked by customers, “What makes Nanto Bank different from other banks?” I thought that if we could identify areas that differentiate us from other banks and showcase them proudly, it would lead to increased customer trust and higher employee motivation.

The goal behind this idea was to become a bank whose customers feel genuinely glad they chose it and whose employees feel genuinely glad they joined it.” I am certain, moreover, that the process of achieving this goal would strengthen collaboration across the Bank’s Group as a whole.



Sugiura: We intend to turn the ideas you shared into reality. Some of you expressed a feeling of distance between our management team and our regular employees, so we have already implemented the idea proposed by Mr. Hosoo on releasing video messages.

The President and I spoke on video in April and May, respectively, on the theme of “Trust and security,” and again in June on “Improving engagement.” Going forward, by sharing the faces and voices of our executives through video messages, we hope to close the gap you feel with our management team, and to deepen understanding of the vision our Group is striving to achieve.

As the executive responsible for human resources, I believe our people are the Group’s greatest asset, and I am constantly thinking about ways to enhance their capabilities. I will try to communicate clearly about “the kind of human resources we need, the qualities they should share, and what you can do to help realize our Vision.”

Efforts to develop as a person who thinks and acts independently

Sugiura: Our Group’s Medium-term Management Plan, “Creating Regional Vitality through Human Resources,” is dedicated to “developing human resources who think and act independently to solve regional issues.” I would like to ask what each of you keeps in mind every day to develop yourself as an “employee who thinks and acts independently.”

Honda: I have had two primary goals. First, when I was working in sales, I was committed to gaining an advantage over competing banks by responding quickly with proposals that exceeded customer expectations, leading customers to say, “I never thought you’d go that far.” Second, in my current work at headquarters, I am always of thinking about ways of solving problems and finding areas for self-improvement without being constrained by outworn obligations or rules.

Roundtable Discussion

Hosoo: There are two main things I try to do to think and act independently. The first is to focus on the issues that have become apparent and the true problems that lie behind them. Rather than taking superficial measures to address issues that have been identified, I concentrate first on identifying the actual underlying problems. Then, if I'm not getting the results I want, I try to determine whether the problem is with the system. Rather than relying entirely on our employees' abilities, I try to find ways of changing the system to improve our results.

Sugiura: Developing as a Group of human resources who think and act independently will naturally improve our ability to propose solutions to customers and activate our organization. By taking on the issues facing our customers and community at large and offering solutions, we want to create a virtuous cycle that leads to both greater trust from customers and self-improvement on our part. We will continue to be an institution that "provides the answers customers ask for" by "thinking and acting independently."



How do we want to celebrate our 100th anniversary?

Sugiura: Finally, our Bank celebrated its 90th anniversary last year. As we approach our upcoming 100th anniversary, what kind of bank do you want to become, and what kind of colleagues do you want to have?

Nishida: I hope to celebrate our 100th anniversary at a time when our daily sales activities are contributing more than ever to development of our customers and the local community, and when our customers are contributing in turn to development of the Bank.

Ohigashi: My vision for our Bank as we approach our 100th anniversary is to "become an institution that is far removed from the conventional image of banks." I hope to take advantage of our strengths, such as the information we acquire through our unique network and the connections we have built up over the years with governments and local educational institutions, to do business that goes beyond the banking framework.

Morinaga: Nanto Bank has already celebrated its 90th anniversary, which I consider a remarkable achievement. Our many predecessors have contributed to the Bank's development over the course of its 90-year history. I've also faced many obstacles in my long career. How have I overcome them? I've done it by recalling the wonderful superiors and senior personnel I've known and asking myself, "How would they have solved this problem?" This enables me to take a bird's-eye view of my own work and see it from a third-party perspective, which I believe has led to solutions. I also aspire to be a person who inspires my subordinates and customers to think, "I wonder how Morinaga would solve this problem?" And I believe the ideal image of our Bank is of an institution with many employees like me. As we approach our 100th anniversary, I want to construct a Group that can solve problems for our local community and our customers by applying all manner of accumulated "human resources" and "information."

Sugiura: This year's executive and employee idea contest attracted 245 ideas, including the ones discussed today. I sense growing momentum for all our staff to think for themselves and act proactively to bring about change with an eye to the future of the Nanto Bank Group. I believe your ideas will become a powerful driving force in the runup to our Centennial. It is our responsibility as executives to turn each of your ideas into a fire that will not go out. By bringing them to reality, we hope to create a flow that will encourage you to generate more new ideas, so that our executives and employees can work together to become "a financial group that is indispensable to our community and customers."



Initiatives to support a work-life balance

We are responding to the diverse values and work styles of our staff to establish a corporate work style that produces results through proactive action, focusing on productivity and supporting fulfillment of each individual's role.

Expanding the flexible working-hours system - Eliminating core hours at branches - Introducing flexible working hours at all branches, including provisions for reduced hours for childcare	Introduction of hourly special leave Employees may take special leave in one-hour increments	Expanded uses and renaming of childcare leave Renamed "Hagukumi Leave" (child-nurturing leave) and permission for its use by employees attending children's enrollment or graduation ceremonies and during school closures due to disasters, etc.
Paid caregiving leave Wages and bonuses are paid during caregiving leave.	Integration and renaming of menstrual leave and fertility-treatment leave Renaming to reduce psychological resistance among employees	

Initiatives for health management

Prevention of serious illness and lifestyle-related diseases We respond to anomalies revealed by employees' health checkup results by encouraging them to undergo re-examinations and obtain specific health guidance.	Maintaining "White 500" certification We work with the health insurance association and the employee union to strengthen health-promotion initiatives.
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Investment in human capital

Management Plan Phase I Review

Initiatives for Human Capital

Fiscal 2020

Fiscal 2021

Fiscal 2022

Fiscal 2023

Fiscal 2024

- 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

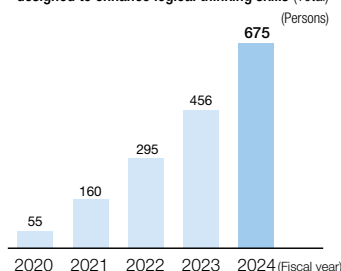
- Expansion of career recruitment
- Introduction of a sideline employment system
- Creation of secondment opportunities for young employees
- Increased exchanges among Group companies
- Training to strengthen logical thinking skills

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

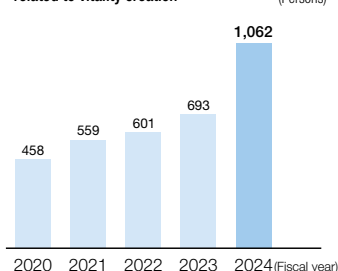
- Consideration of personnel system revision
- Public solicitation of initiatives worthy of our unconventional human resources
- Establishment of male maternity leave and infertility treatment leave systems
- Wage increases (starting and regular salaries)

- Revision of the personnel system (integration of general and specific positions)
- Elimination of minimum tenure requirements
- Wage increases (starting salaries and wages)

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



Number of personnel with qualifications related to vitality creation



Human capital investment (training)

	Fiscal 2023	Fiscal 2024	Of which, BP transition training*
Total training hours	35,929 hours	39,365 hours	18,434 hours
Number of training participants	4,229 employees	7,789 employees	2,739 employees
Training costs	64,791 thousand yen	102,068 thousand yen	

* Training for employees who changed from specific positions to BP (general positions) in accordance with the personnel system revision of April 2024.

Initiatives for Sound, Sustainable Management That Supports Our Region



We are pursuing various initiatives as part of our efforts to implement the first of the two pillars of our updated Medium-Term Management Plan, “sound, sustainable management providing ongoing regional support.” We believe that deposits are the foundation of sound management. By circulating the deposits entrusted to us by our customers to businesses and communities, we aim to stimulate economic activity and contribute to regional development. This is the mission of the Nanto Bank Group, and we are confident that by continuing these activities, we can further strengthen our “sound management.”

While deposits are currently increasing steadily, in Nara prefecture, where our deposits account for a 50% market share, we feel a strong sense of impending crisis about maintaining the growth trend due to social structural changes, such as the declining birthrate and aging population.

On the other hand, we believe that by striving to provide new added value to customers in other prefectures bordering on Nara Prefecture, we can maintain and expand our deposit base over time.

As part of our current efforts, we are working to expand our contact with individual customers by establishing weekend business locations in large commercial facilities in northern and central Nara Prefecture, which exhibit a strong attraction for customers from a wide area, as well as by releasing the Nanto Bank app and continuously improving its functions, thereby enhancing and strengthening both our face-to-face and digital channels. For corporate customers, we are working to further improve our transaction positions in Osaka prefecture, where we are focusing on increasing our loan business.

The Eastern and Southern areas of Osaka prefecture have especially strong geographical, economic, and human ties with neighboring Nara prefecture, and many long-established stores are located there, creating a solid transaction base. In the Medium-Term Business Plan, we have positioned Osaka prefecture as our “second home market,” and we are planning to deploy more sales resources there. In addition to increasing our loan business, we will expand our deposit transactions, focusing on acquiring settlement accounts, to further strengthen our sales base.

Through these efforts, we will promote credit creation using deposits as a resource, which is essential for regional development in our business areas, and by consolidating various data obtained from these activities, we will provide customers with even more valuable information.

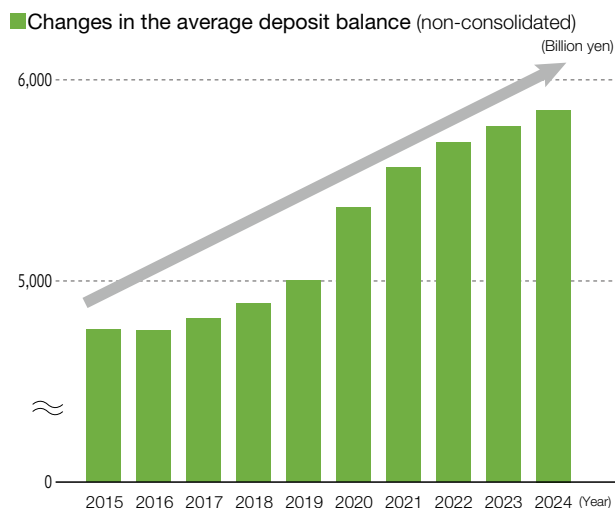
One example of this is our Group's role as a real estate information platform that consolidates regional real estate needs and transforms them into high value-added information, thereby playing a proactive role in everything from housing to business attraction and urban development. In order to consolidate and circulate the funds and information necessary for regional development, however, the Group must first become a trusted, well-supported presence among its regional customers.

We will contribute to the sustainable growth of the region by creating human resources who can accompany customers in solving their issues and needs, aiming for “sound sustainable management that provides ongoing regional support.”

Environment surrounding the Bank

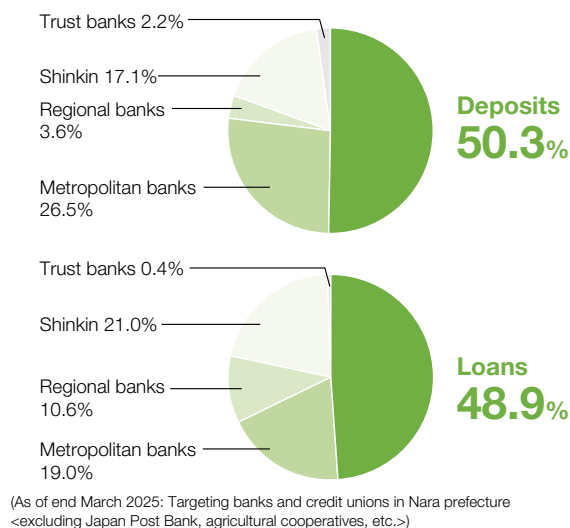
Changes in the Bank's deposit balance

Over the past 10 years, the deposit balance has continued to increase, even after the introduction of negative interest rates in fiscal 2016, and it is now approaching 6 trillion yen.



Nanto Bank's share of deposits and loans in Nara prefecture

Our Group maintains a share of approximately 50% of both deposits and loans in our home prefecture of Nara.

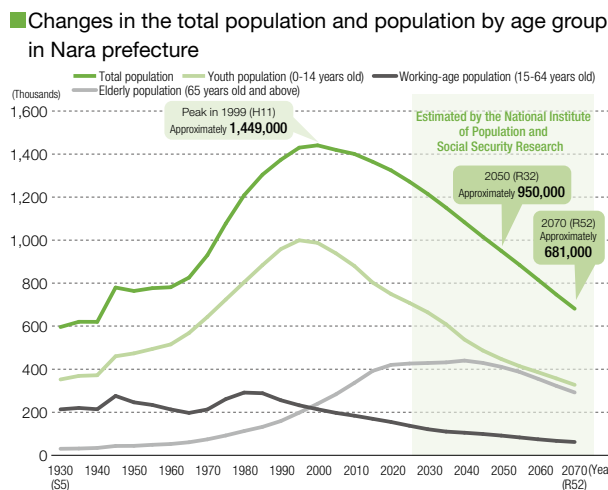
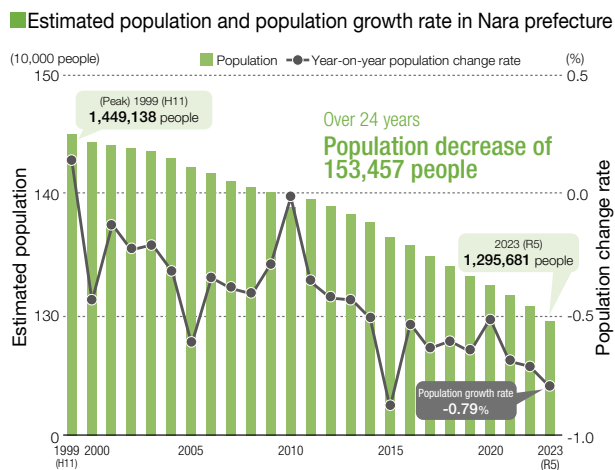
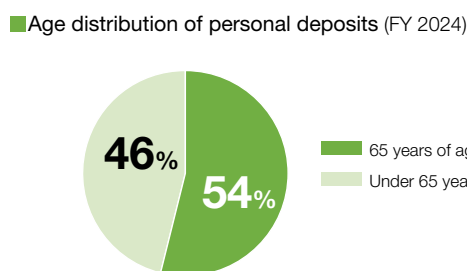
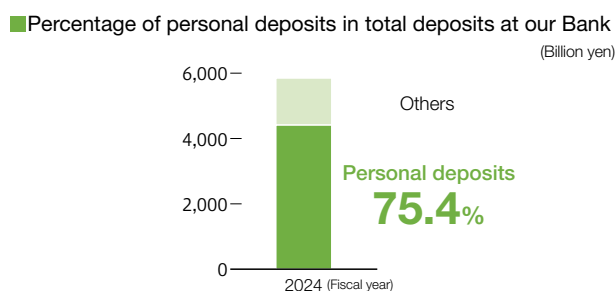


Population trends in Nara prefecture and the sense of impending crisis felt by our Group

Of our Bank's deposit balance, 75% is from personal deposits. Of that amount, more than 50% is from people aged 65 and over.

The total population of Nara prefecture peaked in 1999, and it has been declining since that time. According to estimates by the National Institute of Population and Social Security Research (NIPSSR), the elderly population (aged 65 and over) is also expected to decrease, with projections indicating a decline to approximately 681,000 by 2070.

To prepare for the impending decline in deposits due to the population shrinkage, it will be necessary to enhance the longevity of transactions by focusing on composite transactions, such as salaries, pensions, managed assets, and personal loans, while also ensuring customer contact points across a wide range of age groups.



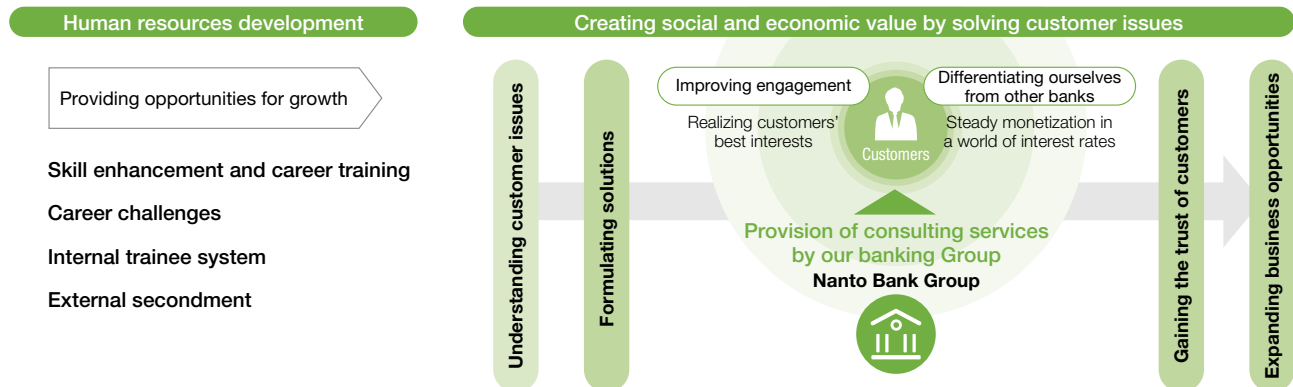
(Source: Nara Prefecture 2024 Statistical Guide with Graphs and Explanations)

Sales Strategies

■ Our Group's initiatives

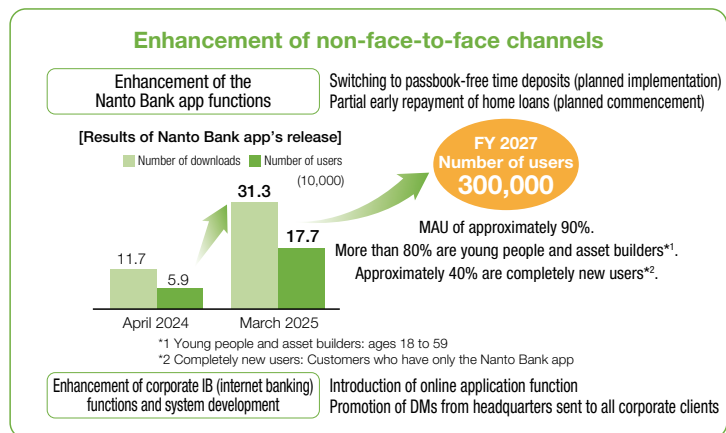
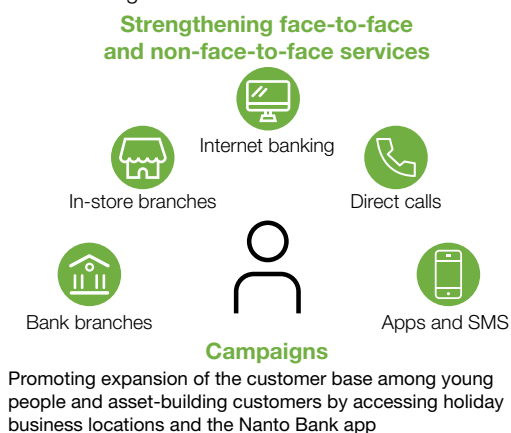
Developing human resources who can gain trust by solving customer issues

The Nanto Bank Group is committed to developing human resources who can provide customers with appropriate one-stop consulting and resources. By providing services that earn the trust of our customers, we are working to consolidate their assets and information and create new business opportunities.



Enhancing the value of face-to-face interactions and expanding non-face-to-face channels

We will work to enhance the value of face-to-face interactions by establishing locations that reflect the daily activities of our customers, while also expanding non-face-to-face channels by strengthening the functions of the Nanto Bank app and corporate internet banking.

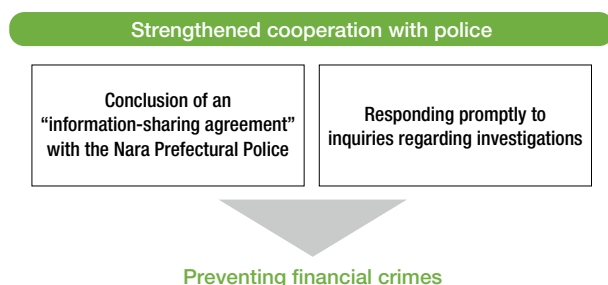


■ Trust, security, and customer satisfaction

By continuing our efforts to combat financial crime and improve customer satisfaction, we will remain a bank that our customers consider trustworthy, secure, and satisfying.

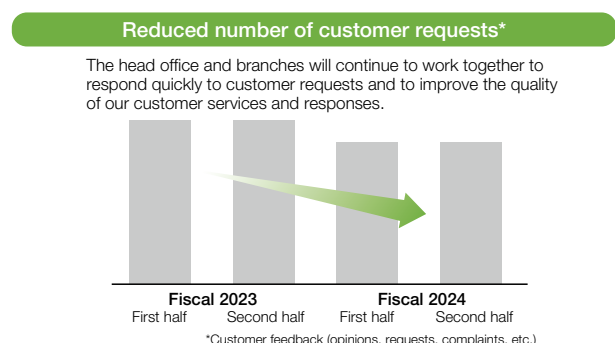
● Strengthening measures against financial crime

We have reinforced our protections against financial crime by establishing a Financial Crime Countermeasures Office and strengthening our cooperation with the police.



● Efforts to improve customer satisfaction

The entire Group will work together to improve customer satisfaction beyond customers' expectations. We will consider employing external organizations to conduct questionnaire surveys and work to clarify measures to ensure future customer satisfaction and our Bank's strengths, which should be our "differentiating factors."



Our commitment to Osaka, our “second local market”

According to the Teikoku Databank, our Group's main bank share among businesses in Nara Prefecture is 60.2%. We will continue to deepen our dialogue with customers in the local community and strive to maintain our market share there. Our share in Osaka Prefecture is still low, however, with ample room for expansion.

In Osaka Prefecture, we will allocate resources strategically according to the characteristics of each region, including Central Osaka City, Eastern Osaka, and Southern Osaka, and work to improve our penetration rates and transaction positions, thereby establishing Osaka as our “second local market.”

Changes in our Osaka area branches

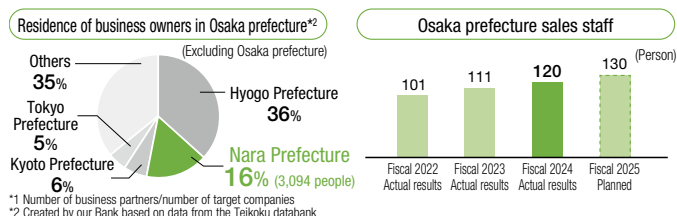
Since opening our Osaka branch in 1971, we have positioned Osaka as a key strategic area for the Bank. We have been expanding our sales bases there and investing in sales resources while assessing changes in the market environment and growth potential.

Branches	Years	1970s–1980s	1990s	2000s	2010s–
		Osaka branch (March 1971) Ishikiri branch (June 1974) Habikino branch (April 1976) Kawachinagano branch (December 1977)	Yao branch (October 1993) *1 Izumisano branch (December 1993) Yoshida branch (December 1993) *1 Opened as Yao Minami branch	Osaka Higashi branch (October 2002) Daito branch (December 2003) Osaka Kita branch (January 2004) Sakai Branch (November 2005)	Shin-Osaka branch (August 2006) Osaka Central Sales Department (June 2008) Amagasaki branch (September 2009) Eiwa branch (September 2012)*2 Wakaeiwada branch (September 2012)*3 Tezukayama branch (December 2013) Hatsushiba branch (April 2015) Izumi branch (April 2015) Hirano branch (July 2017) Esaka branch (September 2017) *2 Joint office with Osaka East Branch *3 Joint office with Yoshida Branch

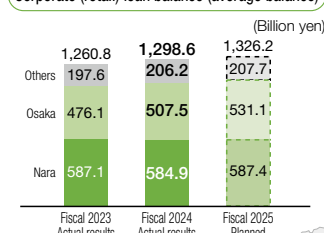
Improving our trading positions and penetration rates in Osaka

We allocate resources strategically according to regional characteristics, work to increase our penetration rates in Central Osaka and improve our trading positions in Eastern and Southern Osaka.

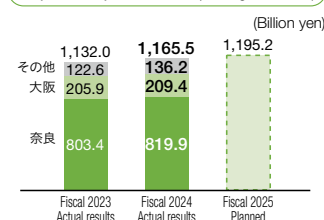
Expansion of transactions in Osaka



Corporate (retail) loan balance (average balance)

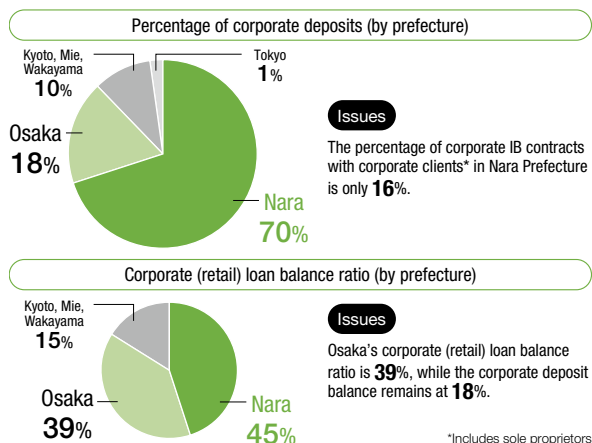


Corporate deposit balance (average balance)



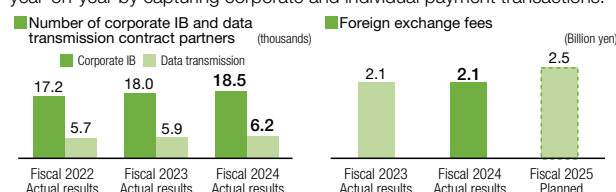
Strengthening the corporate transaction infrastructure: Intensifying efforts to acquire settlement accounts (selection as customers' main bank)

70% of our corporate deposits come from Nara Prefecture, while only 18% come from Osaka Prefecture. By enhancing the functionality of our corporate internet banking system, which attracts deposits, we will work to increase our deposit share, not only in our home prefecture of Nara, but also in Osaka Prefecture, where lending has traditionally been strong.



Enhancement of our corporate IB functions

By enhancing our corporate IB functions, such as introducing online application functions, we will create a system to attract corporate deposits and connect them to salary transfers for individual customers. We plan to increase our foreign exchange fee income by 400 million yen year-on-year by capturing corporate and individual payment transactions.



Strengthening the foundation for corporate transactions in Osaka Prefecture

Resources will be allocated appropriately according to the characteristics of the individual areas, with the continuity between the Nara and Osaka regions taken into account.

Investment Strategies

Addressing Regional Economic and Social Issues through Finance

The issues facing local communities and society, from global warming to population decline and aging social infrastructure, are becoming increasingly diverse and complex as time goes by.

Nanto Bank responded by establishing a Structured Finance Office within the Corporate Solutions Division in April 2024 to help address these issues.

This office strives to provide solutions to the challenges facing local communities and society through financial support centered on structured finance and equity support through funds.

■ Consulting solutions designed to address regional economic and social issues

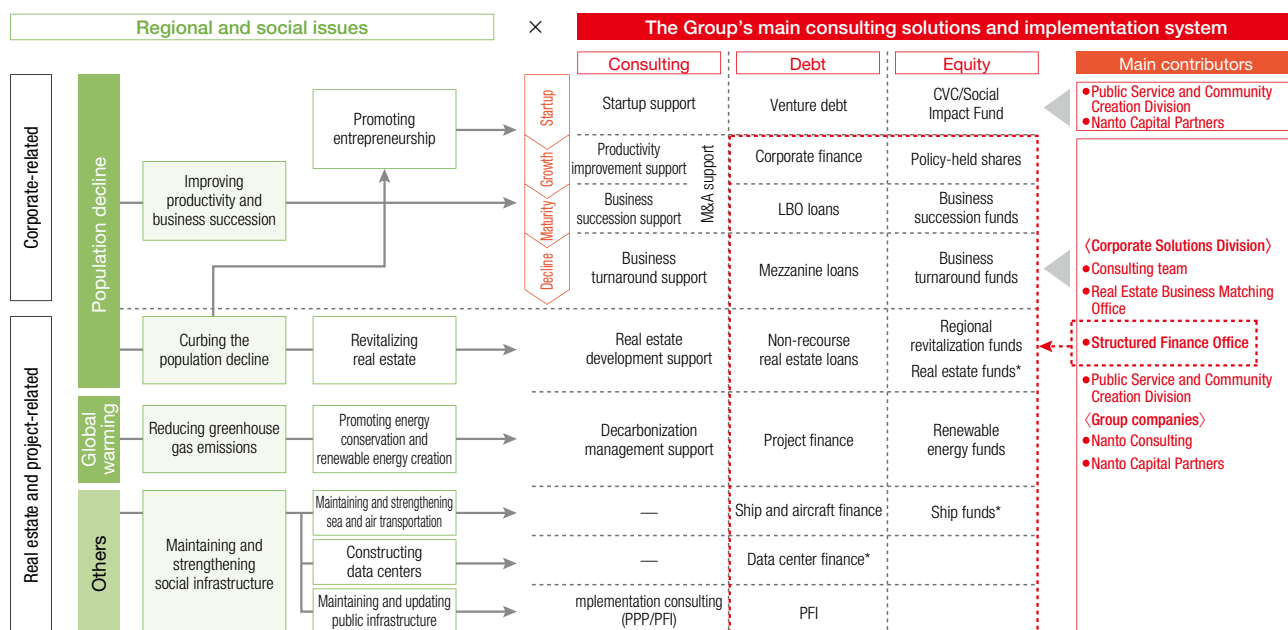
Our Group focuses on “creating human resources who think and act independently to solve regional issues” and on “sound management that contributes to regional support.” We are working to solve the increasingly diverse and complex issues facing the region and society with the aim of regional revitalization.

Specifically, we are working in collaboration with our Group companies and external organizations to provide optimal consulting solutions to issues such as improving customer productivity and business succession due to population decline, as well as environmental issues and social infrastructure development needs.

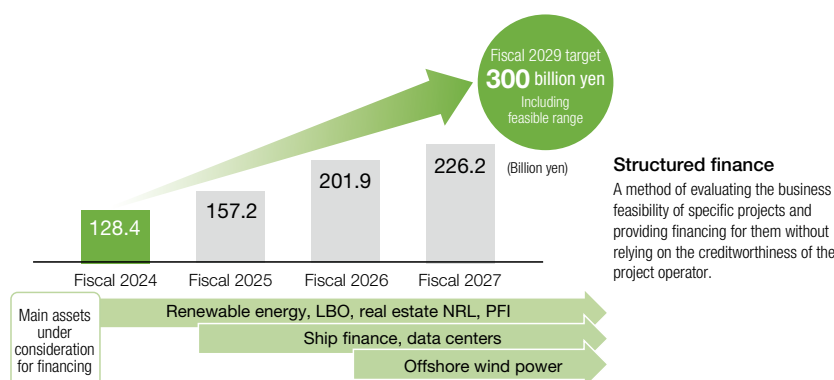
As part of these efforts, we established a Structured Finance Office in the Corporate Solutions Department in April 2024 to strengthen our financial support systems. We are working continuously to reinforce and enhance our systems of financial support utilizing structured finance and syndicated loans, as well as equity support centered on fund investments.

Going forward, our Group will continue to contribute actively to solving regional and social issues through proactive provision of solutions, including consulting, investment and financing, designed to revitalize our local communities.

■ Providing Consulting Solutions for Regional and Social Issues

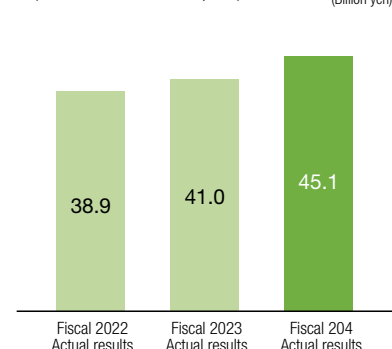


■ Structured finance balance plan (excluding marketable loans, etc.)



■ Equity investment balance

(Total committed capital)



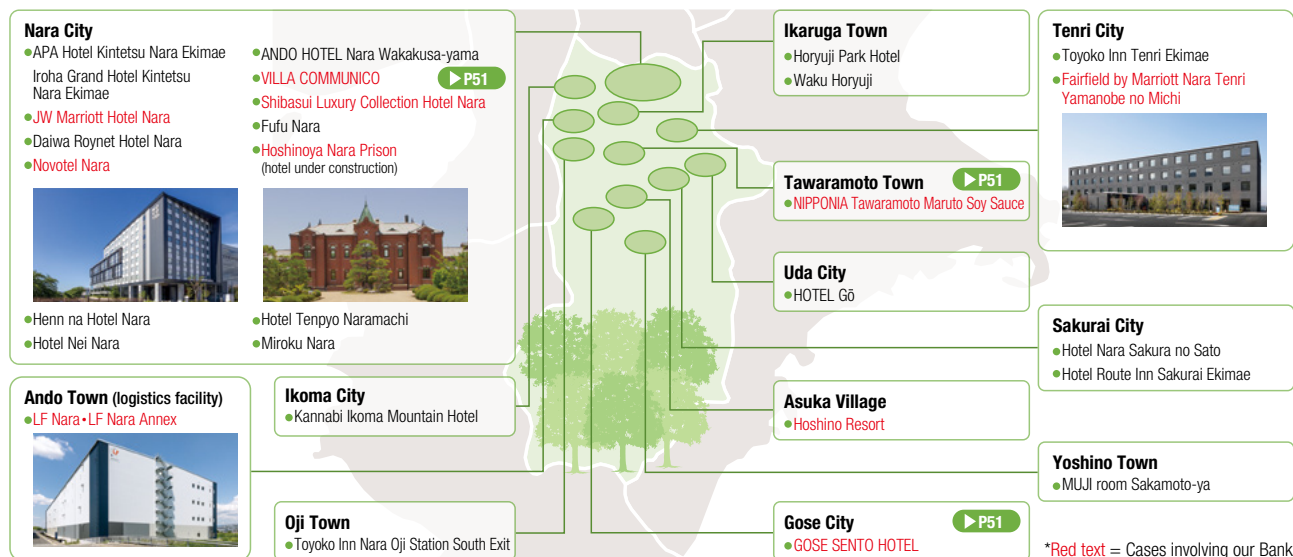
■ Providing investment and financing for regional revitalization

The recent surge in inbound visitor demand affords an excellent opportunity for Nara prefecture, with its abundant tourism resources, to attract visitors by promoting its appeal. The prefecture ranks 43rd in the nation in terms of the number of hotel rooms (as of fiscal 2023), however, and this relative lack of accommodations is an issue for the regional tourism industry.

Nanto Bank is responding to this challenge by supporting the development of accommodation facilities from a financial perspective, starting with a non-recourse real estate loan arranged for the "Novotel Nara," which opened in September 2024. In addition to hotels and accommodation facilities, we are contributing to revitalization of the regional economy and establishment of a sustainable regional society by supporting public infrastructure and logistics infrastructure development through structured financing.

Going forward, we will continue to pursue projects related to development of large-scale commercial facilities, logistics hubs, public facilities, and residential facilities that add further vibrancy of the region. We are even ready to undertake low-feasibility projects that would be difficult for a single operator to undertake by forming consortia with appropriate parties to projectize them.

■ Recent real estate development projects in Nara prefecture



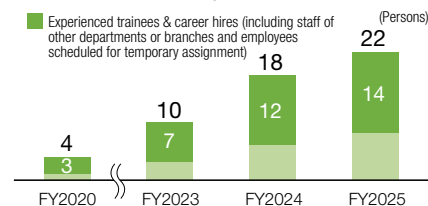
Investment and financing instruments for human resources

Strengthening and advancing investment and financing initiatives requires specialized risk analysis and discernment skills. We are consequently working to develop inhouse human resources with strong investment and financing capabilities, while also using trainee dispatch programs and career recruitment programs with external financial institutions to increase our pool of human resources with a wide range of specialized knowledge. We will continue to focus on creating and developing human resources with advanced problem-solving capabilities.

Strengthening SF human resources



Structured finance personnel



VOICE

The Structured Finance Office handles business areas that require a high level of expertise, and that are difficult to manage within the investment and financing business. We can anticipate high levels of profitability from appropriate risk-taking, however, and this division can be expected to contribute to the Group's efforts to maintain a sustainable structure as a regional financial institution that continues to revitalize the region and provide the requisite funding. From a human resources development perspective, acquisition of advanced knowledge and expertise in investment and financing opens up a new domain for contributing to profitability from a different angle from traditional banking, fostering higher motivation and creating diverse talents.

Looking ahead, we aim to strengthen collaboration with the Group's consulting and investment departments to raise our investment banking operations to a higher level, leveraging our unique strengths as a regional financial institution. We will provide comprehensive solutions through investment and financing, as well as hands-on support, to contribute to the future of our local communities and businesses.



Corporate Solutions Division
Structured Finance Office Manager
Yoshihiko Hirano

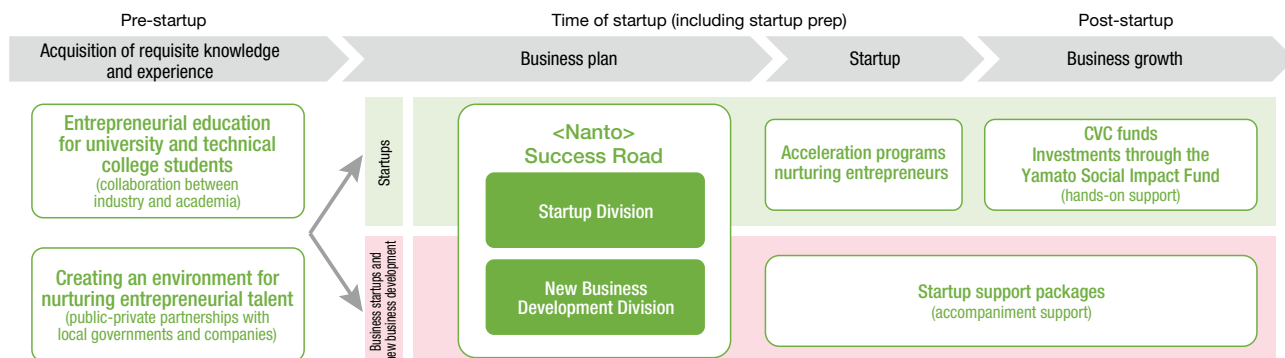
Investment Strategies

Regional Business Creation

The Bank Group provides comprehensive support services from the pre- to post-startup stages to create new regional businesses. Most notably, we engage in nurturing entrepreneurs and investing in companies that can contribute to solving social issues.

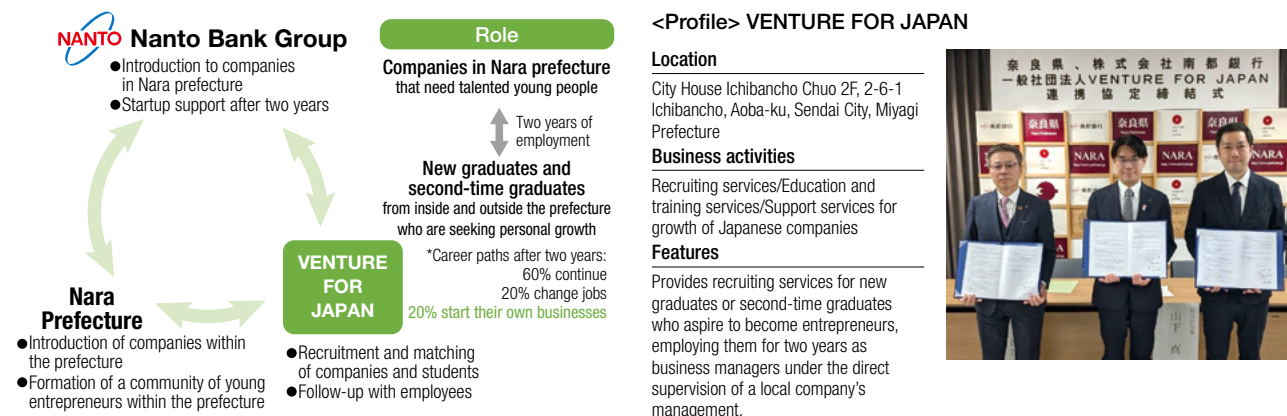
Providing comprehensive support pre- to post-startup

Efforts to increase the number of businesses and available jobs in the region by promoting business creation, startups, and new business development



Creating an environment for nurturing entrepreneurial talent

Nanto Bank, Nara Prefecture, and the VENTURE FOR JAPAN general incorporated association have entered into a cooperative agreement to nurture entrepreneurs and create new businesses in the prefecture.

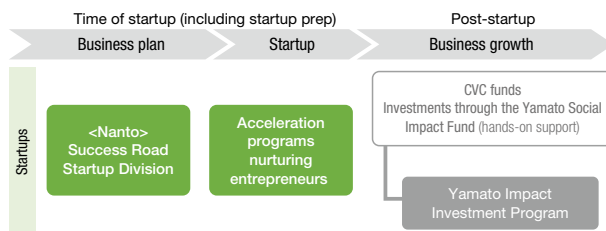


<Nanto> Success Road Startup Division

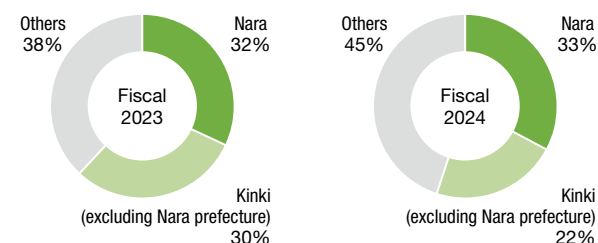
We have organized the <Nanto> Success Road "Startup Division" to solicit business plans from entrepreneurs nationwide who are committed to solving social issues in the Yamato region.*

We elicit applications from entrepreneurs nationwide who are interested in solving issues and contributing to development of the region. We received 47 applications to the program in fiscal 2023 and 46 applications in fiscal 2024.

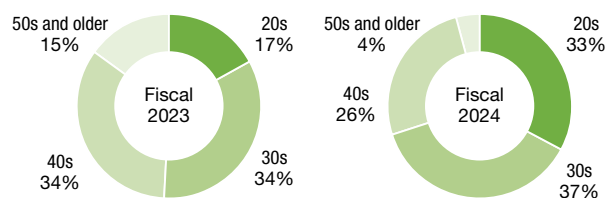
*Yamato region: Nara prefecture and its surrounding areas.



Applications: By region

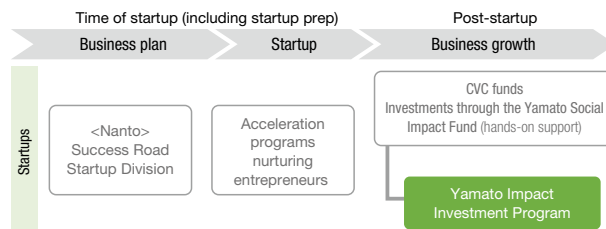


Applications: By age group



Yamato Impact Investment Program

The Yamato Impact Investment Program conducts demonstration experiments to solve issues facing the Yamato region in collaboration with startups offering products and services that contribute to regional social issue solution.



Solving issues for local industries

This program selects four startup companies outside the Yamato region that contribute to solving issues and promoting economic development within the region. It supports demonstration experiments conducted in the region and holds results briefings to explain the demonstration results and their significance for and impact on society.

<Companies selected for FY2025 and demonstration experiment themes>

Company name	Industry	Business description	Demonstration experiment theme
AMI Inc	Medical care	Development and sales of medical devices and services that assist in the diagnosis of heart disease.	Eliminating emergency transport from Nara
GEOFLA CORPORATION	Tourism	Provision of an entertainment app that allows users to exchange incentives for travel and visits.	Promoting Nara tourism with capsule toys!
JAPAN HEALTHCARE	Medical care	Foot examinations and insole provision for musculoskeletal disorders such as foot and knee pain.	Development of a foot examination and Yamato model for foot health for nationwide dissemination from Nara
SHINMIRAI INC.	Forestry and timber	A platform that optimizes the distribution of lumber.	Development of a plan to innovate the wood supply chain in the Yamato region

Among the selected companies, AMI Co., Ltd. is conducting research and development of medical equipment, including development of (the AMI-SSS01 series of heart sound testing devices) and a remote medical support system ("Cloud Choushin"; collectively known as the "super stethoscope") aimed at establishing a medical system that enables the early detection of heart disease and facilitates effective treatment of patients.

Organized to address such challenges faced by the Yamato region as the dispersion of medical resources and insufficient medical supply capacity, this program collaborated with core hospitals, clinics, and local businesses in Nara prefecture to conduct pilot experiments. The results determined that the company's products could contribute to resolving such regional medical challenges as the physician shortage and need for establishment of emergency medical systems. Consequently, an investment was made from the Yamato Social Impact Fund in April 2025. The company also received investments from companies headquartered in Nara prefecture, confirming its achievements not only in its business operations but also in its funding operations.

Through this program, selected companies and various local stakeholders collaborate in conducting repeated demonstration experiments, leading to new models that not only solve local issues but also contribute to sustainable industrial development. We will continue to support these efforts so that their results can be disseminated both within and outside the region, creating even greater impact.



AMI Inc



GEOFLA CORPORATION



JAPAN HEALTHCARE



SHINMIRAI INC.

Yamato Social Impact Fund

This regional issue-solutions impact VC fund is operated by Nanto Capital Partners (NCP) and Capital Medica Ventures (CMV), the corporate venture capital (CVC) arms of Nanto Bank.

Established in 2022, the fund fosters numerous regional issue solution providers through formation and management of impact funds, with the goal of addressing regional issues and promoting sustainable development in the Yamato region.

The fund has invested in five companies (cumulative total) that contribute to resolving issues facing the Yamato region and is collaborating with them to address regional challenges and drive development.

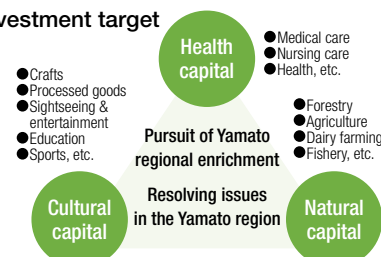
Fund overview

Name	Yamato Social Impact Investment Limited Partnership
General partners	Nanto Capital Partners Co., Ltd., Capital Medica Ventures Co., Ltd.
Limited partners	Nanto Bank, Ltd., Koyama Corporation, Toyota United Nara Corporation
Committed capital	1 billion yen
Management period	10 years (5-year investment period)

Three areas of investment

The investment targets are startup companies organized to solve issues facing the Yamato region. Specifically, in pursuit of regional prosperity, the three areas targeted are "healthcare," "nature," including agriculture, forestry, and fisheries; and "culture" from education, crafts and cultural properties to tourism and sports.

Investment target



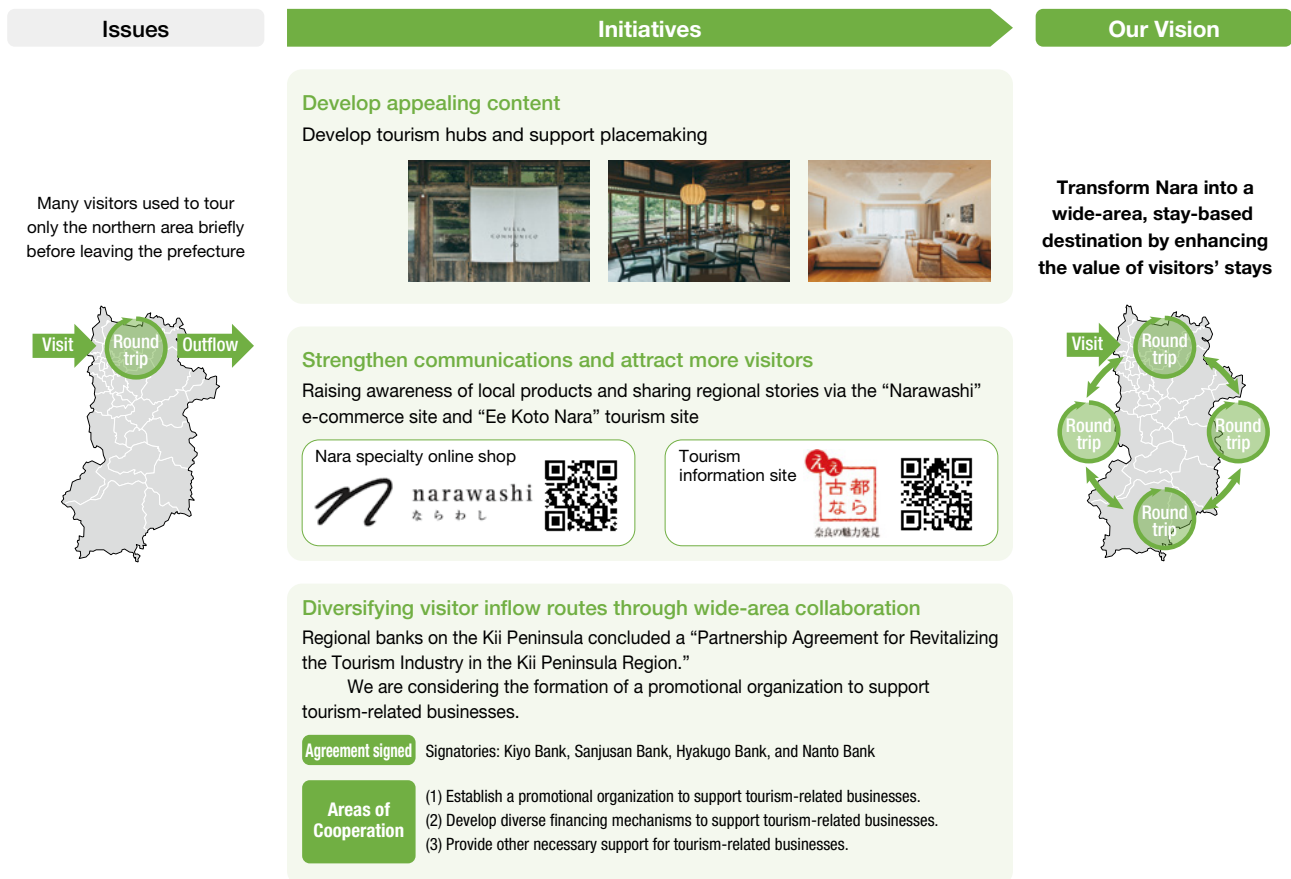
Solving Issues Facing Local Industry

Enhancing Engagement with Tourists

Basic policy

In Nara prefecture, which boasts a wealth of tourism assets, efforts to revitalize the tourism industry translate directly into broader regional revitalization. Fully aware that our Group cannot develop unless the surrounding region develops with us, the Nanto Bank Group is strengthening its content development and information dissemination capabilities in cooperation with local governments.

One issue we are addressing is the heavy concentration of tourists in northern Nara. We are building routes and content that encourage visitors to travel to central and southern areas, aiming to transform Nara into a wide-area, stay-based destination.



VOICE



Director, Public Affairs and Regional Co-creation Department

Kenjiro Tsugoshi

Nara is one of Japan’s leading tourist destinations, home to three World Heritage Sites as well as many National Treasures and Important Cultural Properties. However, many visitors are day-trippers, which keeps tourism spending low. To transform Nara prefecture into a tourist destination that invites longer stays, we introduced the “Nara Old House Urban Development Fund” in 2019 and began using the fund to provide financial support to local businesses that develop accommodations, dining, and other facilities.

In 2021, through our Group company Nara Mirai Design Co., Ltd., we launched the “narawashi” e-commerce site to sell Nara specialties while sharing local information and producers’ stories—inviting people to learn about and visit Nara.

In December 2024, we also signed a collaboration agreement with three other regional banks to revitalize tourism across the Kii Peninsula. We will continue working to attract visitors to Nara and support tourism-related businesses.

Initiatives to revitalize the tourism industry

Content Development

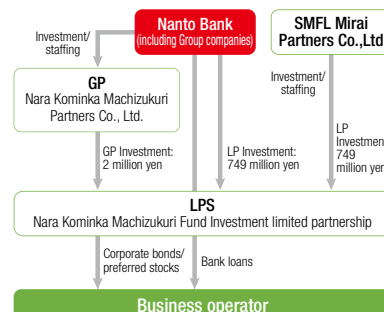
In November 2019, the Group established the “Nara Kominka Machizukuri Fund Investment Limited Partnership (Old House Fund)” in collaboration with SMFL Mirai Partners, Inc., a wholly owned subsidiary of Sumitomo Mitsui Finance and Leasing Co., Ltd. Through this fund, we will offer enhanced tourism services unique to the region, including not only accommodations and dining but also local agriculture, crafts, and culture, thereby contributing to activation of local tourism and regional revitalization.

Nara Kominka Machizukuri Fund

Established in collaboration with SMFL Mirai Partners Co., Ltd. (wholly owned by Sumitomo Mitsui Finance and Leasing Co., Ltd.)

Established	November 2019
Total investment	1.5 billion yen
Operating company	Nara Kominka Machizukuri Partners Co., Ltd.
Limited partners	SMFL Mirai Partners Co., Ltd. Nanto Bank, Ltd.
Investment period	Investment period: To December 2025 Term: To December 2034

Fund Diagram



Projects Supported through Our Fund and Developed by the Nanto Bank Group

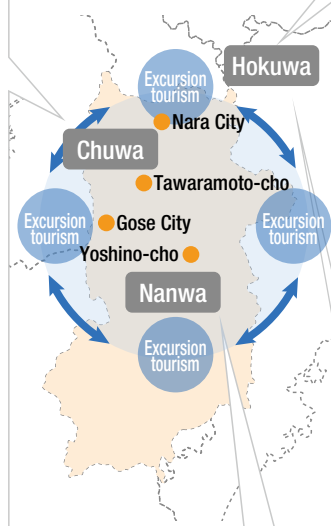
Nipponia Tawaramoto Maruto Soy Sauce

The town of Tawaramoto-cho in Isogi-gun, Nara prefecture, retains the original rural landscape of ancient Japan. Established here in 1689 by Maruto Co., Ltd., Maruto Soy Sauce is Nara prefecture's oldest soy sauce brewery. In its heyday, the company extended its sales channels nationwide, but its success ended when raw materials supply problems in the postwar years forced it to close in 1949. Almost 70 years later in 2020, the brewery was renovated and reopened as an old private residence hotel, Nipponia Tawaramoto Soy Sauce. The warehouse, brewery, living quarters, and many of the old tools have been retained and renovated to create unique accommodation and restaurant facilities.



Gose Sento Hotel

We have revived an abandoned public bathhouse in the town of Gose-machi as a bathhouse and renovated a nearby traditional private house into a facility that can be used for lodging, working vacations and dining.



Nipponia Hotel Nara Naramachi

The Nipponia Hotel Nara Naramachi opened for business in November 2018 in a renovated 130-year-old sake brewery formerly operated by long-established sake maker Nara Toyosawa in the historic township of Naramachi. The hotel restaurant was renovated using the original building materials in both the exterior and interior construction to involve the brewery's beams and ceilings in its retro atmosphere.



VILLA COMMUNICO

VILLA COMMUNICO opened at the foot of Mount Wakakusa in Nara Park, between Nigatsudō Hall (Tōdaiji) and Kasuga Taisha Shrine. This gastronomy auberge is led by chef-owner Daiki Horita of Ristorante communico, which earned one Michelin star in the 2022 and 2023 Nara Special Editions.



Sakamoto Ryumon Library

In 2021, the Nanto Bank Group acquired an old private house in Yoshino, a town in southern Nara prefecture. The house was formerly the primary residence of Senji Sakamoto, the founder and one-time president of the Yoshino Zaimoku Bank, which has special significance for Nanto Bank as one of the institutions from which it was formed. We are planning to transform this library into a tourist accommodation facility over the next few years to create a regional tourism hub.



Initiatives to develop a wide-area, extended-stay tourist destination

Committed to promoting development of tourism in the Kii Peninsula region, four banks—Kiyo Bank, Sanjusan Bank, Hyakugo Bank, and Nanto Bank—have concluded a “Partnership Agreement for Revitalizing the Tourism Industry in the Kii Peninsula Region.” By collaborating and cooperating in the field of tourism, these regional financial institutions intend to enhance the value of the Kii Peninsula further through promotion of sustainable tourism, increased tourist spending, and attraction of visitors to regional areas.

Partners' goals (to diversify inflow routes)



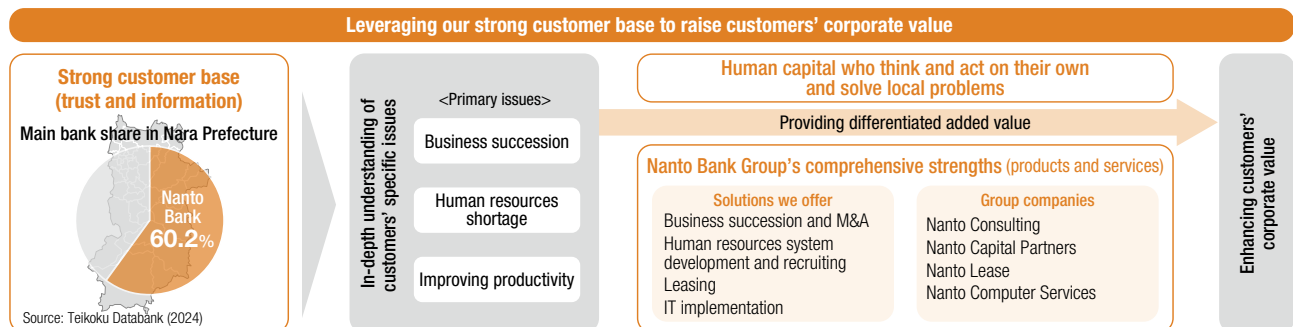
Enhancing Customers' Corporate Value

Enhancing Customers' Corporate Value through Consulting Sales

Basic policy

Nara's regional businesses face various challenges today, beginning with a shortage of human resources and successors stemming from a contraction of the working-age population, and the role played by regional financial institutions is shifting from providing funds to supporting resolution of a wider range of challenges.

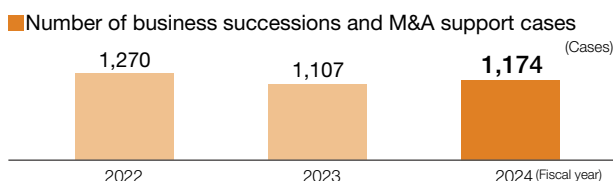
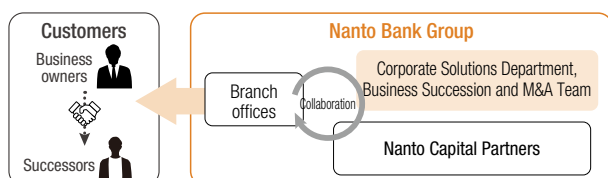
The Nanto Bank Group is strengthening its consulting capabilities to resolve our customers' management issues and building structures to address customers' financial and non-financial challenges, thereby helping raise their corporate value.



Initiatives to enhance customers' corporate value

Business succession/M&A

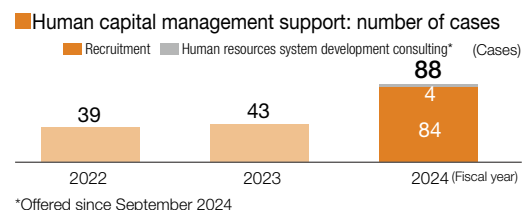
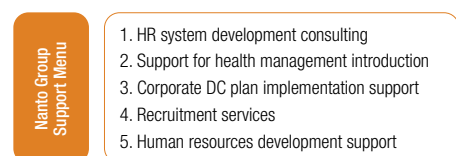
Business succession is a major issue for sustainable regional development, affecting business growth, technology transfer, and the continuity of employment. In April 2025, we integrated the Corporate Solutions Department's Business Succession and M&A teams to reinforce consulting capabilities at Head Office and provide one-stop support for customers' succession challenges.



Human capital management

As the labor shortage worsens, the number of inquiries concerning "people" is growing.

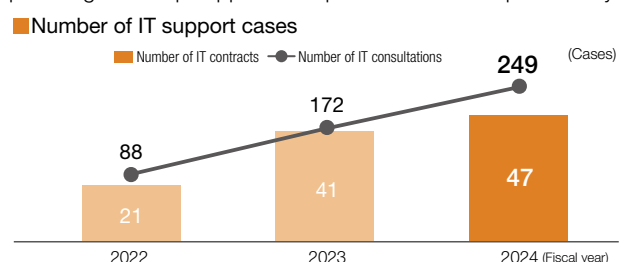
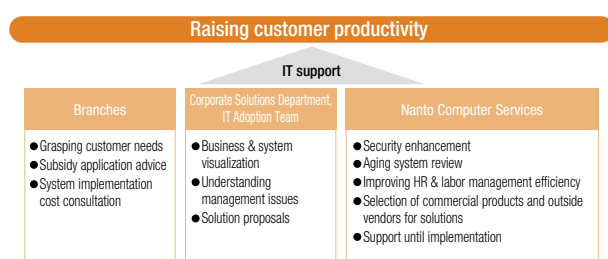
Our Group resolves people-related issues and supports customers' human capital management with HR system development consulting and recruitment among others.



IT Adoption

With the working-age population in decline and work-style reforms requiring increased operating efficiency, improving productivity is essential to sustainable corporate growth.

The Nanto Bank Group supports IT adoption by providing a bird's-eye view of all the relevant systems, visualizing operations and systems, resolving issues involved in the application of IT solutions, and providing follow-up support to help raise customers' productivity.



Stakeholder Voice

Case study of human resources system development consulting

Social Welfare Corporation Support House

Established in 1998, Support House operates a special nursing home offering short-stay care, home visit care, day care, and in-home care services for elderly residents in Izumiotsu City, Osaka Prefecture. The organization provides community-based welfare services guided by a philosophy of respect for the wishes of its users.

Social Welfare Corporation Support House

Executive Director **Shoji Suzuki** (left) Managing Director **Taichiro Suzuki** (right)



A banking group that goes beyond traditional banking business to tackle challenges head-on

Advantages of choosing Nanto Bank's HR system development consulting

Executive Director With the labor shortage worsening every year, our organization reached a point where it faced some daunting management challenges regarding employee retention and development. The human resources system we had constructed 20 years earlier featured vague evaluation criteria and ranking systems, and issues had emerged involving the treatment of managers and foreign talent and resulting in arbitrary differences in employee treatment. Young and mid-career employees often complained that their hard work was going unnoticed, hindering the growth of the organization as a whole.

Managing Director A branch representative from Nanto Bank who was visiting us regularly at the time mentioned that the Bank could also provide support in the area of human resources, and we wanted to learn more about it. To be honest, we were surprised by the idea of a bank offering consulting on human resources systems, but the proposals they presented exceeded our expectations. Convinced that their offer of support was sincere, we decided to ask Nanto Bank for help.

Specific details of the consulting

Executive Director Before designing our human resources system, the Nanto Bank team was careful to acquire a full grasp of our management philosophy and policies. Armed with this knowledge, they approached the project from the perspective of management-wide issue solution. This opened the door for us to engage in the discussions in an atmosphere of trust.

Managing Director Starting with analyses of our current situation, including interviews with our management and executives, they consistently supported our design of a system linking the three pillars: employee ranking, evaluation, and compensation. Rather than making one-size-fits-all proposals, they listened carefully to our concerns and presented us with appropriate options through a series of discussions.

We also took satisfaction from the fact that they clarified the "kind of people we sought to develop and the manner in which we should evaluate and treat them." They incorporated these perspectives into the system to create a mechanism that would lead to behavioral changes among our employees.

Changes we observed after introducing the human resources system

Executive Director After the system's introduction, the roles and expectations of every employee had become clear, and our employees had begun setting their own goals and taking a more proactive approach to their work. Most notably, we saw a significant change in awareness among our management people, whose monthly meetings evolved from simple reports to lively discussions aimed at making improvements. This upturn in employee motivation has, moreover, been accompanied by the appearance of promising signs in our business performance.

Message to Nanto Bank

Managing Director The nursing care industry is expected to undergo a worsening labor shortage, making human resources development an increasingly pressing management issue. We are convinced that "no discussion of human resources development can take place without a human resources system."

Executive Director Although providing financial support is a bank's core business, Nanto Bank is set apart by its willingness to respond flexibly to other essential human concerns. Undertaking human resources system reform is a daunting prospect, but the opportunity to work on it with a trustworthy, community-based bank was reassuring. It enabled us to take this first step towards future growth successfully. We look forward to your continued support in addressing our people issues, including system effectiveness verification, updating, and management training, as we work to establish and implement our systems.

HR system development consultation process

Phase1

Current situation

- Interviews with executives and employees
- Analysis of various data
- Definition of system design direction

Phase2

Human resources system design

- Grade structure design
- Evaluation system design
- Compensation system design

Phase3

Implementation support

- Manual preparation
- Employee communications
- Evaluator training

VOICE

With the labor shortage worsening due to the declining population, the value to companies of their human resources is higher than ever. Treating human resources as capital rather than as a cost, and maximizing their value through "human capital management" is key to supporting a company's sustainable growth.

Achieving this requires creation of a human resources system that taps into each employee's abilities and motivations and promotes their growth. At Nanto Bank, we provide consulting services for formulating people systems, always paying close attention to our clients' current situations and wishes. In addition to securing and retaining talent, we hope to contribute to improving clients' corporate value by creating systems that help employees find motivation and joy in their work.

Corporate Solutions Department,
Human Capital Team

Nobuhiro Toda



Supporting Customers' Asset Building

Supporting Customers' Pursuit of a Richer Life

Basic policy

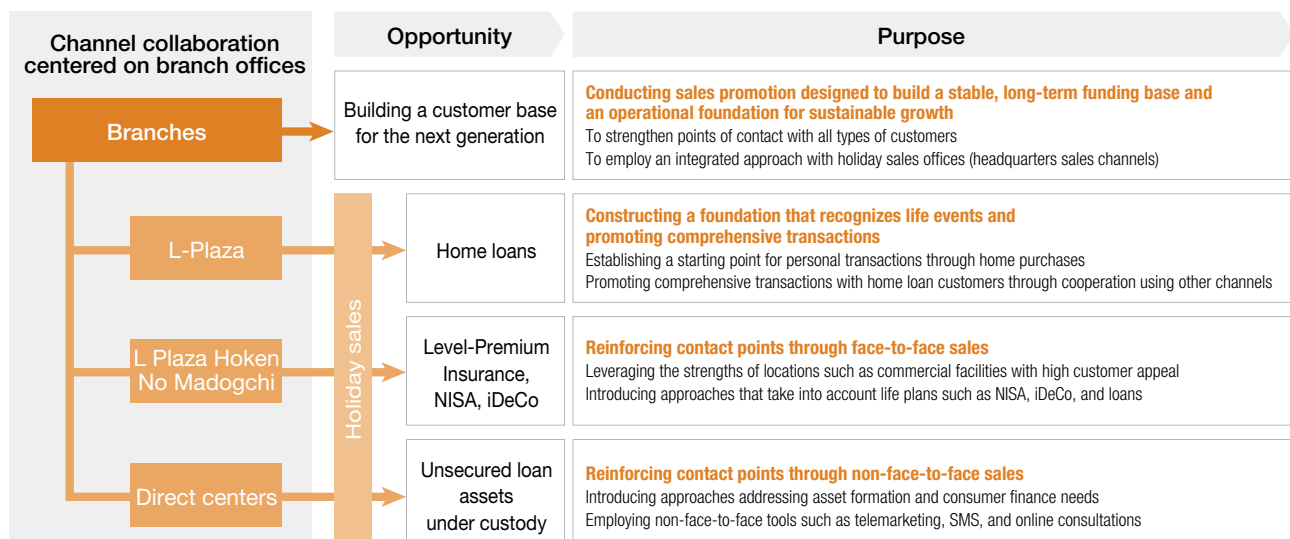
When it comes to customers' asset formation, changes in social conditions, including a falling birthrate and an aging and declining population, have been impacting their lives and financial situations. Today, we are supporting creation of an environment that enables many of them to conduct sustainable,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

Providing customers with asset-building opportunities

We will continue to develop relationships of trust with our customers by working closely with them to design their life plans and create opportunities for asset-building.

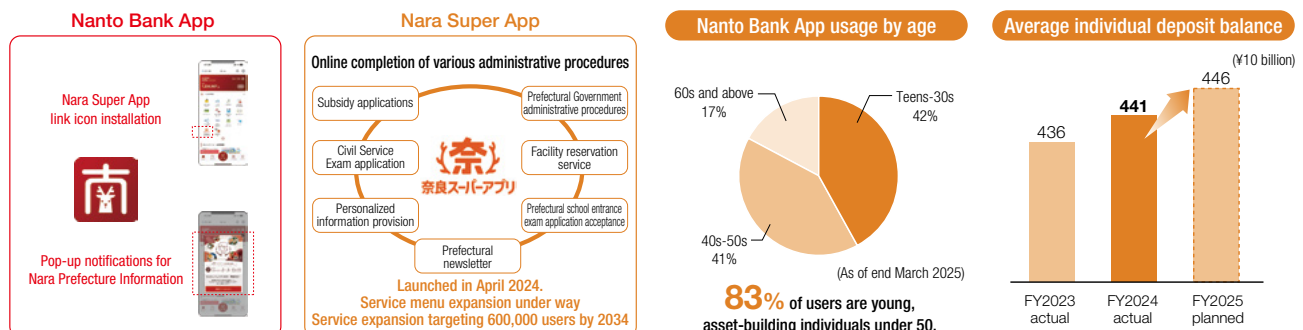
With accelerating digitalization reducing opportunities to make face-to-face contact with customers, our sales branches and consultation channels that are open on holidays will work together to create asset-building opportunities and construct a customer base that connects to the next generation.



Enhancement of non-face-to-face channels

Enhancing the Nanto Bank App's functionality

We are adding to our financial functions by reinforcing our non-financial functions, such as through integration with the Nara Super App to improve user convenience.



Use of the Direct Center

We propose enabling asset-building and various loan activities through telephone and online services. These approaches respond to the wide-ranging needs of our future customer base, the asset-building demographic, who are unable to meet with us on weekdays.

New online inheritance reception form

In April 2025, we launched a new online inheritance reception form to improve convenience for customers who have inherited assets. Responding to inheritance needs can contribute to capturing next-generation transactions.

Home loan initiatives

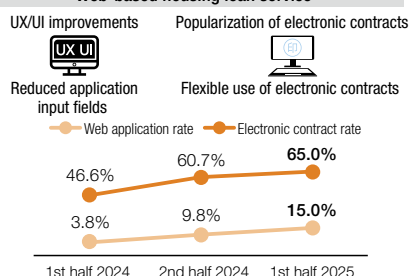
A home purchase is said to be the largest expense in most people's lives and one of the most important events in their life planning. Nanto Bank will strive to expand the number of transactions by strengthening contacts with customers who sign up for home loans and meeting their needs for asset formation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

As concerns our home loan operations, moreover, we are augmenting our efforts to improve productivity and profitability through strategic integration of sales, administration, and planning, while also adopting online mortgage services. Starting this fiscal year, we are consolidating regional real estate distribution and construction needs and centralizing regional information in collaboration with Headquarters.

Strategic integration of sales, administration, and planning through the establishment of L Plaza Nara

Activities aimed at deal-creation primarily in the Nara region

Web-based housing loan service



Improved productivity and profitability

Business expansion through home loans

Increased loyalty rates for various transactions

	FY2023	FY2024
Payroll transfers	48.3%	69.7%
Unsecured loans	15.0%	37.7%
Banking apps	—	70.0%

Collaboration with real estate business-matching offices

Increasing the numbers of home loans in the Nara region by structuring projects related to local real estate distribution and construction



Total asset consulting

We provide consulting services based on comprehensive knowledge of customers' total assets to resolve their issues and earn their trust, leading to younger-generation transactions.

Understanding total assets

- Financial asset information
- Real estate holdings information
- Family structure
- Transactions with other banks

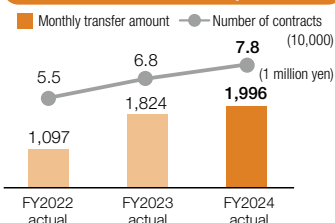
Consulting

- Assets under custody/securities
- Real estate
- Trusts/succession

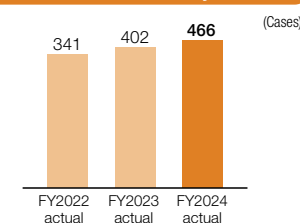
Earning customer trust

- Asset consolidation in Nanto Bank through increased value-added face-to-face transactions
- Securing younger-generation transactions

Number of investment trusts and monthly transfer amount



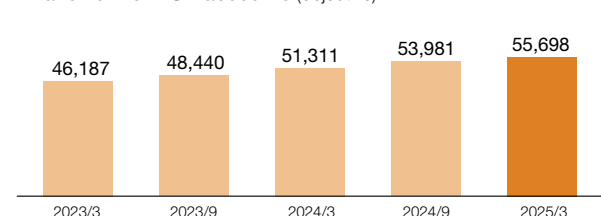
Number of testamentary trusts



NISA and financial education

We offer a NISA account and installment investment package as part of efforts to expand our customer base with high future loyalty. This has contributed to an increased rate of NISA account usage.

Transition to NISA accounts (objective)



Regional banks/Shinkin banks (credit unions) NISA usage rate ranking

1	Chuo Labor Bank
2	Hachijuni Bank
3	Bank of Kyoto
4	Nanto Bank
5	Chiba Kogyo Bank

*As of end December 2024, from R&I "Fund Information"

The Bank is united in efforts to contribute to improving the financial literacy of local customers, and to remain customers' bank of choice.

Financial literacy officer

- Regional and occupational seminars
- School visits
- NISA and iDeCo promotional activities

Support through training

Creating growth opportunities

Information-sharing

Asset Consulting Department

- Providing high-quality information through Headquarters-sponsored seminars and events
- Expanding seminar content and regular cross-generational in-Bank training
- Strengthening collaboration with public institutions (J-FLEC) and Shinkin banks in Nara prefecture

[Reference]
Seminar history

FY2023
79 seminars,
1,646 attendees

FY2024
**309 seminars,
4,920 attendees**

Roundtable: The Value of In-Person Sales

Listening to Customers and Expanding New Possibilities for Branches

— New Branch Openings that Realize the Value of In-Person Sales —

As we transition to a positive interest-rate environment, the Nanto Bank Group has opened a pair of weekend branches in AEONMALL, a popular shopping complex, to benefit from the “value of face-to-face interactions” and strengthen our deposit-based business foundation.

The value of face-to-face interactions was confirmed in a roundtable discussion between the new weekend branch staff and their department manager.



New branch development

Nanto Bank opened the new Jinguumae branch AEONMALL Kashihara branch on December 19, 2024, and followed this by opening the Koriyama branch AEONMALL Yamatokoriyama branch on April 18, 2025.

Located in the convenient AEONMALL shopping complex, both branches are open on weekends and holidays in addition to weekdays. Our first cashless branches, they feature the L Plaza—Insurance Window @ Nanto Bank, where customers can receive advice on a wide range of asset building options, including insurance and investment advisory as well as various loan services, in response to a wide range of customer inquiries.

The Koriyama branch AEONMALL Yamatokoriyama branch has even installed a nursery room to make it easier for parents with young children to visit.

AEONMALL Yamatokoriyama Branch Office
Opened April 2025



AEONMALL Kashihara Branch office
Opened December 2024



Integrated management

Services offered

Branch

Account opening

Notifications

Inquiries

L Plaza
Hoken No Madoguchi

Home loans

NISA/iDeCo

Insurance



Background to the branch openings and their customers

Yamanaka: As Japan returns to a positive interest-rate environment, where a strong deposit base is central to profitability and competitiveness, our Bank has steadily increased its deposit balance thanks



to its high market share in Nara prefecture. In light of the significant risk of further population declines, however, we need to build a deposit base that will carry over to the next generation. Nara residents' high rate of employment outside the prefecture means that the proportion of working-age customers who can visit our branches on weekdays is lower than usual, which makes strengthening our connection with them unusually challenging. We responded by opening two branches that are open on weekends in large, highly popular commercial facilities. It has now

been six months since the AEONMALL Kashihara branch opened and two months since the AEONMALL Yamatokoriyama branch opened. So what age demographic do these branches' customers represent?

Suzuki: The fact that it's easy for household members from grandparents to grandchildren to visit these branches sets them apart from our other branches. Another distinguishing feature is that they attract many customers from other regions and members of the younger generation.

Wada: We see relatively large numbers of customers who come in to open an account after a child is born, for instance, and of students who want to open an account to deposit their income from part-time jobs. This is quite different from what I saw at my previous branch.

Yamanaka: AEONMALL Kashihara and AEONMALL Yamatokoriyama are commercial facilities that welcome more than 10 million visitors annually, with approximately 40% of visitors in their 30s and 40s, especially on weekends. AEONMALL Kashihara also tends to attract customers from areas beyond Kashihara City, including southern Nara prefecture and other neighboring prefectures, while AEONMALL Yamatokoriyama attracts customers from a wide area that includes northern Nara prefecture. As a result, approximately 80% of new account openings are by people in their 30s or younger, making the new branches a starting point for transactions with the working-age customers, and we consider them as a base to meet the needs of customers from a wide area.

The potential of new store formats and actual customer concerns and needs

Yamanaka: In addition to strengthening our contacts with working-age customers, our branches combine "sales functions specializing in in-branch business" with "consulting functions accessed through Head Office' sales channels" with the aim of providing one-stop service to address customer needs and augment the value of face-to-face interactions. I wonder if there's anything in this connection that you try to keep in mind in your daily sales activities?

Nishimoto: I usually work at the insurance counter, but my job has undergone one big change. While we used to provide advisory only on insurance, we have recently expanded our scope to include advisory on various types of loans. This gives us the added advantage of being able to open accounts for insurance premium payments at the same time, and I feel that the benefits of



Roundtable: The Value of In-Person Sales

combining the two functions are steadily being realized.

Suzuki: I see particular potential in the fact that we're open on weekends, which enables us to connect with customers who find it difficult to visit us on weekdays due to work or other reasons.

Yamanaka: The new branch also serves as a base for holiday operations, since it's open for business on weekends and holidays in addition to weekdays. To my mind, this has allowed us to connect with customers we could not have met during our previous business hours, which is another strength of our Bank. And what have you all learned about the actual concerns and needs of these customers you interact with every day?

Wada: People of every generations are concerned about rising prices. These can be particularly concerning for customers of customers raising children. They understand the importance of saving for the future, and they often come to us for advice on what to do, since they do not have the financial means to save due to their child-rearing expenses and school fees.

Nishimoto: In another example of new business, an elderly customer told us that the opening of our holiday office made it possible to come in for advisory on weekends with their children, who will inherit their assets.



The value and significance of face-to-face sales

Yamanaka: Although we're still only halfway there, I'm extremely pleased with our steady progress toward our original goals for opening our branches—to strengthen connections with working-generation customers and provide one-stop value by combining our Head Office' functions. What do you honestly think concerning the value of face-to-face interactions in the branches in an environment of rapid digitalization of customer operations?

Suzuki: I believe we obtain the greatest value from the ability to exchange various information with customers who previously couldn't come to our counters. Being able to respond to many of their needs at once in one place enables us to share a wide range of information.

Wada: We certainly recognize the convenience of the Nanto Bank App, but it is also true that a certain number of customers find it more reassuring and reliable to conduct their banking business



through face-to-face advisory. There is abundant information online about NISA on the Internet lately, but we increasingly hear from customers who are relieved to finally have time and a place to talk with us in person.

Nishimoto: A customer came to us for advice recently because they had become concerned about something while applying for a car loan through the app. It seems that even while embracing digitalization, many customers still place importance on the peace of mind that comes with face-to-face advisory.

Yamanaka: Ultimately, the value of face-to-face meetings lies in the sense of “security” and “trust” they provide. I believe that building on this sense of security and trust will construct a stable customer base, which in turn will lead to an expansion of our deposit base.

“Challenges I want to take up in the future”

Wada: Simply going to the bank is inevitably a high hurdle for young people like me, and I believe that establishing branches that make it easy to drop in and consult with experts is an issue for the future. I'd like to take on the challenge of creating a friendly branch environment through seminars and events.

Nishimoto: Because we are a one-stop shop, we can provide customers with total support. I want to become a banker who can increase the value of face-to-face interactions further by not just listening to customers' requests, but by drawing out their latent needs.

Suzuki: As Mr. Wada mentioned, we'd like to begin by creating opportunities for young people to visit. This will require us to be approachable. Since our base is located inside AEONMALL, we are considering collaborating with other tenants. This will not be easy because of the various rules governing banks, but we'd like to take up the challenge.

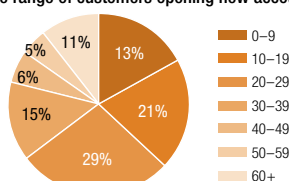
Yamanaka: Thank you for your wide-ranging input. I'd like to develop the new branches as places where people gather and gratitude abounds. To achieve this, it will be necessary to make sure every customer who visits the branch appreciates the value of face-to-face interactions and becomes a fan of Nanto Bank, so I hope you will continue to take up these challenges. Finally, the Medium-Term Management Plan we introduced this fiscal year has two pillars: “Creating human capital who think and act independently to solve local problems” and “Sound management that can continue to support the local community.” Listening to your opinions today has once again reminded me that branches that open on holidays are the ideal place to accomplish these two goals.

I look forward to continuing to work hard together.

Approximately 80% of our new accounts are opened by customers under the age of 30, and approximately 90% of these are completely new customers. This has led to an expansion of our base and a strengthening of our contacts with individual customers who find it difficult to visit our branches on weekdays.

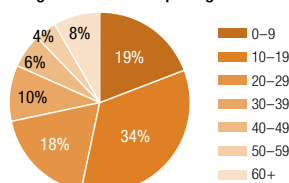
AEONMALL Kashiwara Branch office (holiday base in the Chunanwa area)

Age range of customers opening new accounts

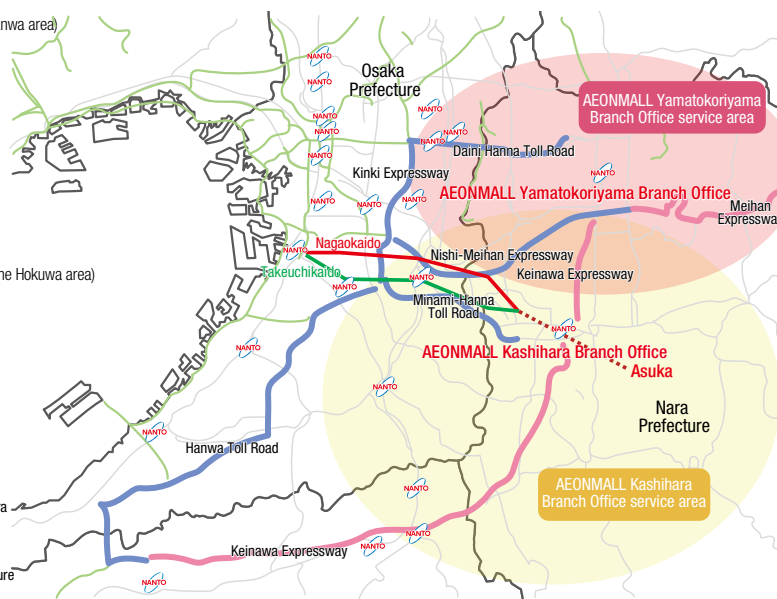


AEONMALL Yamatokoriyama Branch Office (holiday base in the Hokuwa area)

Age range of customers opening new accounts



- Nagao Kaido... A route used for transporting goods between Sakai and Nara
- Takeuchi Kaido... A political, economic, and diplomatic route connecting Sakai, Nara, and Asuka
- Said to be Japan's oldest national highway (Asuka period)
- Nara and Sakai are connected by deep ties, as the area from Nara prefecture to Kawachi prefecture was part of Sakai prefecture until 1880 (Meiji 13).

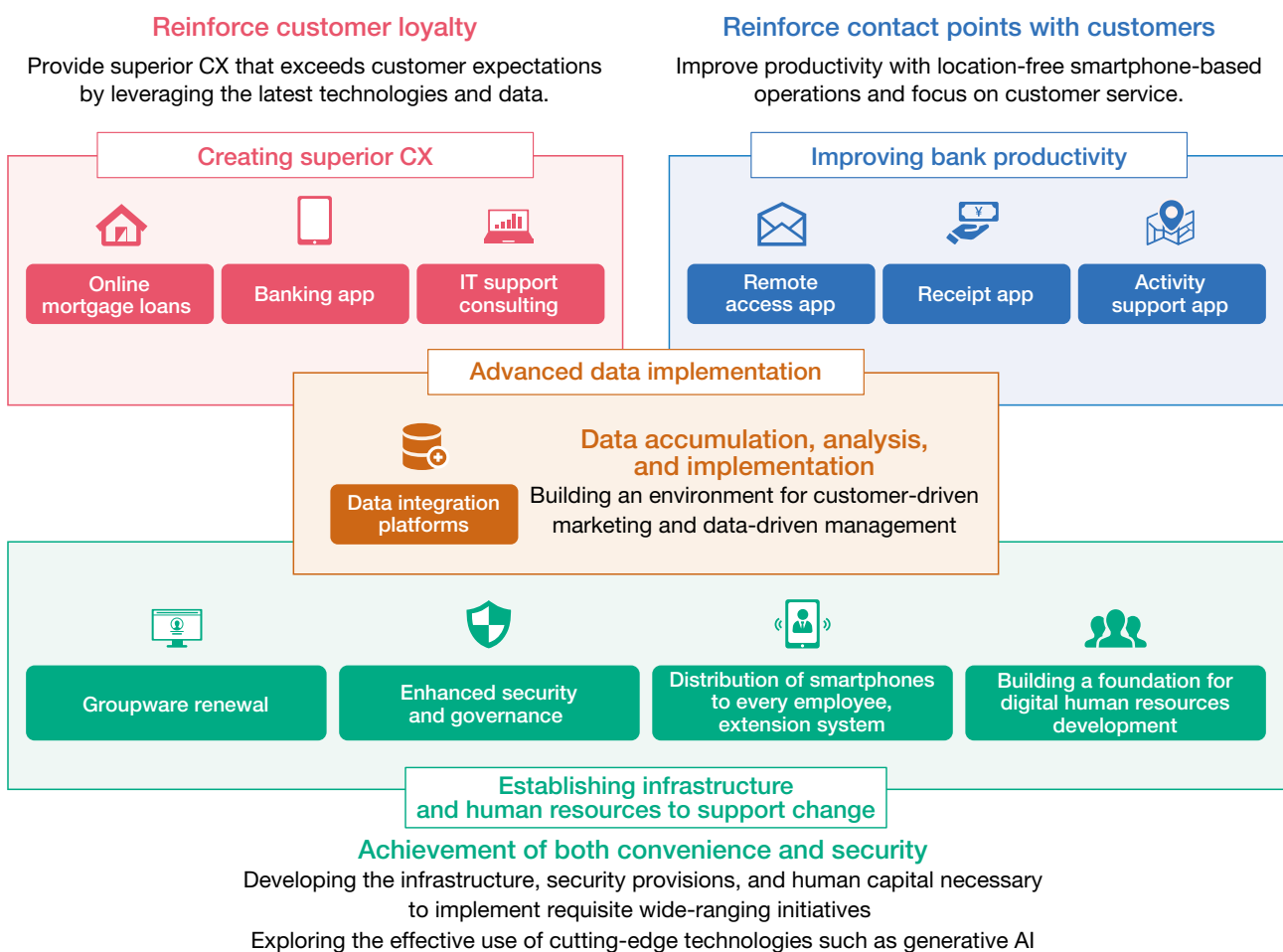


Initiatives Applying Digital Technologies (DX Strategy)

The banking industry is facing new challenges, with bank customers' needs becoming increasingly diversified as demand grows for banking that is available anytime and anywhere. All this is occurring at a time when the industry is already facing a shrinking market due to factors such as a declining birthrate and aging population as well as changes in its operating environment stemming from the entry of companies from other fields into the banking sector.

Providing value through digital technologies is essential to respond to these environmental changes and diversifying customer needs. One way we are responding is by implementing reforms that go beyond simple digitalization to include a review of business processes from four perspectives: "Creating excellent CX," "Improving productivity within the bank," "Adopting advanced data applications," and "Developing infrastructure and human capital to support transformation."

<Overview of initiatives>



■ DX certification

To promote the digital transformation (DX), Nanto Bank has been working actively on ongoing projects to build systems and implement measures based on a comprehensive policy. These efforts have borne fruit, and in March 2025, we received certification as a "DX Certified Business Operator" under the "DX Certification System" established by Japan's Ministry of Economy, Trade and Industry. We have made use of this opportunity to accelerate our DX efforts further and provide more valuable services to our local customers, thereby contributing to the sustainable development of our regional community and fulfilling our mission as a regional financial institution.



* The DX Certification System is a program established under the Act on Promotion of Information Processing. It recognizes businesses that have formulated a management vision and DX strategy and put in place a DX promotion structure, indicating readiness to transform their businesses through digital technology, as "DX Certified Business Operators" designated by the Ministry of Economy, Trade and Industry (METI).

■ Applying AI technology

Our uses of AI technologies at the Bank include using character recognition technology to input handwritten characters into our systems and applying specialized AI analysis technology to analyze customer needs to enhance the efficiency of our daily operations and the accuracy of our customer services.

We are now carefully evaluating the safety and usefulness of advanced technologies such as generative AI and AI agents for specified applications. In future, we plan to promote DX further by fostering harmonious mutual growth of our human capital and AI technologies, while enabling our human capital to maximize their capabilities and provide added value to our local community and customers.



Maximizing the value we offer our community and customers by optimizing the potential of our human capital.

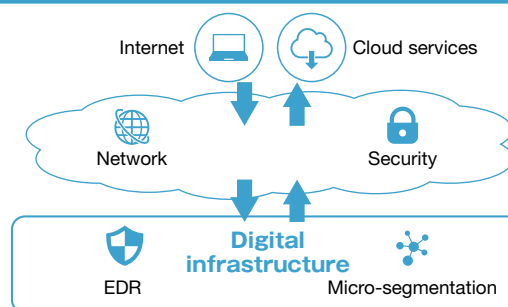


■ Digital infrastructure and security

Nanto Bank is accelerating its development of infrastructure that combines convenience with security. We are responding to the recent intensification of cyber-attack threats by introducing cutting-edge security measures incorporating elements of the “zero trust model,” which does not rely on traditional perimeter defense security, into our upgraded systems in 2025.

By introducing EDR, micro-segmentation, and other technologies, we are creating an environment in which employees can access the Internet and cloud services safely and conveniently while fully protecting our customers' information assets and providing them with greater value.

Developing digital infrastructure combining convenience and security



■ Strengthening Group-wide governance

The cross-departmental Nanto Bank CSIRT* plays a central role in implementing effective security measures by conducting Group-wide system vulnerability assessments, targeted email attack simulations, and cyber-attack defense exercises. We have also established unified standards and risk assessment systems to assure system security, while continuing to strengthen governance across the Group.

* CSIRT: A team that responds to computer-security incidents.

■ Digital human resources development

To advance reforms making full use of the latest technology and data resources will require personnel with the high levels of digital literacy necessary to understand and apply digital technologies effectively. Since February 2024, we have been holding basic digital seminars for all our employees, digital training for new employees, and regular digital webinars for employees who wish to participate with the aim of raising awareness of digital literacy's essential role in conducting our banking operations.

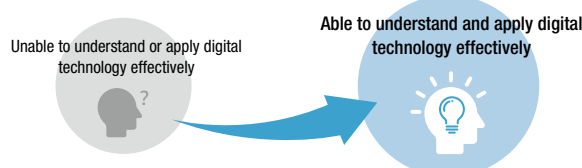
Since April 2024, meanwhile, we have been revising our personnel systems to make obtaining an IT Passport a mandatory requirement for promotion as part of ongoing efforts to lay a foundation for digital talent development.

Laying the foundation for human capital development

In-house seminars and training to improve digital literacy

Revising personnel systems to require an IT Passport for promotion

Webinars for those seeking to deepen digital skills



Realizing a Sustainable Regional Society

Nanto Bank Group Sustainability

The Nanto Bank Group deploys its financial and non-financial capital to co-create value for stakeholders while steadily raising its own corporate value and contributing to sustainable regional community development.

Guided by this philosophy, the Group is working to realize the “Basic Sustainability Policy,” its Group-wide basic policy for achieving sustainability.

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 management positions by fiscal 2027

20% or more

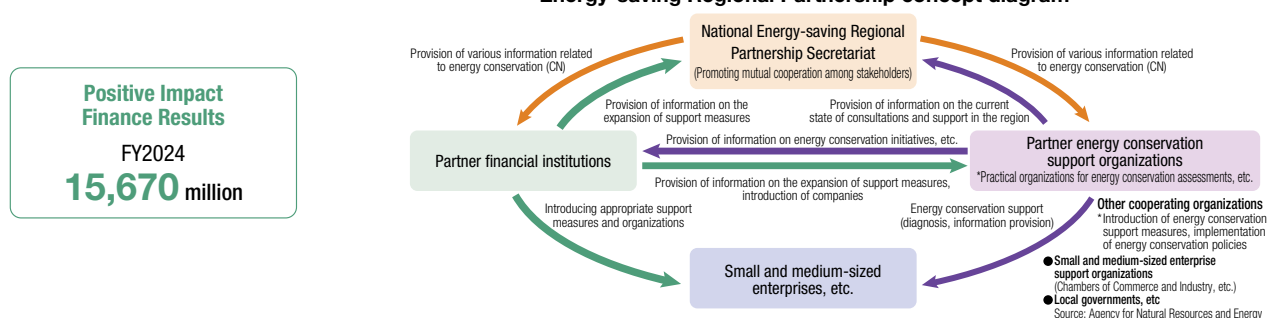
Initiatives for customer sustainability

The Bank has established a Sustainable Finance Team in the Corporate Solutions Department to lead its efforts toward sustainability. We enhance clients’ corporate value by providing solutions to their management challenges through sustainable finance, such as positive impact finance, and our Nanto Sustainable Management Policy Development Service.

As participants in the Energy Conservation and Community Partnership,* we provide clients with information on energy conservation, subsidies for the installation of energy-efficient equipment. We also work together with the community to arrange loans to support clients’ decarbonization and energy conservation efforts.

* This new framework was established by the Agency for Natural Resources and Energy to strengthen its collaboration with financial and energy-saving organizations (organizations conducting energy-saving assessments, etc.) and build a unified regional system to support the energy-saving efforts of small and medium-sized enterprises. Over 200 financial institutions and energy-saving support organizations are participating.

Energy-saving Regional Partnership concept diagram

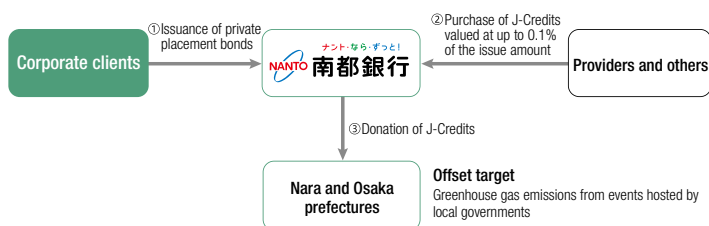


■ Nanto Bank Group's sustainability initiatives

Regional Decarbonization Initiatives

The Bank employs Nanto J-Credit donation private placement bonds to purchase J-Credits worth up to 0.1% of the amount of the private placement bonds issued by customers and donates them to Nara Prefecture or Osaka Prefecture.

In May 2025, we made a donation to Nara Prefecture of J-Credits derived from Nara's forests, which play the role of reducing annual CO₂ emissions by 204 tons.



Ceremony held by Nara Prefecture to present a letter of appreciation

Environmental conservation activities

In recognition of our long-standing efforts to protect the regional environment through community cleanups and participation in environmental events, the Nara Bank Group received the “Regional Environmental Conservation Merit Award” from the Ministry of the Environment.



Award ceremony held at the Nara Prefectural Government Office

Volunteer river cleanup activities

We participate in the Kizu River Basin Cleanup Campaign organized by the Kizu River Basin Cleanup Campaign Executive Committee and the Yamato River All-Hands Cleanup organized by Nara Prefecture.



New Head Office building

Nanto Bank's new Head Office building, which opened in February 2025, has earned Ministry of the Environment “ZEB Ready” certification as a highly environmentally friendly building for features such as its highly insulated exterior glass and energy-efficient air-conditioning equipment.

Solar panels have been installed on the roof, moreover, and the building uses electricity derived from renewable energy sources to achieve virtually zero CO₂ emissions.



Plans for the former Head Office building

We plan to employ our former Head Office building to contribute to enhancing the value of the local area, and we have selected a preferred party to pursue specific considerations to this end.

We will now begin more detailed surveys and discussions of specific ways to revitalize the surrounding area further.



Addressing Climate Change

■ 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 Nanto Bank Group is working as one to address climate change, providing value to stakeholders by fulfilling our mission of “regional development,” “vibrant talent creation,” and “profitability improvement.”

As a member of the local community, we not only pursue our own decarbonization efforts, for example, but we also actively support those of our customers and other members of the local community.

Under our decarbonization policy, we have set CO₂-reduction and net-zero targets and are introducing renewable energy, converting in-branch and off-premises ATM lighting to LEDs, and adopting eco-friendly vehicles. When constructing or rebuilding branches, we plan to install rooftop solar panels and continue to install environmentally friendly equipment. To curb paper use, we run ongoing awareness initiatives to limit printing, promote paperless meetings, and digitize documents.

To support customers’ decarbonization and broader sustainability initiatives, we established a Sustainable Finance Team in fiscal 2025 to support customers’ efforts toward sustainability management, including decarbonization. Through sustainable finance and related initiatives, we help resolve customers’ management challenges.

As part of our efforts to decarbonize the region, we have begun offering “Nanto J-Credit donation private placement bonds.” Under this program, we purchase forest-derived J-Credits from Nara Prefecture worth up to 0.1% of the customer’s issued amount of private placement bonds and donate them to Nara or Osaka Prefecture. The program fosters momentum for decarbonization among local customers while helping address climate change and customer management challenges.

In our commitment to working together as a community to support customers’ decarbonization and energy conservation efforts, we have joined the Energy Conservation Regional Partnership* providing energy-conservation information and support for subsidies and loans to install energy-saving equipment.

* The Partnership is a new framework established by the Agency for Natural Resources and Energy to strengthen cooperation between financial institutions and energy-saving organizations (organizations that conduct energy-saving diagnoses, etc.) and to build a regional system to support the energy-saving efforts of small and medium-sized enterprises. Participating members include more than 200 financial institutions and energy-saving support organizations.

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
		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

Scenario analysis

In fiscal 2024, we expanded our transition-risk analysis to include the construction sector.

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)
Portfolios 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, 2025).

Energy	Transportation	Materials & buildings	Agriculture, food & forest products
1.6%	3.6%	24.8%	3.0%

Our calculations are based on the Bank of Japan's industry classification and may be different from calculations based on the GICS (Global Industry Classification).

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.

Addressing Climate Change

Indicators and Targets

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

Our CO₂ emissions for fiscal 2024 were 5,818 t-CO₂, a 41% reduction from fiscal 2013.

Although energy consumption was flat year on year, CO₂ emissions rose due to a higher electricity emissions factor.

We will continue to accelerate progress toward a decarbonized society by installing solar panels in newly built branches, including our Head Office building, which has obtained ZEB certification.

Group CO₂ emission reduction targets

Reduction of 75%

by FY2030 compared to FY2013

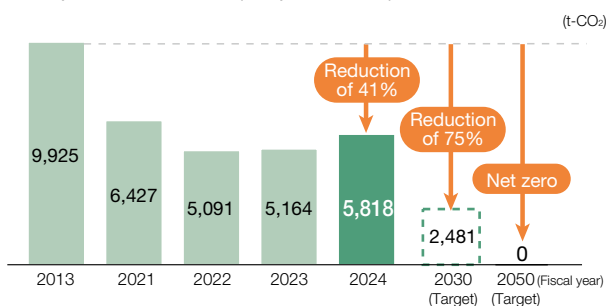
By FY2050

Net zero

FY2024 actual result

5,818 tons of CO₂
(41% reduction compared to fiscal 2013)

Group's CO₂ emissions (Scopes 1 and 2)



Calculation items		FY2013	FY2021	FY2022	FY2023	FY2024
Scope 1 Direct emissions	City gas, LP gas, gasoline, heavy oil	1,584	1,509	1,517	1,410	1,389
Scope 2 Indirect emissions	Electricity	8,341	4,918	3,574	3,755	4,429
Total		9,925	6,427	5,091	5,164	5,818

Group's CO₂ emissions (Scope 3)

The Nanto Bank Group began calculating Scope 3 emissions in fiscal 2022 and extended coverage to all categories in fiscal 2024, as described below.

Scope 3 emissions increased primarily in connection with an increase in Category 15 (financed emissions).

Scope 3

Calculation items	FY2022	FY2023	FY2024
Category 1: Purchased products and services	16,429	15,463	17,994
Category 2: Capital goods	51,456	56,748	63,094
Category 3: Fuel and energy activities not included in scope 1 or 2	1,109	1,028	1,041
Category 4: Transportation and distribution (upstream)	0	0	0
Category 5: Waste generated in operations	179	332	312
Category 6: Business travel	90	*1 110 (87)	131
Category 7: Commuting	2,222	*1 1,953 (1,965)	1,772
Category 8: Leased assets (upstream)	0	0	0

Calculation items	FY2022	FY2023	FY2024
Category 9: Transportation and distribution (downstream)	218	153	117
Category 10: Processing of sold products	0	0	0
Category 11: Use of sold products	11,553	9,998	8,431
Category 12: End-of-life disposal of sold products	30	18	11
Category 13: Leased assets (downstream)	15,788	15,790	13,438
Category 14: Franchises	0	0	0
Category 15: Investments and loans*2	Not yet calculated	8,895,074	8,991,183
Total	99,074	8,996,667	9,097,524

*1 As concerns Scope 3 emissions for fiscal 2023, we revised the emissions intensity for Categories 6 and 7, which resulted in revision of the figures disclosed in the previous fiscal year. Figures in parentheses indicate the figures disclosed in the previous fiscal year.

*2 Category 15 applies to the Bank on a non-consolidated basis.

Scope 3 Category 15 calculation

Indirect emissions from investment and lending account for a large share of financial institutions' Scope 3 emissions; we view this as a key indicator in our climate-related efforts. In fiscal 2024, we again calculated Category 15 (investments and loans) emissions based on the PCAF Standard,* as we had the year before. Emissions increased slightly with higher loan balances, while emissions intensity (emissions per unit of loans) declined.

We use these results to inform engagement with our business partners and support their emissions reductions as a further contribution toward realization of a decarbonized society. We will continue to expand the scope and refine our methodologies (emissions calculation results may change in the future due to revisions of the calculation methods and business partner disclosure status, etc.).

Subject of calculation

Loans to domestic corporations (excluding project finance) as of September 30, 2029

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.

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

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.

* PCAF (Partnership for Carbon Accounting Financials) is an international initiative that provides standards for measuring and disclosing GHG emissions from financial institutions' investment and loan portfolios.

Main category	Sub-categories	Loan amount (million yen)	Carbon intensity (tCO ₂ /loan amount)	Emissions (tCO ₂)
Energy	Oil and gas	41,758	6.2	259,441
	Coal	0	—	0
	Power utilities	36,694	9.2	337,636
Transportation	Air cargo	490	4.4	2,131
	Passenger air freight	2,711	4.2	11,321
	Ocean transportation	29,918	4.1	123,665
	Rail transportation	74,262	0.4	26,881
	Trucking services	39,441	8.7	342,888
	Automotive & parts	45,509	1.4	62,611
Materials & buildings	Metals & mining	91,069	14.5	1,319,103
	Chemicals	129,311	5.9	759,000
	Construction materials	15,777	19.4	306,450
	Capital goods	330,406	6.4	2,104,782
	Real estate management & development	268,290	0.3	84,245
Agriculture, food, forest products	Beverages	25,271	1.5	36,939
	Agriculture	434	8.8	3,816
	Processed foods & meat	47,304	9.1	432,082
	Paper and forest products	47,065	6.6	308,646
Others	Others	898,710	2.7	2,469,546
Total		2,124,420	4.2	8,991,183
Previous fiscal year (increase/decrease)		1,964,637 159,783	4.5 -0.3	8,895,074 96,109

Sustainable finance

The Nanto Bank Group has set the following targets for the amount of sustainable finance disbursements to provide financial support for activities aimed at resolving sustainability issues facing local communities and customers.

The cumulative disbursements for fiscal 2023 and fiscal 2024 are expected to reach ¥353.7 billion (progress rate: 35.3%), of which ¥111.2 billion will represent environmental finance.

Sustainable finance goals

FY2023-FY2030
Cumulative amount of investment and loan disbursements
¥1 trillion

Cumulative results

¥353.7 billion
(of which, ¥111.2 billion
environmental finance)

Financing that contributes to solving environmental and social issues

- Environmental: Renewable energy, energy conservation, ZEB, ZEV, etc.
- Social: Regional revitalization, community revitalization, startups, business succession, BCP measures, etc.

Finance supporting or promoting clients' efforts to achieve the SDGs

Corporate Governance

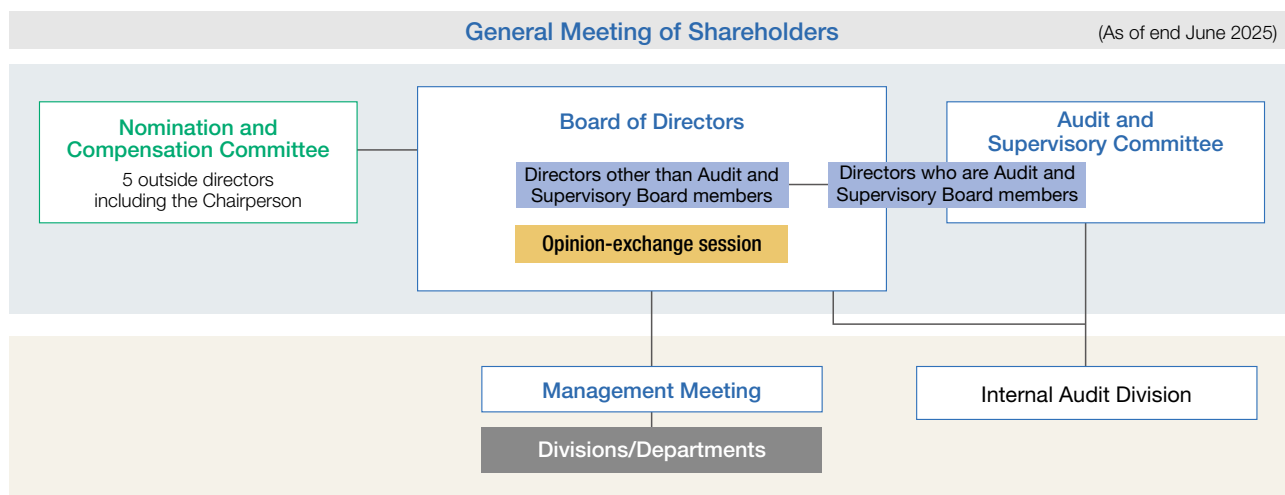
We believe the essence of governance is to pursue the best possible decisions to achieve the goals of the “Nanto Mission” and to maximize the value we deliver to stakeholders.

■ Corporate Governance Structure

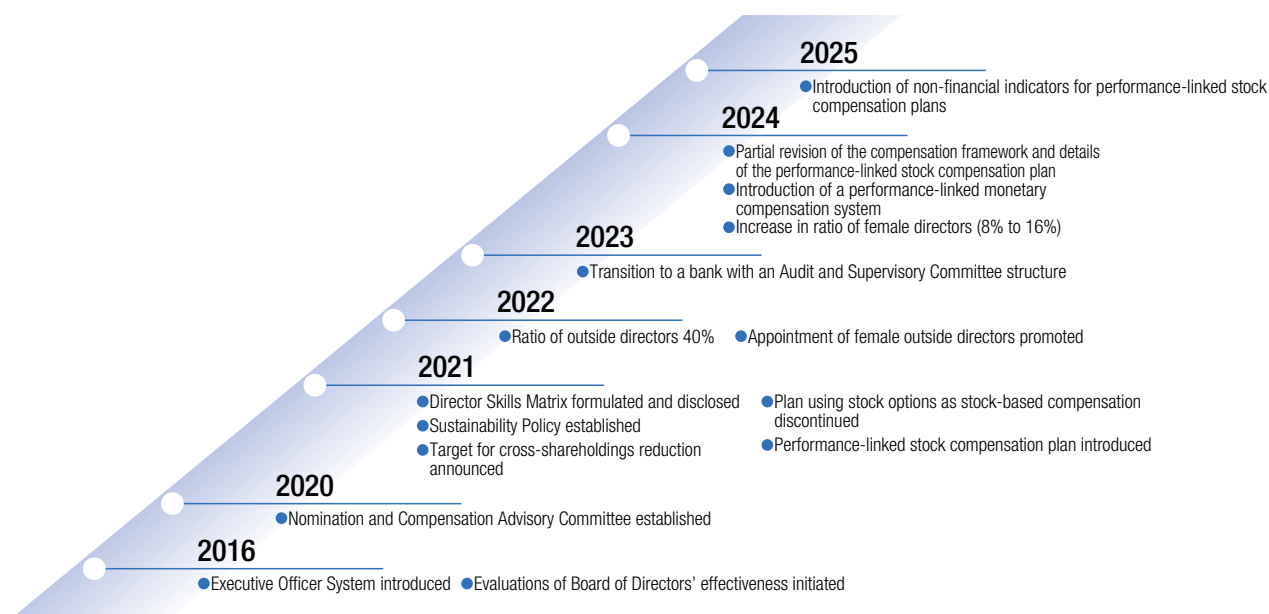
The Bank’s Board of Directors comprises 12 members, seven corporate directors (of which, one Audit and Supervisory Board member) who are familiar with the Group’s operations and five outside directors (of which, two Audit and Supervisory Board members) who have extensive experience and knowledge outside 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.

We have strengthened the Board’s supervisory function by establishing the Nomination and Remuneration Advisory Committee. The Committee comprises the Chairman, the President, and five outside directors. An outside director serves as chair, and knowledgeable external experts attend as observers, enhancing the independence, objectivity, and transparency of decision-making.

■ Structure



■ History of Corporate Governance



■ Director Skills Matrix

Name	Current position in the Bank	Business strategy	Risk management	Finance & accounting	Sales	Human capital management	IT & DX	Market operations	Regional economy	Sustainability & ESG
Takashi Hashimoto	Chairman (Representative Director)	●	●	●	●	●	●		●	
Satoshi Ishida	President (Representative Director)	●	●	●	●	●	●		●	●
Takeshi Sugiura	Director and Senior Managing Executive Officer	●	●	●	●			●	●	
Kouji Honda	Director and Managing Executive Officer	●			●		●		●	
Haruyuki Kakutani	Director and Managing Executive Officer	●			●	●		●		
Yoshinori Kurahigashi	Director and Managing Executive Officer	●		●	●				●	●
Kozue Nakayama	Outside Director	●				●	●		●	●
Takashi Nishimura	Outside Director	●	●		●				●	
Yuuko Tahara	Outside Director				●	●	●		●	●
Koushi Okamoto	Director and Audit and Supervisory Board Member		●	●						
Yoshihiko Kasuya	Outside Director Audit and Supervisory Committee Member	●		●	●				●	
Tomoyuki Fukumoto	Outside Director Audit and Supervisory Committee Member		●	●				●	●	

<Basis for Each Director's Evaluation in the Skills Matrix>

- * Internal directors: Assessment is based on experience at the department manager level or above, including experience as an executive officer in charge of a department at the Bank as well as at other companies.
- * Outside directors: Assessment is based on the following factors:
- Kozue Nakayama Mr. Nakayama's qualifications include experience in management and business operations of a global corporation; experience in regional development at a local government organization; and experience as an outside director at two listed companies (including serving on various committees).
- Takashi Nishimura..... Mr. Nishimura's qualifications include experience in corporate management, organization operations, and risk management at companies in the railway, real estate, and hotel industries, as well as experience and achievements in regional development as a corporate manager.
- Yuuko Tahara..... Ms. Tahara has an established track record of consulting for several companies in areas including human capital development and educational programs, system planning support and implementation, and serving as an outside director (including participation on various committees) at two listed companies.
- Yoshihiko Kasuya Mr. Kasuya's impressive record includes conducting business operations at a megabank, providing insight into the economic and financial environment cultivated by financial institutions, and participation in organization management and governance at multiple business corporations.
- Tomoyuki Fukumoto ... Mr. Fukumoto is notable for his knowledge of market operations, the economy, and the financial environment cultivated at the Bank of Japan, his insight into economics developed as a university professor, and his track record as an outside director (audit and supervisory committee member) at a listed company.
- * The qualifications attributed to the various directors do not cover their full fund of knowledge, experience, and insight.

■ Why the listed skills are considered necessary

Skills	Content (reasons for its inclusion)
Business strategy	A medium- to long-term perspective is essential: accurately grasp shifts in our operating environment, communities, and customer needs; develop and update strategy; and lead Group-wide execution.
Risk management	We must identify and appropriately manage the diverse, complex risks inherent in financial services.
Finance & accounting	An accurate understanding of our business circumstances is a prerequisite for sound decisions on risk management and capital policy, and for sustaining healthy growth through regulatory compliance and profitability analysis.
Sales	Building trust with a diverse set of stakeholders and creating mechanisms for value co-creation are essential to addressing local economic challenges and, as a result, expanding our Group's credit creation.
Human capital management	We consider it necessary to identify the gaps in our current situation, invest in appropriate human capital, and hire and develop employees as human capital who can think and act independently and contribute to solution of regional issues.
IT & DX	We must operate essential IT systems required for financial business operations securely and efficiently while driving digitalization across the Bank, our communities and our customers—laying the foundations for value co-creation.
Market operations	We must maintain a revenue base that supports stable, continuous operations in a rapidly changing environment.
Regional economy	To identify the regional issues the Group should address as conditions change, we need an accurate grasp of perspectives across the local economy and among stakeholders.
Sustainability & ESG	We must advance ESG risk management and sustainable investment and lending strategies while meeting tighter regulations and investor expectations.

Corporate Governance

■ 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 2024 - March 2025)

Board of Directors Meeting		Chairman	President	Times convened	12
Main items for deliberation	•Formulation of the Medium-Term Management Plan	•Initiatives to address sustainability issues (climate change, etc.) •Review of cross-shareholdings •Other matters required by law (financial results, convening of the Annual General Meeting of Shareholders, election of Representative Directors and other Directors, etc.)			
	•Policy on shareholder returns •Initiatives to strengthen the Board's effectiveness				
Opinion-exchange session		Chairman	President	Times convened	5
Main issues discussed		•Concerning the Medium-Term Management Plan •Results of the Board effectiveness evaluation			

Number of Nomination and Compensation Advisory Committee meetings and main advisory matters (April 2024 - March 2025)

Nomination and Compensation Committee		Times convened	14
Main consultation contents	•Selection of candidates for the offices of Director and Representative Director	•Setting of executive compensation and performance-linked stock compensation goals for the current fiscal year •Introduction of non-financial indicators for the Performance-linked Stock Compensation Plan	
	•Updating the skills matrix		

For details on the activities of the Board of Directors and the Nomination and Remuneration Advisory Committee, please see pages 47-48 of the Securities Report.

https://www.nantobank.co.jp/investor/ir_library/pdf/yuuka137a.pdf

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 "Directors' Remuneration Regulations" and "Performance-linked Monetary Remuneration Regulations for Directors" established by the Board of Directors, bonuses will be paid at a set time each year in the form of cash remuneration varying between 0% and 200%, depending on the recipient's position and degree of achievement of the Bank's performance targets for that fiscal year, with a target value of net income attributable to owners of the parent company (hereinafter referred to as "consolidated net income") for each fiscal year 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: 15 billion yen (FY2025)

<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 "Directors' Compensation Regulations" and the "Share Delivery Regulations Concerning the Directors' 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 their achievement of the Bank's performance targets for that 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).
- To increase employees' motivation to contribute to the "improvement of mid- to long-term capital returns" and the "practice of sustainable management" the Bank aims for in its Management Plan, "performance-linked points" for each fiscal year are determined based on the target value of consolidated ROE set for each fiscal year as a financial item and the employee engagement survey score as a non-financial item. The composition of "performance-linked points" will be 80% of the target value of consolidated ROE for each fiscal year as a financial item and 20% for the employee engagement survey score as a non-financial item.
- 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 commit a material breach of their power-of-attorney agreement with the Bank in the performance of their duties, or should a director be dismissed due to an action constituting other grounds for dismissal, the Bank shall refrain from delivering shares to the director, etc., under this plan (malus), or, failing this, demand the 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 (*2)
 Performance-linked points = Base amount of stock-based compensation by position × 1/2 × 80% × performance-linked coefficient (financial item) ÷ assumed stock price + Base amount of stock-based compensation by position × 1/2 × 20% × performance-linked coefficient (non-financial item) ÷ assumed stock price
 *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): ¥3,195

<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
Chairman (Representative Director)	8,640	4,320	4,320
President (Representative Director)	8,640	4,320	4,320
Director and Senior Executive Officer (Representative Director)	6,600	3,300	3,300
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 (financial item)> Consolidated ROE: 5.30% (FY2025)

<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%		

<Target value (non-financial item)> Employee engagement survey score: improvement from previous year

<Performance-linked coefficient (financial item)>

Based on improvement from the previous year's score, determined within the range of 0% to 200% based on a performance-linked coefficient established by the Bank's Board of Directors after deliberation and recommendation by the Nomination and Remuneration Advisory Committee.

Corporate Governance

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' Remuneration," based on deliberations and reports of the Nomination and Remuneration Advisory Committee.

This Determination Policy has been adopted by resolution of the Board of Directors.

Remuneration for individual Directors is determined by the Nomination and Remuneration Advisory Committee after reviewing relevant factors, including consistency with this Determination Policy. The Board of Directors generally respects the Committee's recommendations and judges proposed remuneration to be consistent with the Policy.

As concerns remuneration for Audit and Supervisory Committee members, meanwhile, payment is made in a fixed monthly amount according to the members' duties with the aim of increasing their independence and further strengthening corporate governance. This monthly amount is determined through discussion by the Audit and Supervisory Committee in accordance with the "Directors' Remuneration Regulations," and the annual total is set at no more than 100 million yen, the amount approved by the General Meeting of Shareholders.

Resolutions of the General Meeting of Shareholders regarding remuneration for officers are as follows:

Remuneration for directors (excluding Audit and Supervisory Committee members; including salaries for directors who also serve as employees):

up to ¥400 million per year (up to ¥80 million for outside directors)

Date of resolution: June 29, 2023

Number of directors at the conclusion of said General Meeting of Shareholders: 9 (including 3 outside directors)

Performance-linked share remuneration (non-monetary)

Total of up to ¥240 million over three fiscal years (maximum number of shares to be delivered: 96,000).

Date of resolution: June 27, 2024

Number of eligible directors at the conclusion of said General Meeting of Shareholders: 6

Remuneration for directors (Audit and Supervisory Committee members)

Up to ¥100 million per year

Date of resolution: June 29, 2023

Number of eligible directors (Audit and Supervisory Committee members) after said General Meeting of Shareholders: 3 (including 2 outside members)

■ 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, 2024 to March 31, 2025)

(Million yen)

Executive officer classifications	Number of executive officers	Total remuneration, etc.	Basic remuneration (fixed remuneration)	Performance-linked remuneration	
				Monetary remuneration	Stock-based remuneration (non-cash remuneration)
Directors (excluding Audit and Supervisory Committee members and outside directors)	7	232	187	7	37
Audit Committee members (excluding outside directors)	2	20	20	0	0
Outside directors and outside auditors	6	37	37	0	0

(Notes) 1. The Bank has introduced performance-linked remuneration (monetary and stock-based remuneration) for directors. The performance-linked remuneration (monetary and stock-based remuneration) in the table seen here is the amount recorded as an expense for the fiscal year under review.

2. The target for consolidated net income, which serves as the basis for calculating performance-linked remuneration (cash remuneration) for the fiscal year under review, was 13.0 billion yen, and the actual result was 13.5 billion yen (target +0.5 billion yen).

3. The target for consolidated ROE, which serves as the basis for calculating performance-linked remuneration (stock-based remuneration) for the fiscal year under review, was 4.51%, and the actual result was 4.68% (target +0.17 points).

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 2023.

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

- (1) "Furthering discussions concerning the formulation of medium- to long-term management strategies for raising corporate value"
⇒ In formulating our new Medium-Term Management Plan to increase the Group's corporate value, we held multiple discussions at Board of Directors meetings and forums to exchange views on the core concepts of "Human Capital Development" and "Ensuring Sound Management," which are key pillars of the plan.
- (2) "Enhancing Board of Directors' management to invigorate discussion"
⇒ We directed efforts to enhancing and deepening management of the Board of Directors' by further diversifying the membership (increasing the proportion of female directors) and revising the cycle for report submissions.
- (3) "Enhanced executive training to invigorate the Board of Directors"
⇒ In accordance with our annual plan, we held themed study sessions for executives (including outside directors) and department managers employing external lecturers who spoke on management strategies and social trends, such as "ESG" and "Advanced Technology and Innovation," in addition to our ongoing annual sessions on "SR/IR" and "Risk Management."

Evaluation method

In fiscal 2024, 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 2025 concerning the composition, operation, and deliberations of the Board of Directors ("FY2024 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, 2025.
- (3) On the occasion of a Board of Directors' meeting on June 17, 2025, 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 FY2024 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) | IV. Dialogue with shareholders (4 questions) |
| II. Management and sales strategies (10 questions) | V. Nomination and compensation of management (3 questions) |
| III. Corporate ethics and risk management (4 questions) | VI. Status of responses to this year's initiatives (2 questions) |

Summary of FY2024 Questionnaire analysis and evaluation results

The Board of Directors discussed the results of the outside consultant's analysis of the FY2024 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>

- Enhanced discussion of key strategies and strengthened monitoring systems
- Formulating, implementing, and overseeing human capital strategies, including management talent
- Optimizing Board of Directors' operations

Future Initiatives

As a result of discussions held by the Board of Directors concerning issues identified from the results of the FY2024 Questionnaire, the following initiatives will be implemented in fiscal 2025 to enhance the effectiveness of the Board of Directors further.

<Initiatives for fiscal 2025>

- Deepening discussions on medium- to long-term strategies to enhance corporate value
- Improving the operation of the Board of Directors to deepen discussions further

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.

Corporate Governance

Executive Officers

Directors



**Chairman
(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)
Apr. 2025 Chairman (Representative Director) (current position)

During his tenure as President, Mr. Hashimoto demonstrated strong execution and leadership skills, implemented wide-ranging reforms to ensure sustainable management, and expanded the Bank's stakeholder support and customer bases through dialogue with all its stakeholders. These achievements demonstrate that he has the knowledge and experience to manage the Bank's operations accurately, fairly, and efficiently, and that he will continue to contribute to enhancing the Bank's corporate value.



**President
(Representative Director) Satoshi Ishida**

(Departments) Secretary's Office, Audit Department
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)
Apr. 2025 President (Representative Director) (current position)

Since assuming the position of Director, Mr. Ishida has leveraged his experience in management reform at numerous companies and admirable leadership skills to implement changes across the Nanto Bank Group's management structure as a whole and to enhance its corporate governance from a medium- to long-term perspective. He has the knowledge and experience to manage the Bank's operations accurately, fairly, and efficiently, and we believe he will continue to help enhance corporate value.



**Director, Senior Managing
Executive Officer Takeshi Sugiura**
(Departments) Compliance Control Division, Examination Department, Management Division

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 (current position)
Apr. 2025 Director, Senior Managing Executive Officer (Representative Director) (current position)

Since assuming the position of Director, Mr. Sugiura has been in charge of the Market Operations, Credit, and Sales departments. As General Manager of the Sales Promotion Division, he has demonstrated outstanding execution and leadership skills in reforming the Sales Department, including enhancing consulting sales, restructuring the branch and sales structures, and taking measures to optimize customer services. He has the knowledge and experience to manage the Bank's operations accurately, fairly, and efficiently, and we believe he will continue to help enhance corporate value.



**Director and Managing
Executive Officer Kouji Honda**

(Departments) Sales Support Department, Corporate Solutions Department, Asset Consulting Department, Public Affairs & Community Co-creation Division, and Digital Transformation Special Mission Director
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
Apr. 2025 Director and Managing Executive Officer, General Manager, Nanto Bank Sales Promotion Head Office (current position)

Since his appointment to the position of Director, Mr. Honda has been responsible for the IT Strategy Department, Administration Department, Credit Department, and Public Affairs & Community Co-creation Department. He has led implementation of the Bank's key digital transformation strategy and pursued measures that contribute to regional revitalization, thereby expanding the Bank's management foundation. He clearly possesses the knowledge and experience required to manage the Bank's operations accurately, fairly, and efficiently, and we believe he will continue to help enhance its corporate value.



**Director, Managing
Executive Officer Haruyuki Kakutani**
(Departments) Administrative Support Department, Centralized Administrative Affairs Department, IT Strategy Department, Market Operations Department

Apr. 1988 Joined Nanto Bank
Apr. 2018 Manager, Sakurai Branch
Oct. 2019 General Manager, Sakurai Area / Manager, Sakurai Branch
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 position)

Since assuming the position of Director, Mr. Kakutani has been responsible for the Human Resources and General Affairs Department and the Market Investment Department, where he has advanced the Bank's human capital management. His accomplishments have included establishment of new human resources systems and efforts to improve employee engagement and to optimize the Bank's market investment portfolio. He clearly possesses the knowledge and experience required to execute the Bank's management accurately, fairly, and efficiently, and we believe he will continue to help enhance the Bank's corporate value.



**Director, Managing
Executive Officer Yoshinori Kurahigashi**
(Departments) Corporate Planning Division, Risk Management Division, SDGs Special Mission Officer

Apr. 1990 Joined Nanto Bank
Apr. 2019 General Manager, Osaka Central Sales Department
Apr. 2020 Manager, Corporate Planning Division
Apr. 2021 Executive Officer and General Manager, Corporate Planning Division
Apr. 2023 Executive Officer
Deputy General Manager, Sales Promotion Head Office and General Manager, Sales Support Department
Apr. 2024 Managing Executive Officer
Deputy General Manager, Sales Promotion Division and General Manager, Sales Support Department
Apr. 2025 Managing Executive Officer
June 2025 Director and Managing Executive Officer (current position)

Having served as a field manager at multiple branches since assuming the positions of General Manager of Corporate Planning and General Manager of the Sales Support Department, Mr. Kurahigashi has strengthened the Bank's management foundation by leveraging his strong strategic thinking and planning skills to tackle projects aimed at strengthening corporate governance, restructuring the sales structure, and improving customer service. He has the knowledge and experience to manage the Bank's business operations accurately, fairly, and efficiently, and we believe he will continue to help enhance its corporate value.

Directors and Audit and Supervisory Board Members



**Director
Audit and Supervisory Board
Member Koushi 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 Advisor
July 2014 Director and Audit Committee Member (current position)

Besides his extensive experience in the Examination Department, Mr. Okamoto has provided support for the Bank's credit management and customer business revitalization, endeavoring to fully understand customer issues and the actual situation on the sales front. He devoted himself particularly to supporting management during and after the COVID-19 pandemic. He has knowledge of finance and accounting, accurate risk management skills, and experience and know-how in operating internal control functions. He carries out his duties fairly while maintaining an appropriate relationship of tension with management — attributes that suit him perfectly to the position of Audit and Supervisory Committee member.



**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)
Outside Director and Audit and Supervisory Board Member, Nanto Bank (current position)

In addition to his deep insight into the economic and financial environment cultivated through extensive experience at financial institutions, Mr. Kasuya brings organization management experience as a corporate executive at several companies and extensive knowledge of governance to the job. At the Bank, we expect him to oversee management from an independent, objective standpoint as an Audit and Supervisory Committee member, including provision of advice on ways of improving our internal controls drawn from his diverse experience and knowledge.



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
Apr. 2019 Visiting Professor, Tama Graduate School of Business (current position)
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)

In addition to her management track record in companies and local government organizations, Ms Nakayama has served as an Outside Director at two listed companies, one of them a global corporation, and has extensive experience in corporate management and regional development as well as deep knowledge of corporate governance. At the Bank, we expect her to oversee management from an independent and objective standpoint, including provision of advice on improving corporate governance and suggestions for regional development.



Outside Director

Yuuko 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 position)
June 2012 Framework Promotion Association (current position)
Representative Director, Knowledge Management Lab Incorporated Association (current position)
June 2018 Outside Director and Audit Committee Member, Sanyo Homes Corporation
June 2019 Outside Director, Kanematsu Corporation (current position)
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 position)
June 2024 Nanto Bank, Outside Director (current position)

In addition to extensive experience as a corporate executive, Ms Tahara has demonstrated extensive knowledge and insight into organization management by supporting many companies' human capital development and education programs, system planning and implementation. She currently serves as an Outside Director for two listed companies. At Nanto Bank, we expect her to oversee our management from an independent, objective standpoint and to provide advice on human capital management, diversity promotion, and efforts toward the SDGs.



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.
June 2023 Outside Director, Nanto Bank (current position)
June 2024 Chairman of the Board, Kintetsu Miyako Hotels International, Inc. (current position)

In addition to his extensive experience as a corporate manager in business companies in the railway, real estate, and hotel industries, he has broad knowledge and deep insight into corporate organizational management and governance. At the Bank, we expect Mr. Nishimura to draw on his diverse management experience in business companies to provide advice that contributes to regional development and organization management that goes beyond the framework of a financial institution, and to supervise the Bank's management from an independent, objective standpoint.

(Note) Directors Kozue Nakayama, Takashi Nishimura and Yuuko Tahara, as well as Directors and Audit and Supervisory Board Members Yoshihiko Kasuya and Tomoyuki Fukumoto, are Outside Directors as defined in Article 2, Paragraph 15 of the Companies Act. All Outside Directors meet the Bank's "Independence Criteria" and have been reported to the Tokyo Stock Exchange, Inc. as independent officers.

Outside Director
Audit and Supervisory
Board Member

Tomoyuki Fukumoto

(Main concurrent positions)

Professor, Faculty of Economics, Osaka University of Economics
Outside Director, Audit and Supervisory Committee Member, Mitsui High-Tech Inc.

Apr. 1989 Joined the Bank of Japan
July 2010 Director, General Affairs Division, International Department, Bank of Japan
July 2011 Counselor, International Department, Bank of Japan
Oct. 2012 Head, Beijing Office, Bank of Japan
Sep. 2015 General Manager, Kitakyushu Branch, Bank of Japan
May 2017 Deputy Director, International Department, Head, Asia Relations, International Department, Bank of Japan
Jan. 2020 Director, International Bureau, Bank of Japan
Apr. 2021 Professor, Faculty of Economics, Osaka University of Economics (current position)
May 2021 Senior Fellow, Industrial Growth Platform, Inc. (current position)
Oct. 2021 Researcher, Tokyo Foundation Policy Research Institute
Apr. 2022 Outside Director, Audit and Supervisory Committee Member, Mitsui High-Tech Inc. (current position)
June 2025 Outside Director, Audit and Supervisory Committee Member, Nanto Bank (current position)

Mr. Fukumoto has served as General Manager, Kitakyushu Branch and Director-General, International Department, among other positions at the Bank of Japan. Since retiring from these positions, he has served as a university professor of economics and an Outside Director at a listed company. He has extensive experience and in-depth knowledge of finance and economics in general. As an Audit and Supervisory Committee Member at Nanto Bank, we expect him to draw on his specialized knowledge to provide independent, objective oversight of the Bank's management, including advice on ways of improving our internal controls.

Governance for Enhancing Corporate Value

— Directions for Nanto Bank's Audit and Supervisory Committee —

Two years since we made the transition to a company with an audit and supervisory committee, Committee members Shuhei Aoki, Yoshihiko Kasuya, and Koushi Okamoto joined President and CEO Satoshi Ishida in a discussion of the efforts and challenges they have faced to date.



A look back over the two years since transitioning to a company with an audit and supervisory committee

Ishida: Two years have passed since the Bank became a company with an audit and supervisory committee. Two of our outside Audit and Supervisory Committee members have been involved in building a new governance system from the beginning. How would you evaluate the Committee's performance over this period?

Aoki: The past two years have marked the Committee's formative period. While carrying out routine duties, we have aligned on the Committee's perspective and activities through active discussion.

I feel that we are steadily achieving our goal of strengthening governance by transitioning to a company with an audit and supervisory committee. I believe this is the result of exploring the proper role and nature of companies with an audit and supervisory committee and then tailoring our work to the Bank's circumstances. When it comes to on-site audits, for example, unlike the Audit Department, whose conventional approach focuses on pointing out deficiencies, we adopt an approach that uses the "on-site view as a mirror and examines the appropriateness of management decisions reflected there." We continue to support the shift in the Department's approach toward risk-based and management audits.

Along with the advancement of internal audits, we have put a system in place to examine the legality and

appropriateness of business operations conducted by the Board of Directors and directors. I would say we are at a stage where the role the Audit and Supervisory Committee is expected to play is beginning to take shape on the way to strengthening our governance.

Kasuya: I have served as an audit and supervisory committee member and as an auditor at two listed companies myself, and I can say from my own experience that there are significant differences between the two roles. The most notable difference is that audit and supervisory committee members participate in decision-making as directors. Their responsibilities are consequently greater, and they are motivated to implement robust audits and oversight. I would say that our Bank's transition to a company with an audit and supervisory committee two years ago was timely. The duties of the Audit and Supervisory Committee members are to conduct accounting and operations audits, but we take a broader view of operations audits. In light of the Bank's current situation, wide-ranging, growth-oriented area audits are in order. The Audit and Supervisory Committee also discusses the direction of sales strategies and other matters, rather than treating them solely as matters for the executives.

Okamoto: As a full-time member, I provide a briefing at each Audit and Supervisory Committee meeting on any findings I have made in my daily audits. We then spend time frankly exchanging opinions on what kind of audit and supervisory activities the committee should undertake and what we should communicate. The details of these briefings are later conveyed to the relevant executives and department heads, and I am mindful of fulfilling my role as a full-time member of the Bank to ensure that the findings from the committee meetings do not remain limited to the committee. While a company's executive departments often fall into the trap of focusing on short-term performance in their discussions, the Audit and Supervisory Committee strives to maintain a focus on the necessary conditions for the Bank to continue growing in the medium to long term, and this perspective is clearly expressed in its discussions.



We recognize, moreover, that the current state of internal audits at the Bank is a transition stage from "Stage 1" to "Stage 2", as indicated by the Financial Services Agency. Our policy is to complete the transition to Stage 2 during the period of our Medium-Term Management Plan, and then to work beyond it towards Stage 3.

The Audit and Supervisory Committee's primary role is to audit and supervise the execution of the Directors' duties. Its role in the internal control process, meanwhile, is to monitor operations, including the activities of the Internal Audit Department. We recognize, however, that supporting enhancement of the Internal Audit Department is also an important task for the time being, and we are working to realize this role in actual practice.

Relationship with the Board of Directors

Ishida: The Audit and Supervisory Committee members are Directors and, as such, attend the Board of Directors meetings. Oversight of the Board of Directors is an important function of the Audit and Supervisory Committee, so I expect them to pay close attention to the topics, content, and direction of the Board of Directors' discussions. Their perspective stresses sustaining the Bank's medium- to long-term growth. This means examining whether decisions necessary to ensure this growth are being made through appropriate processes, and whether any risks have been overlooked. As an Audit and Supervisory Committee member, how do you view the current status of the Bank's Board of Directors and the functioning of the Audit and Supervisory Committee with respect to the Board of Directors?

Aoki: In my view, the large proportion of outside members on our Board of Directors enables us to conduct constructive discussions that maintain an appropriate degree of tension with the Bank's executive management. Going forward, we will want to enhance the functioning of the Board of Directors further by increasing the time devoted to occasional separate opinion-exchange meetings. These meetings can help to bridge the gap when Outside Directors, unaware of discussions taking place among the executive managers, are suddenly confronted with unanticipated proposals with little time to consider them and find themselves having to express their opposition or support immediately. As for the function of the Audit and Supervisory Committee members at Board of Directors meetings, I think we need a better system of communicating to both the internal and external Directors that the Audit and Supervisory Committee is overseeing them. I don't think there are many matters that call for feedback from Committee members to the Board



of Directors, but I think it would be a good idea to establish channels within the Board of Directors for Committee members to convey their opinions and questions to the Board of Directors.

In this connection, the Chairman of the Board has taken a big step forward this fiscal year by providing our members with an opportunity to speak at the end of each Board of Directors meeting by asking if there is anything the Audit and Supervisory Committee would like to add.

It's normally fine for us to answer, "Nothing in particular," but we can provide feedback when we consider it necessary. It is significant that we now have this opportunity to send the message that "the Audit and Supervisory Committee

members are watching."

Kasuya: As is the case with other banks, discussions on accounting matters and the defensive aspects of operations at meetings of Nanto Bank's Board of Directors and Audit and Supervisory Committee are conducted on a higher level than in other industries.

For this reason, I think the Board of Directors could be energized further if the outside members, in particular, would make greater use of the various perspectives they bring from their different career paths in growth-oriented areas, rather simply relying on checks and balances as Audit and Supervisory Committee members or dividing the Bank into executive and auditing factions.

Whether it's the Audit and Supervisory Committee or the Board of Directors, Nanto Bank personnel, like others in its industry, are adept at conducting discussions on accounting matters and defensive operation strategies on a high level compared with organizations in other industries. In that sense, I think the Board of Directors could be further invigorated if the outside members, in particular, were to make greater use of the various perspectives they bring from their different career paths in areas related to offensive operations, rather than just using their checks and balances as Audit and Supervisory Committee members or dividing the company into executive and auditing sides.



Ishida: Although I'm the chief executive, I sometimes make comments resembling those of an Outside Director or Audit and Supervisory Committee member at Management Meetings. I might ask the executive officer in charge questions focusing on whether the review process leading up to the meeting was appropriate, for instance, or whether there were any problems with the controls. When a problem arises, moreover, I often question whether the solution can be limited to a superficial cause analysis and implementation of countermeasures without probing the root cause. Ultimately, of course, I fulfill my obligation as the chief executive to reach a conclusion, but in the process, I consider it important to maintain a balanced perspective like that of an Outside Director or an Audit and Supervisory Committee member. This is why I make a point of asking questions of the members participating in Management Meetings. The two outside Audit and Supervisory Committee members have accorded our Board of Directors a certain level of praise, but this is a never-ending process. If training themselves in this way can equip our internal Directors to incorporate the perspectives of Outside Directors and Audit and Supervisory Committee members into their discussions, Board of Directors' meetings will become even more dynamic.

The appropriate direction for the Audit and Supervisory Committee

Okamoto: Returning to a question raised earlier, what measures should the Audit and Supervisory Committee take to effectively communicate the message that "the Audit and Supervisory Committee is watching" at Board of Directors' meetings? One answer is for the Committee members, including the external Audit and Supervisory Committee members, to acquire a more accurate understanding of the Bank's actual circumstances. Another is to determine KPIs that are as quantitative as possible at audit points and monitor them to lend greater weight to our communications and make our audit activities more efficient. So, what do you think about all this?

Kasuya: Strengthening the Committee's functions will require the Audit and Supervisory Committee members themselves to acquire a deeper understanding of the workplace. Not only the full-time Audit and Supervisory Committee Chairman, but also the external Audit and Supervisory Committee members, must make use of on-site audits and other opportunities to listen to feedback from the workplace. Obtaining information about the actual concerns of each department at the branch offices and Head Office, and uncovering the true causes of these concerns, can provide important clues to reveal problems involving management policies or oversight. We need to increase our opinion exchanges with executives leading the execution, in particular. After acquiring a better understanding of their thinking, I would strive as an Audit and Supervisory Committee member to offer useful opinions from a different perspective.

Aoki: Even if the Audit and Supervisory Committee communicates its observations, it will not be fulfilling its role if its comments are too general or, conversely, too similar to internal discussions. Communicating meaningful information requires us to clarify the "external" opinions of the Outside Audit and Supervisory Committee members and the opinions of the full-time committee members who attend internal meetings, and to exert an influence on the themes and discussions of the Board of Directors.

Without dismissing the value of quantitative KPIs as tools, it is fair to say that simply setting quantitative KPIs may not make our understanding of actual conditions more accurate. Quantitative monitoring may seem to be more scientific and to make it easier to manage the audit process, but there is reason for concern that oversimplification can cause analysts to miss the point or result in box-ticking work.

While evaluation requires intellectual perseverance, we consider it best to build an understanding that does not rely solely on numbers and to ensure persuasiveness by communicating as specifically and qualitatively as possible.

Okamoto: I'd like to see us place importance on setting quantitative KPIs, pursuing qualitative causes, and uncovering empirical risks through dialogue with the audited departments.

The updated Medium-Term Management Plan implemented this fiscal year focuses on human capital, and we will consider and monitor the status of its success in "creating human capital who think and act independently to solve local issues," as well as KPIs we believe will lead to changes leading to progress in this area. In discussing the results of our monitoring with executive management and the relevant departments, we encourage them to make greater use of the PDCA cycle. This process is expected to lead to an Audit and Supervisory Committee that contributes to overseeing business execution and increasing corporate value.

Ishida: In connection with the Medium-Term Management Plan implemented this fiscal year, and as a route to "creation of human capital," when the Audit and Supervisory Committee conducts an audit, I would ask that you discuss the best way to examine the root causes of the problems the audited department is facing with your General Manager and Deputy Manager. This process will lead to the creation of human capital, especially management talent, and it should be the very essence of the audit. If the department under audit lacks the ability to analyze the root causes, moreover, I would like you to raise this as a management issue at the Board of Directors Meeting.



In closing

Okamoto: In our efforts to enhance the effectiveness of the Audit and Supervisory Committee, we will not only consider the future direction and initiatives suggested in this roundtable discussion by the individual Audit and Supervisory Committee members and the expectations of the President, but we will also stimulate discussion within the Audit and Supervisory Committee on key points for objectively evaluating activities' effectiveness. This will involve raising questions, such as, "Are the legal requirements for ensuring the independence of the Audit and Supervisory Committee being realized in practice?" and, "Is cooperation among the internal and external directors, the Internal Audit Department, and the accounting auditors being meaningfully achieved or treated as a mere formality?" We will also conduct humble self-evaluations and implement the PDCA cycle ourselves.

Upgrading our 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 concerned.

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.

■ 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.

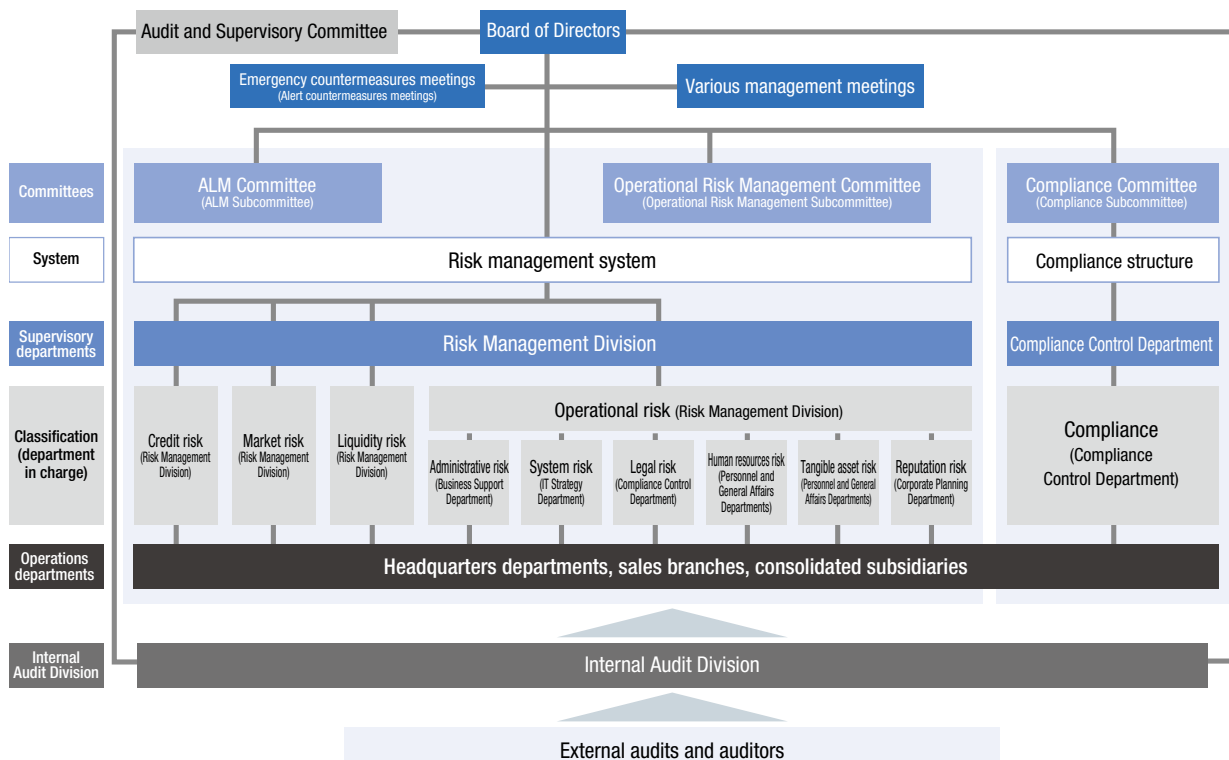
In our commitment to risk management, we have specified basic risk management policies through various directives, including our "Integrated Risk Management Regulations."

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



Crisis management system

Nanto Bank's risk management systems, discussed below, are reinforced by a Crisis Management Plan that is accompanied by a response manual for every type of crisis that might impact our business. The topics include natural disasters ranging from large-scale earthquakes and system failures to infectious disease epidemics. In the event of a crisis, the Emergency Countermeasures Meeting or Countermeasures Head Office gathers response information calibrated to the degree of the crisis and disseminates 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.

Responding to Diverse Risks

■ 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.

Nanto Bank Group’s Human Rights Policy

The Nanto Bank Group recognizes respect for human rights as an important management issue that must be properly addressed. To this end, we have formulated the Nanto Bank Group Human Rights Policy to assure that every Group member respects, protects, and promotes the human rights of all our stakeholders in every business activity.

Nanto Bank Group’s Human Rights Policy <https://www.nantobank.co.jp/company/sustainability/jinken.html>

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

Violations of laws and regulations or issues related to compliance and ethics involving the Bank or Group companies, 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.
(External contact) Name: Ohmine Law Office

[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

Whistleblower Hotline <https://www.nantobank.co.jp/hotline/>

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

Under the Information Asset Management Regulations, the director responsible for the IT Strategy Department serves as General Manager of the Computer Security Incident Response Team (CSIRT). The Nanto Bank CSIRT Meeting reviews progress on the medium-term roadmap and annual plans for cybersecurity, as well as the operating environment and related issues. Matters of special importance, such as changes in the Group-wide security architecture and the results and response policies generated from self-assessments concerning the establishment of a cybersecurity system, are discussed and reported at Management Meetings. The current status of cyberattacks and domestic and international trends are reported to the CSIRT General Manager and the Operational Risk Management Committee, meanwhile, as part of efforts to establish a cybersecurity system that can be led by management under normal circumstances.

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.

In-house Awareness

In light of recent technological advances, we are conducting online training for all our employees to improve their IT and security literacy. We are also conducting targeted email training for all our Group employees in response to recent trends in threats, monitoring responses to suspicious emails, and fostering a security mindset throughout the organization using training results and awareness-raising activities concerning threat trends.

Audit structure

The Audit Department and leading consulting firms conduct joint cybersecurity audits to ensure the implementation of advanced audits in accordance with recent trends in the threat environment surrounding financial institutions. After completing organizational and technical audits based on guidelines such as the "Cybersecurity Management Guidelines" (Ministry of Economy, Trade and Industry) and "CIS Controls" (US CIS), the Nanto Bank's CSIRT manages and continuously addresses any issues it identifies in its annual plan, while the Audit Department monitors the progress of these efforts to strengthen the Group's cybersecurity management systems.

Internal audit structure

Basic Internal Audit Policy

To ensure sound management and appropriate operations, our Basic Internal Audit Policy calls for an effective, independent audit framework that verifies and evaluates the appropriateness and effectiveness of internal controls and strengthens those controls through recommendations for improvement and other measures.

Internal Audit Structure

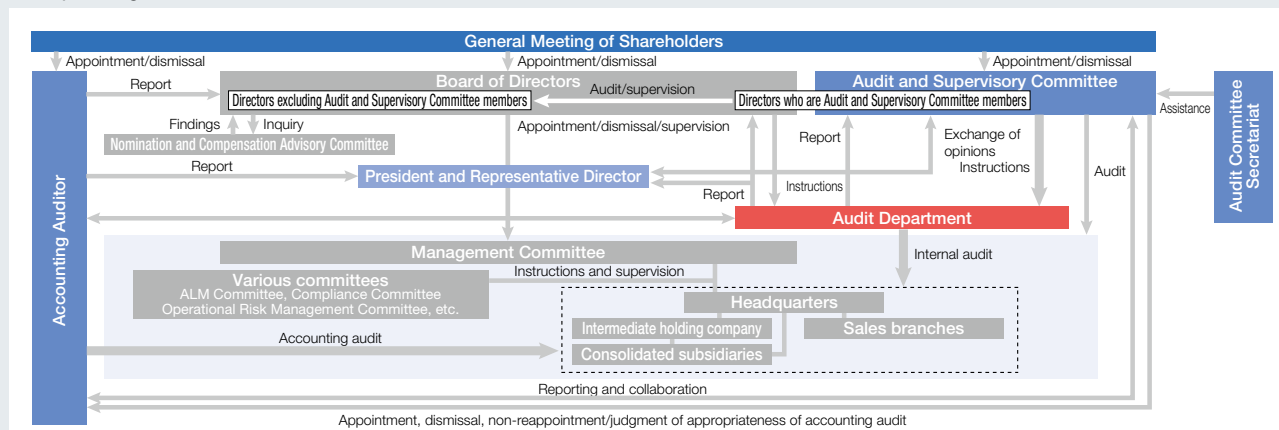
The Audit Department reports directly to the Board of Directors to ensure its independence to assure the sufficiency of checks and balances on audited departments. The Department strives to optimize its internal audits' effectiveness by conducting them rigorously with reference to the "Mid-Term Internal Audit Plan" approved by the Board of Directors and the "Internal Audit Plan," which formulates audit policies for each fiscal year.

Nanto Bank Group's Internal Audit

<https://www.nikkei.com/nkd/disclosure/tdnr/20250619593814/>

Corporate Governance Report, pages 12-13

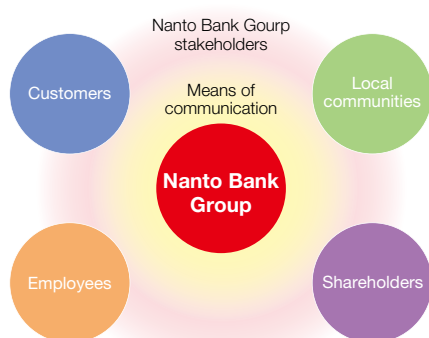
Corporate governance structure



Initiatives toward enhanced engagement with stakeholders

Basic concept

The Nanto Bank Group places particular importance on engagement with stakeholders. We listen sincerely to ideas and opinions expressed by everyone from our customers and shareholders to our employees and local community residents and respond appropriately to their requests. We are steadily implementing the Bank's Action Plan, while engaging in continuous dialogue and creating new value in cooperation with our stakeholders as an avenue to realizing sustainable management that grows with the community.



Stakeholders	Main issues and needs	Primary means of communication
Customers	Diversification and growing complexity of customer needs	Dialogue using customer feedback cards, etc.
Local communities	Sustainable local communities Developing human resources for the next generation within the community	- Crowdfunding - Donations through trusts - Financial and economic education - Volunteer river cleanup activities - Nanto Scholarship Society - Association for the Protection of Yoshino Cherry Blossoms "Magokoro no Issatsu" ("sincere book") campaign - Donation to the Nara Prefectural Council of Social Welfare - Nanto Bank Hockey Club
Employees	Ensuring a comfortable workplace environment Initiatives to reform work styles	- Increases in basic and starting salaries - Employee benefits, work environment, and diversity promotion
Shareholders	Timely and appropriate information disclosure Appropriate returns to shareholders Enhancement of corporate value	- IR meetings - General Meeting of Shareholders - Dialogue with institutional investors and analysts - Management briefings

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."

Our "Policy on Customer-oriented Business Operations" documents our commitment to helping customers achieve stable asset formation through our sales of financial products. Guided by this policy, we establish indicators (KPIs) to confirm the results of our 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."



Community engagement

We contribute to our communities through locally rooted activities.

Community financial literacy improvement activities



Hiroto Kiritani at a financial and economic education event in Nara



Lecture on "Finance for High School Students"

New Head Office tour for elementary school children

Children from an elementary school in Omiyacho, Nara City, visited our new Head Office for a workplace tour. They asked questions enthusiastically while touring the building and listened attentively to our employees' answers, furthering their understanding of the banking industry and Nanto Bank's history.



Food Bank donations

Group employees and executives joined forces to conduct a food drive organized to relieve truly hungry residents and reduce food waste. They brought 17 boxes of food from home for donation to single-parent households, children's cafeterias, welfare facilities, and other organizations in Nara Prefecture through Food Bank Nara.



Donations to the Nara Prefectural Social Welfare Council

On the occasion of our 70th anniversary in 2004, we made a donation to the Nara Prefectural Social Welfare Council as a contribution to the local community and its welfare improvement efforts. In fiscal year 2024, our 90th year, we donated 600,000 yen to the Council.

The annual donations are used to support the operation of children's cafeterias and to support volunteer groups' activities in Nara Prefecture.



Strengthening relationships with the community through social contributions

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 2025, the society had provided scholarship support for 1,524 students since its establishment in 1964.

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.

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 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.

Nanto Bank Group Investor Relations (IR) Activities

The Group seeks to provide shareholders and investors with the information they need to make knowledgeable investment decisions, including information on its financial status, management indicators, and management vision, in a continuous, fair, and easily understandable manner. We also actively engage in constructive dialogue with shareholders and investors through IR activities and incorporate many of their opinions into our management to enhance the Group's corporate value.

[IR Calendar]

Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
		● Financial results announcements	● First-quarter financial results announcement				● Second-quarter financial results announcement			● Third-quarter financial results announcement	
		● Financial results briefings					● Second-quarter financial results briefing				
		● Ordinary General Meeting of Shareholders									
			● Nanto Bank Report (Integrated Report) publication								
		● Mini-Disclosure magazine publication									

[Activities]

General Meeting of Shareholders	Financial results briefing (IR meeting)	Management briefing	Number of meetings with analysts and institutional investors
Total participants: 135 (including online)	Two meetings: 208 participants	Two meetings: 1,288 participants	28 meetings

[Responses Based on Dialogue with Shareholders and Investors]

Main topics and areas of interest

Specific measures to improve ROE
Target level for the capital adequacy ratio
Future policy on shareholder returns and capital strategy

Matters addressed through dialogue

Opinion	Would the Bank set a target capital adequacy ratio?
Response	In March 2025, the Medium-Term Management Plan set a target range of 11%–12% for the capital adequacy ratio.
Opinion	Please consider further enhancing returns to shareholders.
Response	In March 2025, the Bank announced a new policy on shareholder returns targeting a dividend payout ratio of 40% and allowing flexible share buybacks.

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

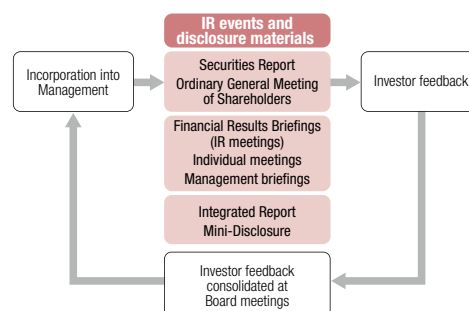
disseminate information widely by posting it on our website.

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.



Overview of the Nanto Bank Group (As of March 31, 2025)

■ Company profile

Name:	The Nanto Bank, Ltd.
Founded:	June 1, 1934
Head Office:	297-2 Omiyacho 4-chome, Nara City, Nara, Japan
Capital:	37,924.15 million yen
Total assets:	6,832.7 billion yen
Deposit balance:	5,880.0 billion yen
Loan balance:	4,493.2 billion yen
Loans to small and medium-sized enterprises:	1,613.1 billion yen
Domestic offices:	103 (64 in Nara Prefecture, including Internet branches, and 39 in other locations)
Employees:	2,267
Capital adequacy ratio:	11.31% (consolidated); 10.93% (non-consolidated)
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 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.

3. Liquidation of Nanto Business Services Co., Ltd. was completed on November 11, 2024.

(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 (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 (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.

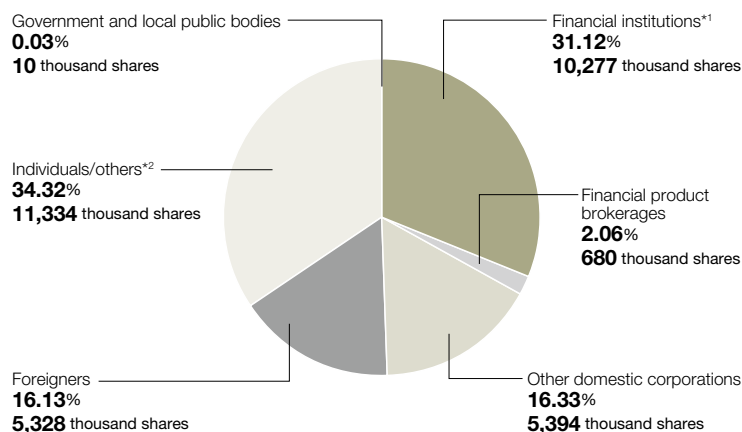
2. Nara Old Folk Town Development Partners Co. ("the Company") is owned by Nara Mirai Design Corporation, an equity-method affiliate of the Bank. Although the Bank holds less than 20/100 of the voting rights in Nara Mirai Design, it is an equity-method affiliate because the Bank has substantial influence over the company.

Current status of stock issuance

Total shares issued: 33,025 thousand

Number of shareholders: 17,092

Stock distribution by owner category



^{*1} Total of banks, trust banks, life insurance companies, non-life insurance companies, etc.

^{*2} Includes 1,495 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)* ¹	Ratio of number of shares owned to total number of shares issued (%) ^{*2}
The Master Trust Bank of Japan, Ltd. (trust account)	4,348	13.79
Custody Bank of Japan, Ltd. (trust account)	1,360	4.31
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,053	3.34
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	1,043	3.30
Nanto Bank Employee Stock Ownership Association	882	2.80
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	662	2.09
Daiwa Gas Co., Ltd.	469	1.48
JP MORGAN CHASE BANK 385781	420	1.33
Kitamura Forestry Co., Ltd.	418	1.32
STATE STREET BANK AND TRUST COMPANY 505223	407	1.29

(Note) ^{*1} The number of shares owned is rounded down to the nearest thousand.

^{*2} The percentage of shares held is calculated excluding treasury stock (1,495 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 (125 thousand shares).

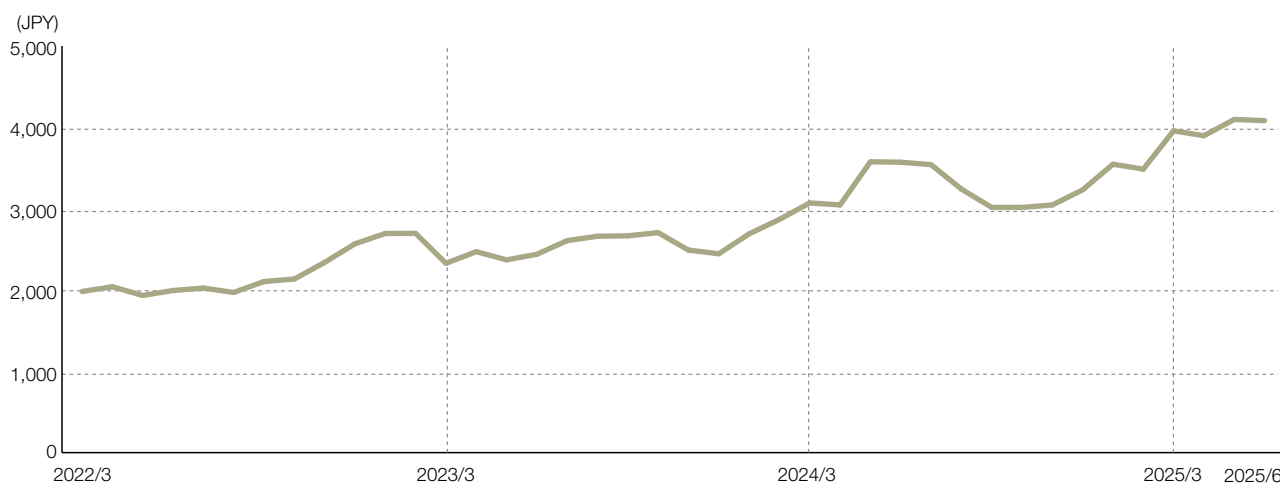
Total shareholder returns (TSR)

	Mar. 2023	Mar. 2024	Mar. 2025
Nanto Bank (%)	117.8	156.1	203.4
TOPIX (including dividend) (%)	153.3	216.7	213.4

Dividends per share / Dividend payout ratio

	Mar. 2023	Mar. 2024	Mar. 2025
Dividends per share (yen)	113.00	114.00	170.00
Consolidated dividend payout ratio (%)	76.4	30.0	39.6

Nanto Bank stock price trends



Consolidated Financial Statements

• Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Assets:			
Cash and due from banks (Notes 23 and 25)	¥ 678,270	¥ 963,526	\$ 4,536,316
Call loans and bills bought (Note 25)	—	1,892	—
Debt purchased (Notes 25 and 26)	661	1,494	4,420
Money held in trust (Notes 25 and 26)	15,510	40,967	103,731
Securities (Notes 9, 10, 11, 14, 25 and 26)	1,549,089	1,461,095	10,360,413
Loans and bills discounted (Notes 10, 11, 12 and 25)	4,465,125	4,170,554	29,863,061
Foreign exchanges (Note 10)	1,833	1,225	12,259
Lease receivables and lease investment assets (Note 11)	30,494	28,239	203,945
Other assets (Notes 10, 11 and 15)	56,418	79,357	377,327
Tangible fixed assets (Note 13)	49,062	41,795	328,130
Buildings	19,996	10,877	133,734
Land	23,777	23,782	159,022
Construction in progress	779	3,512	5,210
Other tangible fixed assets	4,510	3,622	30,163
Intangible fixed assets	4,969	4,842	33,233
Software	4,527	4,397	30,276
Other intangible fixed assets (Note 11)	441	444	2,949
Deferred tax assets (Note 29)	18,659	6,278	124,792
Customers' liabilities for acceptances and guarantees (Note 10)	6,999	7,216	46,809
Reserve for possible loan losses (Notes 3 and 25)	(23,866)	(21,430)	(159,617)
Total assets	¥ 6,853,227	¥ 6,787,056	\$ 45,834,851
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 11 and 25)	¥ 5,868,778	¥ 5,797,765	\$ 39,250,789
Negotiable certificates of deposit (Note 25)	32,107	5,738	214,733
Payables under securities lending transactions (Notes 11 and 25)	300,642	253,137	2,010,714
Borrowed money (Notes 11, 25 and 34)	301,745	355,656	2,018,091
Foreign exchanges	664	797	4,440
Borrowed money from trust account	3,630	4,104	24,277
Other liabilities (Note 34)	49,384	51,073	330,283
Liability for retirement benefits (Note 28)	10,132	11,680	67,763
Reserve for reimbursement of deposits	163	190	1,090
Reserve for contingent losses	1,027	926	6,868
Reserve for share-based payment	140	123	936
Reserve under special laws	3	3	20
Deferred tax liabilities (Note 29)	11	11	73
Acceptances and guarantees	6,999	7,216	46,809
Total liabilities	¥ 6,575,432	¥ 6,488,425	\$ 43,976,939
Net assets (Note 7):			
Common stock: Authorized 64,000 thousand shares in 2025 and 2024			
Issued 33,025 thousand shares in 2025 and 2024	¥ 37,924	¥ 37,924	\$ 253,638
Capital surplus	34,749	34,749	232,403
Retained earnings	218,089	208,825	1,458,594
Less treasury stock: Issued 1,620 thousand shares in 2025 and			
1,270 thousand shares in 2024	(4,613)	(3,413)	(30,852)
Total stockholders' equity	286,149	278,085	1,913,784
Valuation difference on available-for-sale securities (Note 26)	(15,267)	14,232	(102,106)
Deferred gains or losses on hedges (Note 27)	6,279	6,575	41,994
Accumulated adjustments for retirement benefits (Note 28)	633	(262)	4,233
Total accumulated other comprehensive income	(8,354)	20,545	(55,872)
Total net assets	277,795	298,631	1,857,911
Total liabilities and net assets	¥ 6,853,227	¥ 6,787,056	\$ 45,834,851

See Notes to Consolidated Financial Statements.

• Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Fiscal Years Ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Ordinary income (Note 15):	¥ 103,085	¥ 85,736	\$ 689,439
Interest income	66,885	50,795	447,331
Interest on loans and bills discounted	43,339	37,271	289,854
Interest and dividends on securities	19,449	10,241	130,076
Interest on call loans and bills bought	215	38	1,437
Interest on deposits with banks	1,964	1,172	13,135
Other interest income	1,917	2,070	12,821
Trust fees	25	28	167
Fees and commissions	26,885	25,652	179,808
Other operating income (Note 16)	3,530	2,787	23,608
Other income	5,758	6,473	38,509
Reversal of reserve for possible loan losses	—	913	—
Recovery of written-off claims	282	304	1,886
Other (Note 17)	5,476	5,255	36,623
Ordinary expenses:	83,411	69,105	557,858
Interest expense	11,080	7,858	74,103
Interest on deposits	3,758	285	25,133
Interest on negotiable certificates of deposit	66	1	441
Interest on call money and bills sold	50	4	334
Interest on payables under securities lending transactions	4,704	4,565	31,460
Interest on borrowings and rediscounts	2,426	2,971	16,225
Other interest expense	73	30	488
Fees and commissions	15,373	14,327	102,815
Other operating expenses (Note 18)	7,291	3,686	48,762
General and administrative expenses (Note 19)	44,262	40,516	296,027
Other expenses	5,402	2,716	36,128
Provision of reserve for possible loan losses	2,490	—	16,653
Other (Note 20)	2,912	2,716	19,475
Ordinary profit	19,674	16,631	131,581
Extraordinary income:	0	112	0
Gain on disposal of non-current assets	0	112	0
Extraordinary losses:	191	118	1,277
Loss on disposal of non-current assets	100	115	668
Impairment loss (Note 21)	90	2	601
Provision of reserve for financial instruments transaction liabilities	0	0	0
Income before income taxes	19,483	16,625	130,303
Income taxes (Note 29):			
Current	6,191	5,906	41,405
Deferred	(218)	(1,318)	(1,457)
Total income taxes	5,972	4,587	39,941
Net income	13,510	12,037	90,355
Net income attributable to owners of parent	¥ 13,510	¥ 12,037	\$ 90,355
Yen		U.S. dollars (Note 1)	
Per share of common stock:			
Net income - basic (Note 32)	¥ 429.02	¥ 379.08	\$ 2.86
Dividends (Note 7)	170.00	114.00	1.13

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net income	¥ 13,510	¥ 12,037	\$ 90,355
Other comprehensive income (loss) (Note 22):			
Valuation difference on available-for-sale securities	(29,499)	20,770	(197,291)
Deferred gains (losses) on hedges	(295)	6,480	(1,972)
Adjustments for retirement benefits (Note 28)	896	135	5,992
Total other comprehensive income (loss)	(28,899)	27,385	(193,278)
Total comprehensive income (loss) for the year	¥ (15,388)	¥ 39,423	\$ (102,915)
Total comprehensive income (loss) attributable to:			
Owners of parent	¥ (15,388)	¥ 39,423	\$ (102,915)

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, 2025 and 2024

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, 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 April 1, 2024	33,025	¥ 37,924	¥ 34,749	¥ 208,825	¥ (3,413)	¥ 14,232	¥ 6,575	¥ (262)	¥ 298,631	
Cash dividends				(4,246)					(4,246)	
Net income attributable to owners of parent				13,510					13,510	
Purchase of treasury stock					(1,221)				(1,221)	
Disposition of treasury stock			0		21				21	
Transfer from retained earnings to capital surplus									—	
Net changes in items other than stockholders' equity						(29,499)	(295)	896	(28,899)	
Balance at March 31, 2025 (Note 7)	33,025	¥ 37,924	¥ 34,749	¥ 218,089	¥ (4,613)	¥ (15,267)	¥ 6,279	¥ 633	¥ 277,795	

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, 2024	\$ 253,638	\$ 232,403	\$ 1,396,635	\$ (22,826)	\$ 95,184	\$ 43,974	\$ (1,752)	\$ 1,997,264	
Cash dividends			(28,397)					(28,397)	
Net income attributable to owners of parent			90,355					90,355	
Purchase of treasury stock				(8,166)				(8,166)	
Disposition of treasury stock		0		140				140	
Transfer from retained earnings to capital surplus								—	
Net changes in items other than stockholders' equity					(197,291)	(1,972)	5,992	(193,278)	
Balance at March 31, 2025 (Note 7)	\$ 253,638	\$ 232,403	\$ 1,458,594	\$ (30,852)	\$ (102,106)	\$ 41,994	\$ 4,233	\$ 1,857,911	

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities			
Income before income taxes	¥ 19,483	¥ 16,625	\$ 130,303
Depreciation.....	4,294	3,507	28,718
Impairment loss.....	90	2	601
Share of loss (profit) of entities accounted for using equity method.....	(7)	22	(46)
Increase (decrease) in reserve for possible loan losses	2,436	(2,031)	16,292
Increase (decrease) in liability for retirement benefits	(248)	(40)	(1,658)
Increase (decrease) in reserve for reimbursement of deposits	(26)	113	(173)
Increase (decrease) in reserve for contingent losses	100	94	668
Increase (decrease) in reserve for share-based payment	16	26	107
Interest income	(66,885)	(50,795)	(447,331)
Interest expense.....	11,080	7,858	74,103
Loss (gain) on securities	(1,864)	(4,229)	(12,466)
Loss (gain) on money held in trust	828	(47)	5,537
Foreign exchange losses (gains)	2,008	(15,614)	13,429
Losses (gains) on sales of fixed assets	100	2	668
Net decrease (increase) in loans and bills discounted	(294,570)	(226,166)	(1,970,104)
Net increase (decrease) in deposits	71,013	82,099	474,939
Net increase (decrease) in negotiable certificates of deposit	26,368	(2,401)	176,350
Net increase (decrease) in borrowed money.....	(53,911)	(833)	(360,560)
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)...	287	(81)	1,919
Net decrease (increase) in call loans and bills bought	2,725	(1,883)	18,224
Net increase (decrease) in payables under securities lending transactions ...	47,505	113,975	317,716
Net decrease (increase) in foreign exchange assets.....	(608)	129	(4,066)
Net increase (decrease) in foreign exchange liabilities	(132)	(9)	(882)
Net decrease (increase) in lease receivables and lease investment assets....	(2,380)	(2,224)	(15,917)
Net increase (decrease) in borrowed money from trust account	(473)	(555)	(3,163)
Interest received.....	66,422	48,730	444,234
Interest paid	(10,638)	(6,819)	(71,147)
Other	17,459	16,099	116,766
Subtotal	(159,525)	(24,444)	(1,066,914)
Income taxes paid.....	(8,375)	(1,659)	(56,012)
Net cash used in operating activities	(167,901)	(26,104)	(1,122,933)
Cash flows from investing activities			
Purchase of securities	(419,585)	(387,317)	(2,806,213)
Proceeds from sales of securities	235,290	230,795	1,573,635
Proceeds from maturities of securities	59,597	66,979	398,588
Increase in money held in trust	(8,540)	(4,843)	(57,116)
Decrease in money held in trust	33,429	7,334	223,575
Purchase of tangible fixed assets	(10,117)	(3,090)	(67,663)
Proceeds from sales of tangible fixed assets	23	181	153
Purchase of intangible fixed assets.....	(1,620)	(1,785)	(10,834)
Payments for asset retirement obligations	—	(2)	—
Proceeds from sales of intangible fixed assets.....	37	—	247
Other	(137)	(119)	(916)
Net cash used in investing activities.....	(111,621)	(91,867)	(746,528)
Cash flows from financing activities			
Dividends paid	(4,245)	(3,593)	(28,390)
Purchase of treasury stock.....	(1,221)	(4)	(8,166)
Other	21	9	140
Net cash used in financing activities	(5,445)	(3,589)	(36,416)
Effect of exchange rate changes on cash and cash equivalents.....	0	0	0
Net increase (decrease) in cash and cash equivalents.....	(284,968)	(121,560)	(1,905,885)
Cash and cash equivalents at beginning of year	961,599	1,083,159	6,431,239
Cash and cash equivalents at end of year (Note 23)	¥ 676,630	¥ 961,599	\$ 4,525,347

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

■ Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries

Fiscal Years Ended March 31, 2025 and 2024

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, 2025, which was ¥149.52 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 ten (eleven in 2024) subsidiaries at March 31, 2025.

(Changes in scope of consolidation)

In the fiscal year ended March 31, 2025, Nanto Business Service Co., Ltd. was excluded from the scope of consolidation due to the completion of its liquidation.

The Bank has six (five in 2024) unconsolidated subsidiaries in the fiscal year ended March 31, 2025, 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, Nara Mirai Forestry Co., Ltd. and Nanto CVC No. 4 Sakigake Investment Limited Partnership. 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, 2025, Nanto CVC No. 4 Sakigake Investment Limited Partnership became an unconsolidated subsidiary due to its new establishment on February 28, 2025.

In the fiscal year ended March 31, 2024, Nara Mirai Forestry Co., Ltd. became an unconsolidated subsidiary due to its new establishment. The Bank had three (three in 2024) affiliates over which it had the ability to exercise significant influence over operating and financial policies in the fiscal year ended March 31, 2025, 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.

The Bank has six (five in 2024) unconsolidated subsidiaries that are not accounted for using the equity method in the fiscal year ended March 31, 2025, 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, Nara Mirai Forestry Co., Ltd. and Nanto CVC No. 4 Sakigake Investment Limited Partnership. The Bank also had five (five in 2024) affiliates not accounted for by the equity method, Nanto CVC Investment Limited Partnership, Nanto CVC No. 2 Investment Limited Partnership, 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, 2025, Nanto CVC No. 4 Sakigake Investment Limited Partnership became an unconsolidated subsidiary that is not accounted for using the equity method due to its new establishment on February 28, 2025.

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.

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, 2025 and 2024 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.

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 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, 2025 and 2024, the deducted amounts were ¥5,955 million (\$39,827 thousand) and ¥6,572 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.

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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 subsidiary 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" (Accounting Standards Board of Japan ("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, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Reserve for possible loan losses	¥ 23,866	¥ 21,430	\$ 159,617

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, 2025, although the employment and income environment showed moderate recovery against the backdrop of the accommodative financial environment, uncertainty is growing due to the termination of the COVID-19-related subsidies, inflation, and geopolitical risks in foreign countries.

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.

(c) The impact on the consolidated financial statements for the next fiscal year

The uncertainties of the material estimates, such as 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, changes in geopolitical situations, and effects of foreign exchange rate, are included in the major assumptions used for the calculation of the amount of the reserve for possible loan losses.

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 which affect the economy occur, 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, 2025

Application of Accounting Standard for Current Income Taxes, etc.

The Group has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Accounting Standard for Income Taxes, etc.") since the beginning of the fiscal year ended March 31, 2025.

For the revision on the accounting classification of income taxes (taxation on other comprehensive income), the Group follows the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Accounting Standard for Income Taxes, etc. and the transitional treatment prescribed in the proviso of Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022). This change has no impact on the consolidated financial statements.

Fiscal year ended March 31, 2024

There was no information to be reported on changes in accounting policies.

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5. STANDARDS AND GUIDANCE NOT YET ADOPTED

The following standards and guidance were issued but not yet adopted.

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)
- Other related accounting standards, implementation guidance, practical solutions, and transferred guidance

(1) Overview

These standards and guidance prescribe the accounting treatment for recording assets and liabilities for all leases held by lessees in the same manner as international accounting standards.

(2) Effective date

The Group is scheduled to apply the standards and guidance from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of the application of the standards and guidance

The Group is currently evaluating the effects of the application of the “Accounting Standard for Leases,” other standards and guidance on the consolidated financial statements.

- “Practical Guidelines on Accounting for Financial Instruments” (ASBJ Transferred Guidance No. 9, March 11, 2025)

(1) Overview

This guidance prescribes the accounting treatment for interests in venture capital funds held by listed companies and other entities, which is particularly limited to the scope of equity securities with no market price that are component assets of partnerships, etc. equivalent to venture capital funds

(2) Effective date

The Group is scheduled to apply the guidance from the beginning of the fiscal year ending March 31, 2027.

(3) Effects of the application of the guidance

The Group is currently evaluating the effects of the application of the “Practical Guidelines on Accounting for Financial Instruments” on the consolidated financial statements.

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, 2025 and 2024 was ¥330 million (\$2,207 thousand) and ¥134 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, 2025 and 2024 were 125 thousand and 68 thousand, respectively, and the average numbers of shares during the fiscal years ended March 31, 2025 and 2024 were 103 thousand and 69 thousand, respectively.
- The numbers of shares at the end of the fiscal years ended March 31, 2025 and 2024 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, 2025 and 2024

	(Thousands of shares)				Remarks
	2025				
	April 1, 2024	Increase	Decrease	March 31, 2025	
Shares issued					
Common stock.....	33,025	—	—	33,025	
Total.....	33,025	—	—	33,025	
Treasury stock					
Common stock.....	1,270	360	10	1,620	Notes 1, 2 & 3
Total.....	1,270	360	10	1,620	

Notes: 1. The number of shares of treasury stock as of March 31, 2025 includes 125 thousand shares of the Bank's stock held by the Director Remuneration BIP Trust.
2. The increase of 360 thousand shares in common stock of treasury stock is attributable to an increase of 291 thousand shares due to the acquisition of treasury stock pursuant to the resolution by the Board of Directors held on May 10, 2024, an increase of 67 thousand shares due to the acquisition of the Bank's shares by the Director Remuneration BIP Trust, and an increase of 1 thousand shares due to the purchase of shares of less than one unit.
3. The decrease of 10 thousand shares in common stock of treasury stock is attributable to a decrease of 10 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
	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.

(2) Stock acquisition rights

Fiscal years ended March 31, 2025 and 2024

Not applicable.

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended 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	Cash dividends per share	Record date	Effective date
Annual stockholders' meeting held on June 27, 2024	Common stock	¥ 2,354 (\$ 15,743)	¥ 74.00 (\$ 0.49)	March 31, 2024	June 28, 2024
Board of Directors' meeting held on November 11, 2024	Common stock	¥ 1,891 (\$ 12,647)	¥ 60.00 (\$ 0.40)	September 30, 2024	December 5, 2024

Notes: 1. Aggregate amount of dividends resolved by the Annual stockholders' meeting on June 27, 2024 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 11, 2024 includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥12 million (\$80 thousand).

(b) Dividends paid in the fiscal year ended March 31, 2024

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, 2023	Common stock	¥ 2,323	¥ 73.00	March 31, 2023	June 30, 2023
Board of Directors' meeting held on November 13, 2023	Common stock	¥ 1,272	¥ 40.00	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.
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.

(c) Dividends to be paid in the fiscal year ending March 31, 2026

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, 2025	Common stock	¥ 3,468 (\$ 23,194)	Retained earnings	¥ 110.00 (\$ 0.73)	March 31, 2025	June 30, 2025

Note: Aggregate amount of dividends includes dividends for the Bank's shares held by the Director Remuneration BIP Trust of ¥13 million (\$86 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, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Investments in capital	¥ 5,833	¥ 4,842	\$ 39,011

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, 2025 and 2024. 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
	2025	2024	2025
Bankrupt or quasi-bankrupt claims	¥ 4,397	¥ 4,053	\$ 29,407
Doubtful claims	50,394	46,266	337,038
Claims past due for three months or more	438	275	2,929
Restructured claims	6,581	7,430	44,014
Total	¥ 61,812	¥ 58,026	\$ 413,402

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 ¥8,497 million (\$56,828 thousand) and ¥13,216 million at March 31, 2025 and 2024, respectively.

Regarding loan participation and based on the "Accounting Treatment and Presentation of Loan Participation" (ASBJ Transferred Guidance No. 1, July 1, 2024), 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 ¥3,914 million (\$26,177 thousand) and ¥2,600 million at March 31, 2025 and 2024, respectively.

11. PLEDGED ASSETS

Assets pledged as collateral at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Assets pledged as collateral:			
Securities	¥ 572,446	¥ 549,513	\$ 3,828,558
Loans and bills discounted	79,282	116,466	530,243
Other assets	176	178	1,177
Liabilities corresponding to assets pledged as collateral:			
Deposits	57,590	68,031	385,165
Payables under securities lending transactions	300,642	253,137	2,010,714
Borrowed money	291,997	344,056	1,952,895

In addition to the above, the following was pledged as collateral for transaction guarantees or as a substitute for margin money for forward transactions.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Other assets	¥ 2,435	¥ 21,662	\$ 16,285

The following was pledged as collateral for borrowed money of ¥761 million (\$5,089 thousand) and ¥1,325 million at March 31, 2025 and 2024, respectively.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unexpired lease contract claims	¥ 1,423	¥ 1,830	\$ 9,517

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
	2025	2024	2025
Initial margins of future markets	¥ 1,059	¥ 983	\$ 7,082
Security deposits	1,020	969	6,821
Key money	441	444	2,949

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, 2025 and 2024 were ¥1,025,155 million (\$6,856,306 thousand) and ¥997,815 million, respectively, and the amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time at March 31, 2025 and 2024 were ¥934,219 million (\$6,248,120 thousand) and ¥916,863 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 ¥44,977 million (\$300,809 thousand) and ¥43,574 million at March 31, 2025 and 2024, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥770 million (\$5,149 thousand) and ¥770 million at March 31, 2025 and 2024, respectively. For the fiscal years ended March 31, 2025 and 2024, 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 ¥45,006 million (\$301,003 thousand) and ¥40,852 million at March 31, 2025 and 2024, 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, 2025 and 2024 was as follows:

Millions of yen					
2025					
	Reportable segments			Total	
	Banking	Leasing	Other		
Fees and commissions	¥ 8,676	¥ —	¥ 2,442	¥	11,119
Deposit and loan services	1,919	—	—		1,919
Exchange services	2,170	—	—		2,170
Trust related services	130	—	—		130
Securities related services	—	—	543		543
Agency services	2,658	—	—		2,658
Custody and safe deposit box services	212	—	—		212
Guarantee services	—	—	—		—
Other	1,585	—	1,899		3,484
Ordinary income from contracts with customers	¥ 8,676	¥ —	¥ 2,442	¥	11,119
Ordinary income other than the above	79,663	11,317	985		91,966
Ordinary income from outside customers	¥ 88,339	¥ 11,317	¥ 3,428	¥	103,085

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

Thousands of U.S. dollars					
2025					
	Reportable segments			Total	
	Banking	Leasing	Other		
Fees and commissions	\$ 58,025	\$ —	\$ 16,332	\$	74,364
Deposit and loan services	12,834	—	—		12,834
Exchange services	14,513	—	—		14,513
Trust related services	869	—	—		869
Securities related services	—	—	3,631		3,631
Agency services	17,776	—	—		17,776
Custody and safe deposit box services	1,417	—	—		1,417
Guarantee services	—	—	—		—
Other	10,600	—	12,700		23,301
Ordinary income from contracts with customers	\$ 58,025	\$ —	\$ 16,332	\$	74,364
Ordinary income other than the above	532,791	75,688	6,587		615,074
Ordinary income from outside customers	\$ 590,817	\$ 75,688	\$ 22,926	\$	689,439

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 ¥521 million (\$3,484 thousand) and ¥528 million as of March 31, 2025 and 2024, respectively, was included in other assets.

16. OTHER OPERATING INCOME

For the fiscal years ended March 31, 2025 and 2024, other operating income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gain on foreign exchange transactions	¥ 2,928	¥ 1,544	\$ 19,582
Gains on sales of bonds	469	1,134	3,136
Other	132	108	882
Total	¥ 3,530	¥ 2,787	\$ 23,608

17. OTHER INCOME

For the fiscal years ended March 31, 2025 and 2024, "other" under other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gains on sales of stocks and other securities.....	¥ 4,563	¥ 3,902	\$ 30,517
Other	912	1,352	6,099
Total	¥ 5,476	¥ 5,255	\$ 36,623

18. OTHER OPERATING EXPENSES

For the fiscal years ended March 31, 2025 and 2024, other operating expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Losses on financial derivatives	¥ 4,713	¥ 3,478	\$ 31,520
Losses on sales of bonds	2,574	207	17,215
Other	4	0	26
Total	¥ 7,291	¥ 3,686	\$ 48,762

19. GENERAL AND ADMINISTRATIVE EXPENSES

For the fiscal years ended March 31, 2025 and 2024, general and administrative expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Salaries and allowances.....	¥ 19,942	¥ 19,105	\$ 133,373
Retirement benefit costs	1,403	1,483	9,383
Other	22,917	19,927	153,270
Total	¥ 44,262	¥ 40,516	\$ 296,027

20. OTHER EXPENSES

For the fiscal years ended March 31, 2025 and 2024, "other" under other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Write-offs of loans.....	¥ 971	¥ 1,275	\$ 6,494
Losses on sales of stocks and other securities	576	507	3,852
Other	1,364	933	9,122
Total	¥ 2,912	¥ 2,716	\$ 19,475

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21. IMPAIRMENT LOSS

Fiscal year ended March 31, 2025

The Group reports impairment losses for the following asset groups.

Region	Principle use	Type	Millions of yen		Thousands of U.S. dollars	
			Impairment loss			
Nara Prefecture - inside	5 business stores	Buildings, etc.	¥	89	\$	595
Nara Prefecture - inside	1 business store	Software		0		0
Total			¥	90	\$	601

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 ¥90 million (\$601 thousand) 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 2.7%.

Fiscal year ended March 31, 2024

There was no significant item to be reported.

22. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the fiscal years ended March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Valuation difference on available-for-sale securities:			
Gains (losses) incurred during the year	¥ (38,504)	¥ 29,442	\$ (257,517)
Reclassification adjustments to net income	(3,432)	524	(22,953)
Amount before income taxes and tax effect	(41,936)	29,966	(280,470)
Income taxes and tax effect	12,436	(9,196)	83,172
Valuation difference on available-for-sale securities	(29,499)	20,770	(197,291)
Deferred gains (losses) on hedges			
Gains (losses) incurred during the year	1,409	11,299	9,423
Reclassification adjustments to net income	(1,834)	(1,988)	(12,265)
Amount before income taxes and tax effect	(425)	9,310	(2,842)
Income taxes and tax effect	129	(2,830)	862
Deferred gains (losses) on hedges	(295)	6,480	(1,972)
Adjustments for retirement benefits:			
Gains (losses) incurred during the year	1,171	0	7,831
Reclassification adjustments to net income	128	194	856
Amount before income taxes and tax effect	1,299	194	8,687
Income taxes and tax effect	(403)	(59)	(2,695)
Adjustments for retirement benefits	896	135	5,992
Total other comprehensive income (loss)	¥ (28,899)	¥ 27,385	\$ (193,278)

23. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2025 and 2024 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
	2025	2024	2025
Cash and due from banks on the consolidated balance sheets.....	¥ 678,270	¥ 963,526	\$ 4,536,316
Current deposits due from banks.....	(4)	(117)	(26)
Time deposits due from banks.....	(600)	(600)	(4,012)
Other due from banks.....	(1,035)	(1,209)	(6,922)
Cash and cash equivalents on the consolidated statements of cash flows.....	¥ 676,630	¥ 961,599	\$ 4,525,347

24. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Due within one year	¥ 136	¥ 154	\$ 909
Due after one year	591	711	3,952
Total.....	¥ 728	¥ 865	\$ 4,868

As lessor

Future minimum lease receipts under operating leases which were not cancelable at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Due within one year	¥ 33	¥ 33	\$ 220
Due after one year	58	88	387
Total.....	¥ 92	¥ 122	\$ 615

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Status of financial instruments

(1) Policy on financial instruments

The Group is composed of the Bank, its ten (eleven in 2024) consolidated subsidiaries and its three (three in 2024) 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.

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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) and the correlation of risk categories are considered.

At March 31, 2025, the Group's total market risk (decrease in estimated economic value) was ¥68,757 million (\$459,851 thousand) (¥68,484 million in 2024). 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, 2025 and 2024. 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
2025			
Money held in trust (*1)	¥ 15,510	¥ 15,510	¥ —
Securities (*1)			
Held-to-maturity debt securities	45,106	44,900	(206)
Available-for-sale securities	1,480,809	1,480,809	—
Loans and bills discounted	4,465,125		
Reserve for possible loan losses (*2)	(20,836)		
	4,444,289	4,386,174	(58,114)
Total assets	¥ 5,985,715	¥ 5,927,394	¥ (58,321)
Deposits	¥ 5,868,778	¥ 5,867,172	¥ (1,606)
Borrowed money	301,745	301,687	(58)
Total liabilities	¥ 6,170,523	¥ 6,168,859	¥ (1,664)
Derivative transactions (*3)			
Hedge accounting not applied	¥ 2,560	¥ 2,560	¥ —
Hedge accounting applied	9,213	9,213	—
Total derivative transactions	¥ 11,774	¥ 11,774	¥ —
2024			
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	10,095	10,095	—
Total derivative transactions	¥ 7,068	¥ 7,068	¥ —

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Thousands of U.S. dollars			
2025			
	Carrying amount	Fair value	Difference
Money held in trust (*1)	\$ 103,731	\$ 103,731	\$ —
Securities (*1)			
Held-to-maturity debt securities	301,672	300,294	(1,377)
Available-for-sale securities	9,903,752	9,903,752	—
Loans and bills discounted	29,863,061		
Reserve for possible loan losses (*2)	(139,352)		
	29,723,709	29,335,032	(388,670)
Total assets	\$ 40,032,871	\$ 39,642,817	\$ (390,054)
Deposits	\$ 39,250,789	\$ 39,240,048	\$ (10,741)
Borrowed money	2,018,091	2,017,703	(387)
Total liabilities	\$ 41,268,880	\$ 41,257,751	\$ (11,128)
Derivative transactions (*3)			
Hedge accounting not applied	\$ 17,121	\$ 17,121	\$ —
Hedge accounting applied	61,617	61,617	—
Total derivative transactions	\$ 78,745	\$ 78,745	\$ —

(*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.

(Note 1) The carrying amount of equity securities, etc., with no market price and investments in partnerships as of March 31, 2025 and 2024 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		Thousands of U.S. dollars
	Millions of yen		2025
	2025	2024	
Unlisted equity securities (*1) (*2)	¥ 1,507	¥ 1,496	\$ 10,078
Investments in partnerships (*3)	21,665	20,443	144,897

(*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) No impairment loss was recognized for the fiscal year ended March 31, 2025, while the Group recognized impairment loss of ¥91 million on unlisted equity securities for the fiscal year ended March 31, 2024.

(*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					
	2025					
	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	¥ 626,467	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	—	—	—	—	—	—
Debt purchased	661	—	—	—	—	—
Securities	19,599	49,144	151,229	89,220	312,695	240,078
Held-to-maturity debt securities	13,360	21,682	8,869	1,194	—	—
Bonds	13,360	21,682	8,869	1,194	—	—
Available-for-sale securities with contractual maturities	6,239	27,461	142,360	88,025	312,695	240,078
Japanese government bonds	—	—	29,000	15,000	165,000	43,000
Japanese local government bonds	5,435	6,140	57,772	62,906	136,976	882
Corporate bonds	804	6,369	53,692	400	1,000	113,455
Other	—	14,952	1,895	9,718	9,718	82,740
Loans and bills discounted (*)	533,427	801,820	671,813	432,945	521,259	1,070,988
Total	¥ 1,180,156	¥ 850,964	¥ 823,042	¥ 522,165	¥ 833,955	¥ 1,311,066

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

Thousands of U.S. dollars

2025

	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.....	\$ 4,189,854	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought.....	—	—	—	—	—	—
Debt purchased.....	4,420	—	—	—	—	—
Securities	131,079	328,678	1,011,429	596,709	2,091,325	1,605,658
Held-to-maturity debt securities.....	89,352	145,010	59,316	7,985	—	—
Bonds.....	89,352	145,010	59,316	7,985	—	—
Available-for-sale securities with contractual maturities.....	41,726	183,661	952,113	588,717	2,091,325	1,605,658
Japanese government bonds.....	—	—	193,953	100,321	1,103,531	287,586
Japanese local government bonds.....	36,349	41,064	386,383	420,719	916,104	5,898
Corporate bonds	5,377	42,596	359,095	2,675	6,688	758,794
Other	—	100,000	12,673	64,994	64,994	553,370
Loans and bills discounted (*)	3,567,596	5,362,627	4,493,131	2,895,565	3,486,215	7,162,841
Total	\$ 7,892,964	\$ 5,691,305	\$ 5,504,561	\$ 3,492,275	\$ 5,577,548	\$ 8,768,499

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid, amounting to ¥47,241 million (\$315,951 thousand) and ¥44,662 million at March 31, 2025 and 2024, respectively, are not included.
Loans whose payment terms were not determined amounting to ¥385,629 million (\$2,579,113 thousand) and ¥362,673 million at March 31, 2025 and 2024, respectively, are not included.

(Note 3) Redemption schedule of borrowed money and interest bearing liabilities

Millions of yen

2025

	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 (*).....	¥ 5,464,498	¥ 353,270	¥ 51,009	¥ —	¥ —	¥ —
Negotiable certificates of deposit.....	32,107	—	—	—	—	—
Payables under securities lending transactions	300,642	—	—	—	—	—
Borrowed money	34,565	263,490	700	2,990	—	—
Total	¥ 5,831,814	¥ 616,760	¥ 51,709	¥ 2,990	¥ —	¥ —

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	¥ —	¥ —

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Thousands of U.S. dollars

	2025					
	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 (*)	\$ 36,546,936	\$ 2,362,693	\$ 341,151	\$ —	\$ —	\$ —
Negotiable certificates of deposit	214,733	—	—	—	—	—
Payables under securities lending transactions	2,010,714	—	—	—	—	—
Borrowed money	231,173	1,762,239	4,681	19,997	—	—
Total	\$ 39,003,571	\$ 4,124,933	\$ 345,833	\$ 19,997	\$ —	\$ —

(*) 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					
	2025					
	Fair value					
	Level 1	Level 2	Level 3	Total		
Money held in trust (trading purposes and other) (*1)	¥ —	¥ 13,551	¥ —	¥	¥	13,551
Securities						
Available-for-sale securities (*1)						
Japanese government bonds and Japanese local government bonds, etc.	235,030	257,360	—			492,391
Corporate bonds	—	166,435	—			166,435
Stocks	81,356	90	—			81,446
Other	121,578	618,221	—			739,799
Derivative transactions (*2)						
Interest rate related	—	10,581	—			10,581
Currency related	—	7,309	—			7,309
Total assets	¥ 437,966	¥ 1,073,549	¥ —	¥	¥	1,511,515
Derivative transactions (*2)						
Interest rate related	¥ —	¥ 1,108	¥ —	¥	¥	1,108
Currency related	—	5,008	—			5,008
Total liabilities	¥ —	¥ 6,116	¥ —	¥	¥	6,116

	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

Thousands of U.S. dollars

	2025				
	Fair value				
	Level 1	Level 2	Level 3	Total	
Money held in trust (trading purposes and other) (*1)	\$ —	\$ 90,630	\$ —	\$ 90,630	
Securities					
Available-for-sale securities (*1)					
Japanese government bonds and Japanese local government bonds, etc.	1,571,896	1,721,241	—	3,293,144	
Corporate bonds	—	1,113,128	—	1,113,128	
Stocks	544,114	601	—	544,716	
Other	813,121	4,134,704	—	4,947,826	
Derivative transactions (*2)					
Interest rate related	—	70,766	—	70,766	
Currency related	—	48,883	—	48,883	
Total assets	\$ 2,929,146	\$ 7,179,969	\$ —	\$ 10,109,115	
Derivative transactions (*2)					
Interest rate related	\$ —	\$ 7,410	\$ —	\$ 7,410	
Currency related	—	33,493	—	33,493	
Total liabilities	\$ —	\$ 40,904	\$ —	\$ 40,904	

(*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, 2025 to which the treatment of Paragraphs 24-3 and 24-9 are applied was ¥1,958 million (\$13,095 thousand) and ¥735 million (\$4,915 thousand), respectively.

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 and ¥726 million, respectively.

(*2) The amount of derivative transactions to which hedge accounting is applied in the consolidated balance sheet at March 31, 2025 and 2024 was ¥9,213 million (\$61,617 thousand) and ¥10,095 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

2025							
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)					
¥ 4,655	¥ (374)	¥ 9	¥ (1,595)	¥ —	¥ —	¥ 2,694	¥ (374)

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

Thousands of U.S. dollars

2025							
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)					
\$ 31,132	\$ (2,501)	\$ 60	\$ (10,667)	\$ —	\$ —	\$ 18,017	\$ (2,501)

(*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
	2025	2024	2025
Main restrictions on cancellation or claims for repurchase			
Halted acceptance of cancellation due to being in the process of liquidation of funds	¥ 571	¥ 1,563	\$ 3,818
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	358	1,399	2,394
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	1,029	966	6,882
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			
	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Corporate bonds	¥ —	¥ —	¥ 44,900	¥ 44,900
Loans and bills discounted	—	238,281	4,147,893	4,386,174
Total assets	¥ —	¥ 238,281	¥ 4,192,793	¥ 4,431,075
Deposits	¥ —	¥ 5,867,172	¥ —	¥ 5,867,172
Borrowed money	—	295,064	6,623	301,687
Total liabilities	¥ —	¥ 6,162,236	¥ 6,623	¥ 6,168,859

	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

	Thousands of U.S. dollars			
	2025			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt securities				
Corporate bonds	\$ —	\$ —	\$ 300,294	\$ 300,294
Loans and bills discounted	—	1,593,639	27,741,392	29,335,032
Total assets	\$ —	\$ 1,593,639	\$ 28,041,686	\$ 29,635,333
Deposits	\$ —	\$ 39,240,048	\$ —	\$ 39,240,048
Borrowed money	—	1,973,408	44,295	2,017,703
Total liabilities	\$ —	\$ 41,213,456	\$ 44,295	\$ 41,257,751

(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 are 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 at March 31, 2025 and 2024

Fair values and unrealized gains and losses on trading securities, held-to-maturity debt securities and available-for-sale securities as of March 31, 2025 and 2024 were as follows:

(a) Trading securities

Not applicable for the fiscal years ended March 31, 2025 and 2024.

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(b) Held-to-maturity debt securities

	Millions of yen		
	2025		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	¥ 10,793	¥ 10,821	¥ 28
Subtotal	¥ 10,793	¥ 10,821	¥ 28
Fair value not exceeding carrying amount:			
Corporate bonds	¥ 34,313	¥ 34,078	¥ (235)
Subtotal	¥ 34,313	¥ 34,078	¥ (235)
Total	¥ 45,106	¥ 44,900	¥ (206)

	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)

	Thousands of U.S. dollars		
	2025		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	\$ 72,184	\$ 72,371	\$ 187
Subtotal	\$ 72,184	\$ 72,371	\$ 187
Fair value not exceeding carrying amount:			
Corporate bonds	\$ 229,487	\$ 227,915	\$ (1,571)
Subtotal	\$ 229,487	\$ 227,915	\$ (1,571)
Total	\$ 301,672	\$ 300,294	\$ (1,377)

(c) Available-for-sale securities

	Millions of yen		
	2025		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 80,575	¥ 29,481	¥ 51,093
Bonds	6,311	6,305	5
Japanese government bonds	5,877	5,871	5
Japanese local government bonds	30	30	0
Japanese corporate bonds	404	403	0
Others	130,712	129,241	1,471
Foreign securities included	24,144	23,687	457
Subtotal	¥ 217,599	¥ 165,028	¥ 52,570
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 871	¥ 905	¥ (33)
Bonds	652,515	692,442	(39,926)
Japanese government bonds	229,153	244,778	(15,625)
Japanese local government bonds	257,330	270,024	(12,694)
Japanese corporate bonds	166,031	177,639	(11,607)
Others	609,822	647,327	(37,504)
Foreign securities included	85,857	97,255	(11,398)
Subtotal	¥ 1,263,209	¥ 1,340,674	¥ (77,464)
Total	¥ 1,480,809	¥ 1,505,703	¥ (24,894)

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

Thousands of U.S. dollars

2025

	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks.....	\$ 538,891	\$ 197,170	\$ 341,713
Bonds	42,208	42,168	33
Japanese government bonds	39,305	39,265	33
Japanese local government bonds	200	200	0
Japanese corporate bonds	2,701	2,695	0
Others	874,210	864,372	9,838
Foreign securities included.....	161,476	158,420	3,056
Subtotal.....	\$ 1,455,317	\$ 1,103,718	\$ 351,591
Carrying amount not exceeding acquisition cost:			
Stocks.....	\$ 5,825	\$ 6,052	\$ (220)
Bonds	4,364,065	4,631,099	(267,027)
Japanese government bonds	1,532,590	1,637,092	(104,501)
Japanese local government bonds	1,721,040	1,805,939	(84,898)
Japanese corporate bonds	1,110,426	1,188,061	(77,628)
Others	4,078,531	4,329,367	(250,829)
Foreign securities included.....	574,217	650,448	(76,230)
Subtotal.....	\$ 8,448,428	\$ 8,966,519	\$ (518,084)
Total	\$ 9,903,752	\$ 10,070,244	\$ (166,492)

(2) Held-to-maturity debt securities sold for the fiscal years ended March 31, 2025 and 2024

Millions of yen

2025

	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	¥ 60	¥ 60	¥ 0
Japanese corporate bonds	60	60	0
Total	¥ 60	¥ 60	¥ 0

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

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Thousands of U.S. dollars			
2025			
	Cost of sales	Sales amount	Gains (losses) on sales
Bonds	\$ 401	\$ 401	\$ 0
Japanese corporate bonds	401	401	0
Total	\$ 401	\$ 401	\$ 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, 2025 and 2024

Millions of yen			
2025			
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 6,012	¥ 3,748	¥ 24
Bonds	121,159	331	2,115
Japanese government bonds	78,139	331	635
Japanese local government bonds	43,020	—	1,479
Others	49,471	952	1,010
Foreign securities included	32,415	460	337
Total	¥ 176,644	¥ 5,032	¥ 3,151

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

Thousands of U.S. dollars			
2025			
	Sales amount	Gains on sales	Losses on sales
Stocks	\$ 40,208	\$ 25,066	\$ 160
Bonds	810,319	2,213	14,145
Japanese government bonds	522,598	2,213	4,246
Japanese local government bonds	287,720	—	9,891
Others	330,865	6,367	6,754
Foreign securities included	216,793	3,076	2,253
Total	\$ 1,181,407	\$ 33,654	\$ 21,074

(4) Money held in trust at March 31, 2025 and 2024

Money held in trust for trading purposes

Millions of yen			Thousands of U.S. dollars
	2025	2024	2025
Carrying amount (fair value)	¥ 13,000	¥ 19,000	\$ 86,944
Amount of net unrealized gains (losses) included in the consolidated statements of income	244	489	1,631

Money held in trust for purposes other than trading or held-to-maturity

Millions of yen			Thousands of U.S. dollars
	2025	2024	2025
Carrying amount	¥ 2,510	¥ 21,967	\$ 16,787
Acquisition cost	2,510	22,099	16,787
Difference	—	(131)	—
Unrealized gain	—	240	—
Unrealized loss	—	(371)	—

The principal amount in trust with contracts to compensate losses on the principal was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Money held in trust	¥ 3,626	¥ 4,103	\$ 24,250

(5) Components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Valuation difference	¥ (24,383)	¥ 17,553	\$ (163,075)
Available-for-sale securities	(24,383)	17,685	(163,075)
Money held in trust for purposes other than trading or held-to-maturity	—	(131)	—
Deferred tax assets (liabilities)	9,115	(3,321)	60,961
Valuation difference on available-for-sale securities before adjustment for noncontrolling interests	¥ (15,267)	¥ 14,232	\$ (102,106)
Noncontrolling interests adjustment	—	—	—
Valuation difference on available-for-sale securities	¥ (15,267)	¥ 14,232	\$ (102,106)

(6) Securities reclassified for the fiscal years ended March 31, 2025 and 2024

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. Impairment loss recognized on stocks for the fiscal year ended March 31, 2025 amounted to ¥18 million (\$120 thousand). No impairment loss was recognized for the fiscal year ended March 31, 2024.

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, 2025 and 2024 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			
		2025			
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	33,764	33,664	(1,052)	(1,052)
	Receive floating rate/pay fixed rate	34,415	34,314	1,311	1,311
	Receive floating rate/pay floating rate	—	—	—	—
	Interest rate options				
	Sold	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ 258	¥ 258

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		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	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ 286	¥ 286

		Thousands of U.S. dollars			
		2025			
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	225,815	225,147	(7,035)	(7,035)
	Receive floating rate/pay fixed rate	230,169	229,494	8,768	8,768
	Receive floating rate/pay floating rate.....	—	—	—	—
	Interest rate options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Other	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		\$ —	\$ —	\$ 1,725	\$ 1,725

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
		2025	2024	2025
Contract amount	¥	651	¥ 940	\$ 4,353
Fair value		16	(1)	107
Unrealized gains (losses)		16	(1)	107

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
		2025	2024	2025
Unrealized gains (losses)	¥	(24)	¥ (38)	\$ (160)

(b) Currency related transactions

		Millions of yen			
		2025			
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	1,595,172	1,370,164	1,990	1,990
	Forward foreign exchange contracts				
	Sold.....	18,443	13,567	(2,341)	(2,341)
	Bought	17,955	13,342	2,652	2,652
	Currency options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		¥ —	¥ —	¥ 2,301	¥ 2,301

		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)

		Thousands of U.S. dollars			
		2025			
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	10,668,619	9,163,750	13,309	13,309
	Forward foreign exchange contracts				
	Sold.....	123,348	90,737	(15,656)	(15,656)
	Bought	120,084	89,232	17,736	17,736
	Currency options				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
	Other				
	Sold.....	—	—	—	—
	Bought	—	—	—	—
Total		\$ —	\$ —	\$ 15,389	\$ 15,389

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, 2025 and 2024 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		
			2025		
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		87,904	87,904	9,213
	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		—	¥ —	¥ —	¥ 9,213

			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

			Thousands of U.S. dollars		
			2025		
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		587,907	587,907	61,617
	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		—	\$ —	\$ —	\$ 61,617

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.

Ten (eleven in 2024) 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
	2025	2024	2025
Balance at the beginning of the fiscal year	¥ 11,908	¥ 12,145	\$ 79,641
Service cost.....	573	588	3,832
Interest cost.....	78	80	521
Actuarial loss (gain)	(1,171)	(0)	(7,831)
Benefits paid.....	(1,044)	(905)	(6,982)
Prior service costs.....	—	—	—
Balance at the end of the fiscal year.....	¥ 10,345	¥ 11,908	\$ 69,188

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, 2025 and 2024.

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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
	2025	2024	2025
Funded projected benefit obligations	¥ 471	¥ 498	\$ 3,150
Plan assets	—	—	—
Funded assets under the SERAMA Scheme	(212)	(227)	(1,417)
	259	270	1,732
Unfunded projected benefit obligations	9,873	11,410	66,031
Net liability (asset) for retirement benefits recorded on the consolidated balance sheet	¥ 10,132	¥ 11,680	\$ 67,763
Liability for retirement benefits	¥ 10,132	¥ 11,680	\$ 67,763
Asset for retirement benefits	—	—	—
Net liability (asset) for retirement benefits recorded on the consolidated balance sheet	¥ 10,132	¥ 11,680	\$ 67,763

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
	2025	2024	2025
Service cost	¥ 573	¥ 588	\$ 3,832
Interest cost	78	80	521
Expected return on plan assets	—	—	—
Net actuarial loss amortization	128	194	856
Amortization of prior service costs	—	—	—
Total retirement benefit costs	¥ 780	¥ 863	\$ 5,216

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 income taxes and tax effect) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial gain (loss)	¥ 1,299	¥ 194	\$ 8,687
Total	¥ 1,299	¥ 194	\$ 8,687

(f) Accumulated adjustments for retirement benefits

The components of accumulated adjustments for retirement benefits (before income taxes and tax effect) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized actuarial gain (loss)	¥ 922	¥ (377)	\$ 6,166
Total	¥ 922	¥ (377)	\$ 6,166

(g) Plan assets

Not applicable for the fiscal years ended March 31, 2025 and 2024.

(h) Actuarial assumptions

The principal actuarial assumptions for the fiscal years ended March 31, 2025 and 2024 were as follows:

	2025	2024
Discount rate	1.99%	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 ¥622 million (\$4,159 thousand) and ¥620 million for the fiscal years ended March 31, 2025 and 2024, 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 ¥669 million (\$4,474 thousand), and the number of years remaining for contributions equivalent to the contributions that are commensurate with risks is four 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, 2025 and 2024.

(1) Significant components of deferred tax assets and liabilities as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Excess reserve for possible loan losses.....	¥ 8,553	¥ 7,754	\$ 57,203
Liability for retirement benefits	3,195	3,583	21,368
Depreciation.....	795	666	5,317
Write-down of land.....	898	872	6,005
Impairment loss	1,245	1,188	8,326
Valuation loss on securities	2,219	2,593	14,840
Valuation difference on available-for-sale securities.....	9,115	—	60,961
Deferred gains or losses on hedges	—	—	—
Tax loss carryforwards	838	777	5,604
Other	2,868	2,637	19,181
Subtotal deferred tax assets:	29,729	20,074	198,829
Valuation allowance pertaining to tax loss carryforwards (Note 2)	(829)	(762)	(5,544)
Valuation allowance pertaining to total of deductible temporary differences, etc. ...	(7,352)	(6,689)	(49,170)
Subtotal valuation allowance	(8,181)	(7,452)	(54,715)
Total deferred tax assets	21,547	12,622	144,107
Deferred tax liabilities:			
Valuation difference on available-for-sale securities.....	—	(3,321)	—
Deferred gains or losses on hedges	(2,742)	(2,872)	(18,338)
Other	(156)	(162)	(1,043)
Total deferred tax liabilities	(2,899)	(6,355)	(19,388)
Net deferred tax assets (liabilities) (Note 1)	¥ 18,648	¥ 6,266	\$ 124,719

Notes: 1. Net deferred tax assets (liabilities) as of March 31, 2025 and 2024 are included in the following accounts in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets.....	¥ 18,659	¥ 6,278	\$ 124,792
Deferred tax liabilities	11	11	73

2. Amount of tax loss carryforwards and their deferred tax assets by carryforwards period

	Millions of yen						
	2025						
	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 (*)...	¥ —	¥ —	¥ —	¥ 127	¥ 147	¥ 563	¥ 838
Valuation allowance	—	—	—	(127)	(147)	(554)	(829)
Deferred tax assets.....	—	—	—	—	—	8	8

	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

	Thousands of U.S. dollars						
	2025						
	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 (*)...	\$ —	\$ —	\$ —	\$ 849	\$ 983	\$ 3,765	\$ 5,604
Valuation allowance	—	—	—	(849)	(983)	(3,705)	(5,544)
Deferred tax assets.....	—	—	—	—	—	53	53

(*) 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, 2025 and 2024

	2025	2024
Statutory tax rate	30.4%	30.4%
Valuation allowance.....	2.5%	(2.8)%
Non-deductible expenses	0.2%	0.2%
Non-taxable income.....	(0.7)%	(0.8)%
Inhabitant tax on per capita basis, etc.....	0.3%	0.4%
Special corporation tax credit for increase in payment of salary, etc.	(1.8)%	—
Upward revision of deferred tax assets at fiscal year-end due to a change in tax rate	(1.2)%	—
Other	1.0%	0.2%
Effective tax rate	30.6%	27.5%

(3) Revision of the amounts of deferred tax assets and deferred tax liabilities due to changes in income tax rates

Following the enactment of the Act for Partial Revision of the Income Tax Act (Act No. 13 of 2025) on March 31, 2025, the Special Corporation Tax for National Defense will be imposed from the fiscal years beginning on or after April 1, 2026. Accordingly, the statutory tax rate used to calculate deferred tax assets and liabilities has been changed from 30.4% in the previous years to 31.3% for temporary differences, etc. expected to be reversed in the fiscal years beginning on or after April 1, 2026. Due to this change, deferred tax assets, deferred tax liabilities, valuation difference on available-for-sale securities increased by ¥488 million (\$3,263 thousand), ¥0 million (\$0 thousand), and ¥262 million (\$1,752 thousand), respectively, while accumulated adjustments for retirement benefits and income taxes - deferred decreased by ¥8 million (\$53 thousand) and ¥234 million (\$1,565 thousand), respectively, as of March 31, 2025 and for the fiscal year then ended.

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 Group 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, 2025 and 2024 is summarized as follows:

	Millions of yen						
	2025						
	Reportable segments			Other	Total	Adjustment	Consolidated
	Banking	Leasing	Total				
Ordinary income:							
Outside customers	¥ 88,351	¥ 11,298	¥ 99,649	¥ 3,334	¥ 102,984	¥ 100	¥ 103,085
Intersegment income	1,008	352	1,360	2,415	3,775	(3,775)	—
Total.....	¥ 89,359	¥ 11,650	¥ 101,010	¥ 5,750	¥ 106,760	¥ (3,674)	¥ 103,085
Segment profit.....	¥ 19,079	¥ (152)	¥ 18,926	¥ 1,486	¥ 20,412	¥ (738)	¥ 19,674
Segment assets.....	6,832,707	46,234	6,878,941	29,426	6,908,368	(55,140)	6,853,227
Segment liabilities	6,567,769	41,368	6,609,138	12,445	6,621,583	(46,151)	6,575,432
Others:							
Depreciation	4,065	116	4,181	105	4,287	6	4,294
Interest income	67,324	7	67,332	505	67,837	(952)	66,885
Interest expense	11,049	181	11,231	10	11,242	(161)	11,080
Extraordinary gain	7	—	7	0	7	(7)	0
Extraordinary loss	184	0	184	6	191	—	191
Tax expense	5,586	(43)	5,542	414	5,956	15	5,972
Increase in tangible and intangible fixed assets...	11,568	186	11,755	91	11,846	(109)	11,737

Notes: 1. Ordinary 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 ¥100 million is mainly the recovery of written-off claims included in "Other."

(2) Adjustment of segment profit of ¥(738) million is the elimination of intersegment transactions.

(3) Adjustment of segment assets of ¥(55,140) million is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of ¥(46,151) million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of ¥6 million is the elimination of intersegment transactions.

(6) Adjustment of interest income of ¥(952) million is the elimination of intersegment transactions.

(7) Adjustment of interest expense of ¥(161) million is the elimination of intersegment transactions.

(8) Adjustment of extraordinary gain of ¥(7) million is the elimination of intersegment transactions.

(9) Adjustment of tax expense of ¥15 million is the elimination of intersegment transactions.

(10) Adjustment of increase in tangible and intangible fixed assets of ¥(109) million is due to intersegment transactions.

4. Segment profit is reconciled to ordinary profit in the consolidated statements of income.

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 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 in the consolidated statements of income.

Thousands of U.S. dollars								
2025								
	Reportable segments			Other	Total	Adjustment	Consolidated	
	Banking	Leasing	Total					
Ordinary income:								
Outside customers	\$ 590,897	\$ 75,561	\$ 666,459	\$ 22,298	\$ 688,764	\$ 668	\$ 689,439	
Intersegment income	6,741	2,354	9,095	16,151	25,247	(25,247)	—	
Total	\$ 597,639	\$ 77,915	\$ 675,561	\$ 38,456	\$ 714,018	\$ (24,571)	\$ 689,439	
Segment profit	\$ 127,601	\$ (1,016)	\$ 126,578	\$ 9,938	\$ 136,516	\$ (4,935)	\$ 131,581	
Segment assets	45,697,612	309,216	46,006,828	196,803	46,203,638	(368,780)	45,834,851	
Segment liabilities	43,925,688	276,672	44,202,367	83,233	44,285,600	(308,661)	43,976,939	
Others:								
Depreciation	27,186	775	27,962	702	28,671	40	28,718	
Interest income	450,267	46	450,321	3,377	453,698	(6,367)	447,331	
Interest expense	73,896	1,210	75,113	66	75,187	(1,076)	74,103	
Extraordinary gain	46	—	46	0	46	(46)	0	
Extraordinary loss	1,230	0	1,230	40	1,277	—	1,277	
Tax expense	37,359	(287)	37,065	2,768	39,834	100	39,941	
Increase in tangible and intangible fixed assets...	77,367	1,243	78,618	608	79,226	(728)	78,497	

Notes: 1. Ordinary 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 \$668 thousand is mainly the recovery of written-off claims included in "Other."

(2) Adjustment of segment profit of \$(4,935) thousand is the elimination of intersegment transactions.

(3) Adjustment of segment assets of \$(368,780) thousand is the elimination of intersegment transactions.

(4) Adjustment of segment liabilities of \$(308,661) thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.

(5) Adjustment of depreciation of \$40 thousand is the elimination of intersegment transactions.

(6) Adjustment of interest income of \$(6,367) thousand is the elimination of intersegment transactions.

(7) Adjustment of interest expense of \$(1,076) thousand is the elimination of intersegment transactions.

(8) Adjustment of extraordinary gain of \$(46) thousand is the elimination of intersegment transactions.

(9) Adjustment of tax expense of \$100 thousand is the elimination of intersegment transactions.

(10) Adjustment of increase in tangible and intangible fixed assets of \$(728) thousand is due to intersegment transactions.

4. Segment profit is reconciled to ordinary profit in the consolidated statements of income.

Consolidated Financial Statements

(4) Information about services

	Millions of yen				
	2025				
	Lending	Securities and investments	Leasing	Other	Total
Ordinary income from outside customers.....	¥ 44,493	¥ 24,846	¥ 11,298	¥ 22,446	¥ 103,085

	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

	Thousands of U.S. dollars				
	2025				
	Lending	Securities and investments	Leasing	Other	Total
Ordinary income from outside customers.....	\$ 297,572	\$ 166,171	\$ 75,561	\$ 150,120	\$ 689,439

Note: Ordinary income 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, 2025 and 2024; 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, 2025 and 2024; 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, 2025 and 2024; therefore, information about major customers is not required to be disclosed.

(7) Impairment loss on fixed assets for each reportable segment

	Millions of yen			
	2025			
	Reportable segments			Total
	Banking	Leasing	Other	
Impairment loss	¥ 89	¥ —	¥ 0	¥ 90

	Millions of yen			
	2024			
	Reportable segments			Total
	Banking	Leasing	Other	
Impairment loss	¥ —	¥ —	¥ 2	¥ 2

	Thousands of U.S. dollars			
	2025			
	Reportable segments			Total
	Banking	Leasing	Other	
Impairment loss	\$ 595	\$ —	\$ 0	\$ 601

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, 2025, there was no related party transaction.

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)	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)	¥—	Loans	¥10
						Loans	Interest receivable	0	—	—
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	115	Loans	83
							Interest receivable	1	—	—

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 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 as of that date.

32. PER SHARE INFORMATION

Net assets per share at March 31, 2025 and 2024 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2025	2024	2025
Net assets per share.....	¥ 8,845.47	¥ 9,404.25	\$ 59.15
Net income per share – basic	429.02	379.08	2.86

Basic information in computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
(Net assets per share)			
Net assets	¥ 277,795	¥ 298,631	\$ 1,857,911
Net assets attributed to common stock	277,795	298,631	1,857,911
Outstanding number of shares of common stock at end of year (unit: thousands of shares)	31,405	31,754	—
(Net income per share – basic)			
Net income attributable to owners of parent	¥ 13,510	¥ 12,037	\$ 90,355
Net income attributable to common stockholders of parent	13,510	12,037	90,355
Average outstanding number of shares during the year (unit: thousands of shares)...	31,491	31,754	—

Notes: 1. Net income per share –diluted for the fiscal years ended March 31, 2025 and 2024 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, 2025 and 2024 that were deducted for computing net asset per share were 125 thousand and 68 thousand, respectively. In addition, the average numbers of shares of treasury stock during the fiscal years ended March 31, 2025 and 2024 that were deducted for computing net income per share were 103 thousand and 69 thousand, respectively.

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33. SUBSEQUENT EVENTS.**Disposition of Treasury Stock as Stock Remuneration**

The Bank has resolved, at the meeting of the Board of Directors held on May 9, 2025, to dispose of its treasury stock as stock remuneration ("Disposition of Treasury Stock" hereinafter).

(1) Outline of the disposition

Date of disposition	June 4, 2025
Class and number of shares for disposition	Common stock: 272,000 shares
Disposition price	¥3,670 (\$24.54) per share
Total disposition amount	¥998,240,000 (\$6,676,297)
Scheduled recipients of the disposition	• The Master Trust Bank of Japan, Ltd. (Director Remuneration BIP Trust Account): 12,000 shares [¥44,040,000 (\$294,542)] • The Master Trust Bank of Japan, Ltd. (Stock Granting ESOP Trust Account): 260,000 shares [¥954,200,000 (\$6,381,754)]
Other	A securities registration statement for the disposition of treasury stock has been filed in accordance with the Financial Instruments and Exchange Act

(2) Objective and reason for the disposition

In 2021, the Bank introduced a performance-linked stock remuneration plan utilizing a Board Incentive Plan (BIP) Trust scheme (the "BIP Trust") for its directors (excluding directors who are Audit and Supervisory Committee members and outside directors; the "Directors" hereinafter). The Bank has now decided to expand the eligibility of the plan to include its Executive Officers as well. The Bank has also decided to introduce a stock remuneration plan utilizing the Employee Stock Ownership Plan (ESOP) Trust structure for employees of the Bank and its group companies ("Employees" hereinafter).

This disposition of treasury stock is carried out in connection with the expansion of the BIP Trust's scope of eligible recipients and the introduction of the ESOP Trust. Under the BIP Trust agreement and the ESOP Trust agreement to be executed between the Bank and Mitsubishi UFJ Trust and Banking Corporation, the Bank will dispose of treasury stock as stock remuneration to The Master Trust Bank of Japan, Ltd. (Director Remuneration BIP Trust Account) and The Master Trust Bank of Japan, Ltd. (Stock Granting ESOP Trust Account), the co-trustees of the Trust established under the Trust agreements.

The number of shares to be disposed of represents the number of shares expected to be delivered during the trust period to Directors, Executive Officers, and Employees in accordance with the Share Delivery Regulations under the BIP Trust and the ESOP Trust. This disposition will result in a dilution of 0.82% of the total 33,025,656 shares issued as of March 31, 2025 (rounded to the second decimal place; and a ratio of 0.87% of the total 313,579 voting rights outstanding as of March 31, 2025).

The outline of the Bank's stock remuneration plan is described in Section 4, Information About Reporting Company, "Share ownership plan for directors and employees" of the Bank's Annual Securities Report (in Japanese only).

34. BORROWED MONEY AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Borrowed money			
Due from June 2025 through August 2030			
Average interest rate: 0.56% p.a.	¥ 301,745	¥ 355,656	\$ 2,018,091

Annual maturities of borrowed money as of March 31, 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
2026.....	¥ 34,565		\$ 231,173
2027.....	126,985		849,284
2028.....	136,505		912,954
2029.....	675		4,514
2030.....	25		167
2031 and thereafter	2,990		19,997
Total.....	¥ 301,745		\$ 2,018,091

b. The details of lease obligations as of March 31, 2025 and 2024 were as follows:

Lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Current portion of lease obligations			
Due from April 2025 through March 2026.....	¥ 1	¥ 0	\$ 6
Lease obligations (excluding current portion)			
Due from April 2026 through June 2029	3	—	20

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.

Annual maturities of lease obligation as of March 31, 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
2026.....	¥ 1		\$ 6
2027.....	1		6
2028.....	1		6
2029.....	0		0
2030.....	0		0
2031 and thereafter	—		—
Total.....	¥ 5		\$ 33

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, 2025 and 2024, the consolidated statements of income and 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, 2025 and 2024, 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	The primary procedures we performed to

consolidated subsidiaries reported loans and bills discounted of ¥4,465,125 million, accounting for 65.2% of total assets, and a corresponding reserve for possible loan losses of ¥20,836 million in the 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," which is targeted to be achieved by 2029. The Company also strives to contribute to the development of the region by taking the initiative in resolving regional issues, with the aim of "Development of human capital who think and act on their own and solve local problems" and "Achieving sound management providing ongoing support for the community."

The Company operates mainly in Nara prefecture,

assess whether the Company's estimates of the reserve for possible loan losses for loans 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;

Independent Auditors' Report

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 ¥1,613,169 million.

Since the business fundamentals of SMEs tend 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 termination of COVID-19 relief funds, rising prices and overseas geopolitical risk. 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.

- inspected related documents and inquired of personnel in the relevant 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. To conduct this assessment, we understood the latest business conditions of borrowers and considered their industry characteristics through the inspection of related documents and the inquiries of personnel in the relevant divisions, such as the Credit Analysis Division, while considering the impact of the termination of COVID-19 relief funds, rising prices and overseas geopolitical risk 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.

Independent Auditors' Report

- 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 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 99 million yen and 19 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 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 27, 2025

Notes to the Reader of Independent Auditor’s Report:
This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Capital Management

• Consolidated Capital Adequacy Ratio

As of March 31, 2025 and 2024

	Millions of yen	
	2025	2024
(1) Capital adequacy ratio ((2)/(3))	11.31%	10.77%
(2) Capital	¥ 283,724	¥ 274,983
(3) Risk-weighted assets	2,508,241	2,552,577
(4) Requisite capital	102,103	100,329

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, 2025 and 2024

	Millions of yen	
	2025	2024
(1) Capital adequacy ratio ((2)/(3))	10.93%	10.46%
(2) Capital	¥ 269,368	¥ 261,738
(3) Risk-weighted assets	2,462,714	2,501,933
(4) Requisite capital	100,077	98,508

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.



B-(3)-080031

Nanto Bank supports the Kizukai Movement organized to promote use of wood from Japan's domestic forests.

Issued: October 2025

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