

Results for the Six Months Ended September 30, 2021
Summary of Teleconference Q&A (November 12, 2021)

Q1.

You explain a reason for the strong financial results is an increase in private equity fund profits, but what are the actual results in 1H? Also, please explain the future sustainability of private equity fund profits.

A1.

Private equity fund profits were over ¥70 billion, and profits for strategic investment areas were around ¥100 billion.

With respect to the sustainability of our private equity fund profits, in 1H we were able to sell at a favorable timing since the corporate values of some investee companies had increased steadily. In 2H, given the worsening in the Chinese stock market and the decrease in the number and monetary amounts of exits from private equity funds, we don't believe that the exit environment will necessarily be as good in 2H as it was in 1H.

Q2.

Of the reasons for revising the full-year earnings forecast, please provide a breakdown of how much net interest income, etc. is expected to increase compared to the original plan (+¥115 billion). How much do you expect profits from private equity funds and foreign bond investment trusts to increase over the original plan?

A2.

As will also be disclosed in the materials for the November 22 investors meeting, we expect profits to increase in strategic investment areas by ¥75 billion, and by ¥55 billion in foreign bond investment trusts. After totaling small increases/decreases, net interest income, etc. is expected to exceed the original plan by ¥115 billion.

Q3.

Please explain the 1H profits for strategic investment areas and private equity funds are compared to the previous year and to each plan. Do profits from private equity funds have an impact on NAV and net unrealized gains/losses due to the fact that profits are higher than originally expected? Isn't that a "preemption of profits?"

A3.

Across strategic investment areas, actual results were up by about ¥95 billion year on year and exceeded our plan by about ¥60 billion.

Private equity fund profits exceeded expectations because the profits we realized were higher than planned, thanks to steady increases in the corporate values of investee companies. Private equity fund's NAV itself is actually increasing, and there is no preemption of profits due to accelerated exits.

Q4.

How feasible do you think the revised full-year earnings forecast will be to achieve?

A4.

If the market environment transitions as indicated in the assumptions of the revised earnings forecast, we believe that will put us in an adequate position to achieve our forecast. We believe that the forecast is neither overly conservative nor overly optimistic.

Q5.

Please explain what you see as the risk factors for 2H.

A5.

As we have also indicated in our earnings forecast assumptions, the two big risk factors are fluctuations in foreign currency funding costs and foreign credit spreads.

If the economic environment changes drastically, our profit could also be affected. For example, in addition, changes in the trends in US interest base rates, increases/decreases in corporate values in private equity funds and the timing of exits, etc., may impact our profitability.

End

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