

Why Have Non-revenue Dividends Shrunk? - (1) What are Non-revenue Dividends? -

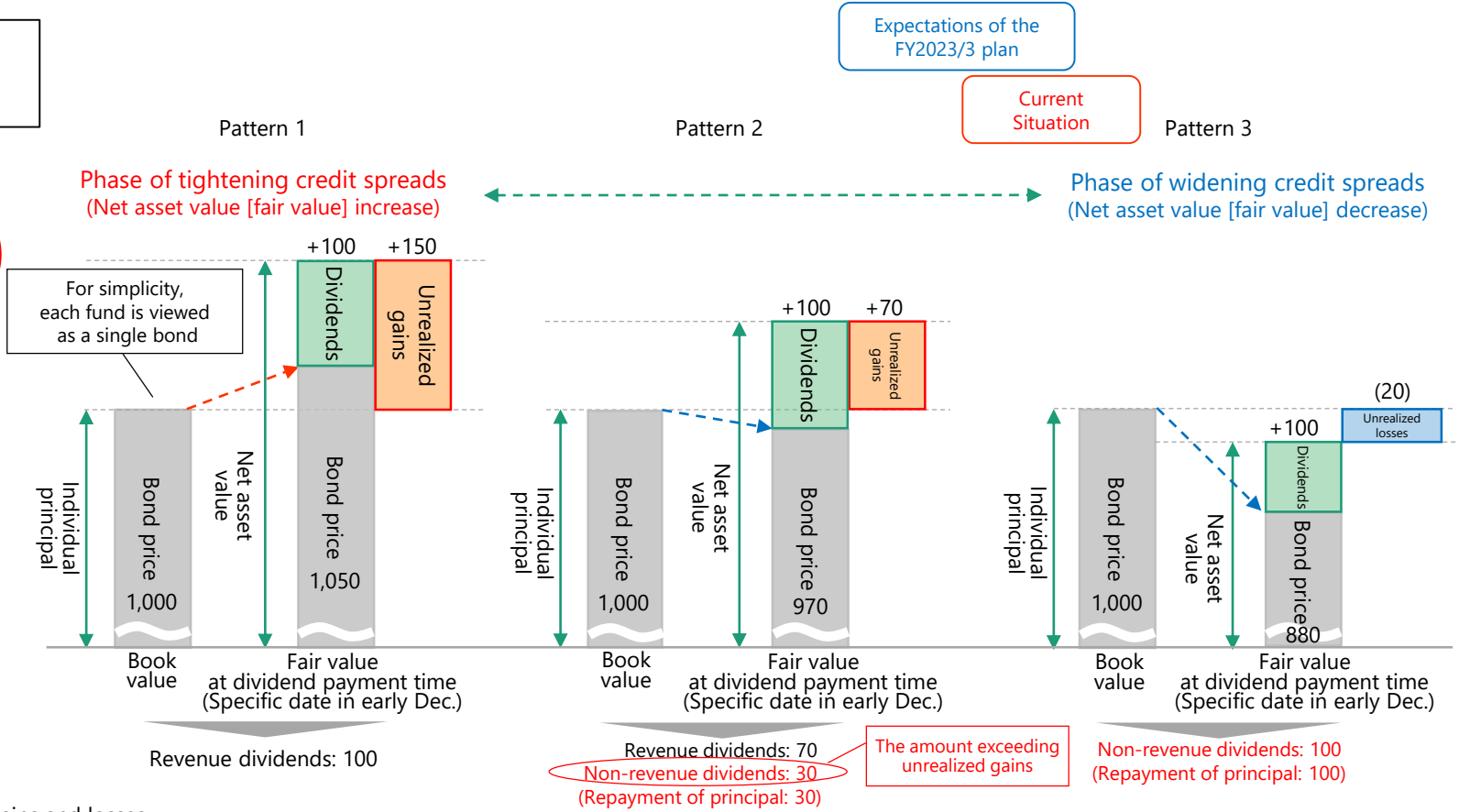
Dividends are classified into revenue dividends or non-revenue dividends and paid to the Bank by each fund (quarterly). The Bank recognizes only revenue dividends as income (non-revenue dividends are accounted for as the repayment of principal).

1. Revenue dividends: Dividends that are within unrealized gains (net asset value [fair value] - individual principal [book value]>0; the same shall apply hereafter).
2. Non-revenue dividends: Dividends that exceed unrealized gains and are equivalent to the repayment of principal.

General outline of non-revenue dividends (for Dec. dividends)

Why non-revenue dividends shrunk this quarter (details available on the next page)

+100
Dividends
3-month cumulative total (Aug. - Oct.)
Note: In some cases, there are no dividends.



Dividends and fund's unrealized gains and losses (as of a specific date in early Dec.) are compared to classify whether revenue dividends or non-revenue dividends

Non-revenue dividends are accounted for as the repayment of principal, therefore **the gains and losses improve by the amount equivalent to the non-revenue dividends** when investment trusts mature or contracts expire after bonds held are redeemed, unless there are defaults on bonds held, etc. or others.

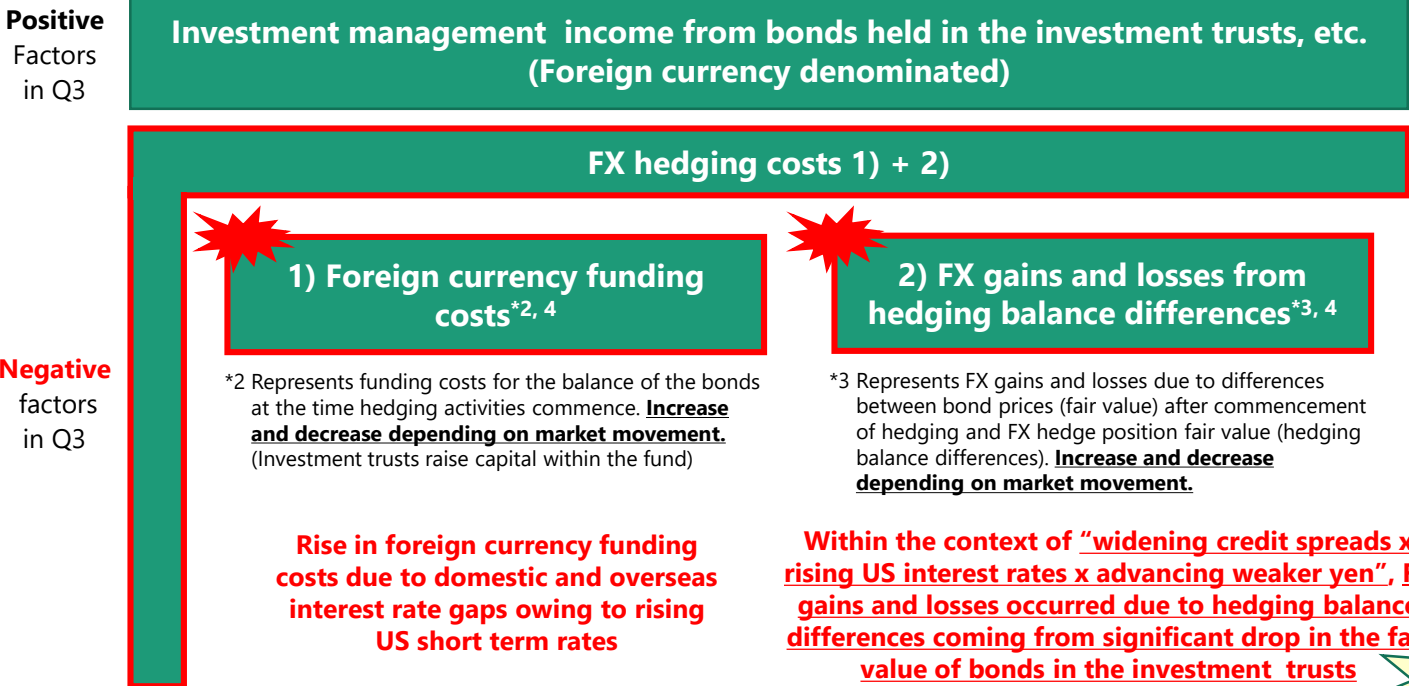
Why Have Non-revenue Dividends Shrunk? - (2) Components to Dividends -

Investment management income from bonds held in the investment trusts, etc. and **gains and losses from FX (Foreign Exchange) transactions executed for FX hedging (gains and losses related to FX transactions (FX hedging costs))** are included under foreign bond investment trust dividends. In particular, FX hedging costs are comprised of **1) foreign currency funding costs** and **2) FX gains and losses from hedging balance**.

In addition to the increase in 1) due to widening domestic and overseas interest rate gaps in FY2023/3, **volatility in the market contributed significantly to the negative impact of 2)**. Because of this, the non-revenue dividends received in Q3 declined versus Q1 and Q2.

Major components to dividends from foreign bond investment trusts*1

*1 Also includes fees and other components not stated below.
Further, dividends received in Q3 **are Aug. to Oct.** dividends from foreign bond investment trusts.



Dividends are categorized into revenue dividends and non-revenue dividends by comparing dividends and unrealized gains/losses of investment trusts **on the specified date at the beginning of Dec.** (Refer to the previous page)

Non-revenue dividends also saw a significant decline versus Q1 and Q2 due to the fact that dividends themselves shrunk significantly owing to factors stated on the left

Very little impact when the market environment is stable

*4 Refer to page 11 of the separate disclosure material, [Supplementary Materials of Financial Results for Q3 \(1\)](#) for details on the most recent (up to Jan. 31, 2023) foreign currency funding costs, credit spreads and others.