Results for the Fiscal Year Ended March 2023
Summary of Q&A (May 15, 2023)

Q1.

Private equity (PE) unrealized gains were valued at 1.5 trillion yen, almost unchanged from the end of December 2022, but how have these PE unrealized gains been impacted by growing concerns about a deterioration in credit quality, particularly in North America? I realize there may be a time lag until revenue recognition, but at this moment in time, what impact do you think this deterioration have had? And what, if any, is your sense about the level of unrealized gains? In addition, could you update us on the contents of the PE, such as whether there have been any clear changes in the credit status of investees?

A1.

PE unrealized gains tend to reflect the fair value from roughly three months ago. Based on PE net realized gains for Q3 and Q4, we believe unrealized gains have moved stably. While considering each company's individual circumstances, we evaluate most of our PE investees using the methods such as EV/EVITDA multiple method or discounted cash flow (DCF) method, so valuation fluctuations tend to be more restrained compared to the stock price fluctuations for listed companies. In addition, our portfolio of investees is diversified and also includes companies in stable industries, so we do not expect a significant decline at this time, though we are monitoring the recent crisis among US financial institutions very closely.

Q2.

Please provide a breakdown of your FY2024/3 net interest income, etc., including changes in Japanese government bond (JGB) interest rates, and the extent to which you have factored in foreign currency funding costs.

A2.

On a net ordinary income basis, foreign bond investment trusts were down by around 65 billion yen year-on-year (YoY). For in-house foreign bonds, etc., although the increased yield on new investments partially offset foreign currency funding costs, income was down by around 120 billion yen YoY. For JGBs, etc., income fell by around 22 billion yen YoY. We expect income from strategic investment areas to move stably, but since income exceeded the plan in FY2023/3, we expect this income to decline slightly by around 35 billion yen YoY in FY2024/3. On the other hand, we expect gains on sales of stocks as a result of risk-adjustment operations, etc., to be up by around 270 billion yen YoY. As disclosed in the material, "Selected Financial Information For the Fiscal Year Ended March 31, 2023", we expect a slight increase in net fees and commissions and other general and administrative expenses.

Q3. (Further questions)

Your FY2024/3 earnings forecast shows income declining sharply, but am I right to understand that you expect net interest income, etc. to move flatly due to gains on sales of stocks, etc.?

A3.

Yes, your understanding is correct.

End

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