Restructuring of the Yen Interest-rate Portfolio
(5) Impact of Rising Yen Interest Rates on P/L (Simple Illustration)*1

Due to rising yen interest rates, the Bank's P/L has improved (Increased interest received > Increased foreign currency funding costs).

Restructuring of the Yen Interest-rate Portfolio (Example)

Increase in long-term interest rates (abandonment of the YCC policy) : Annual net income increase of JPY 100bn

(In case of an additional investment of JPY 10tn in 10-year bonds yielding 1%)

- New Investments : Improvement in investment yield x Increase in investment amount
- Existing Holdings : Bulk is in fixed bonds, and the impact is neutral

Lifting of negative interest rate policy (increase in short-term interest rates) : Annual net income increase of JPY 50bn

(In case of a 10bp rise in yen short-term interest rates)

- Decrease in foreign currency funding costs*4
  - Yen short-term interest receivables position is approx. JPY 50tn
    →Immediate improvement in yields

The Bank's BS (non-consolidated)
Total assets **JPY 229tn** (as of Dec. 31, 2023)

Assets

- JGBs*2 **JPY 42tn**
- Due from banks, etc. **JPY 59tn**
- Foreign securities*3 **JPY 87tn**
- Others **JPY 40tn**

Liabilities / Net assets

- Deposits **JPY 194tn**
  - Ordinary Deposits **JPY 110tn** — **More than 50% are sticky core deposits.**
  - TEIGAKU deposits **JPY 66tn**
  - Others
- Others / Net assets **JPY 34tn**

Ordinary Deposits:
- If deposit interest rates rise, interest payments will increase. (**Impact on both exisiting deposits and new deposits.** However, interest rate spreads would still be secured due to the lag behind the rise in market interest rates)

TEIGAKU deposits:
- If deposit interest rates rise, interest payments will increase. (**Impact on only new deposits (including reposits).** However, interest rate spreads would still be secured due to the lag behind the rise in market interest rates)

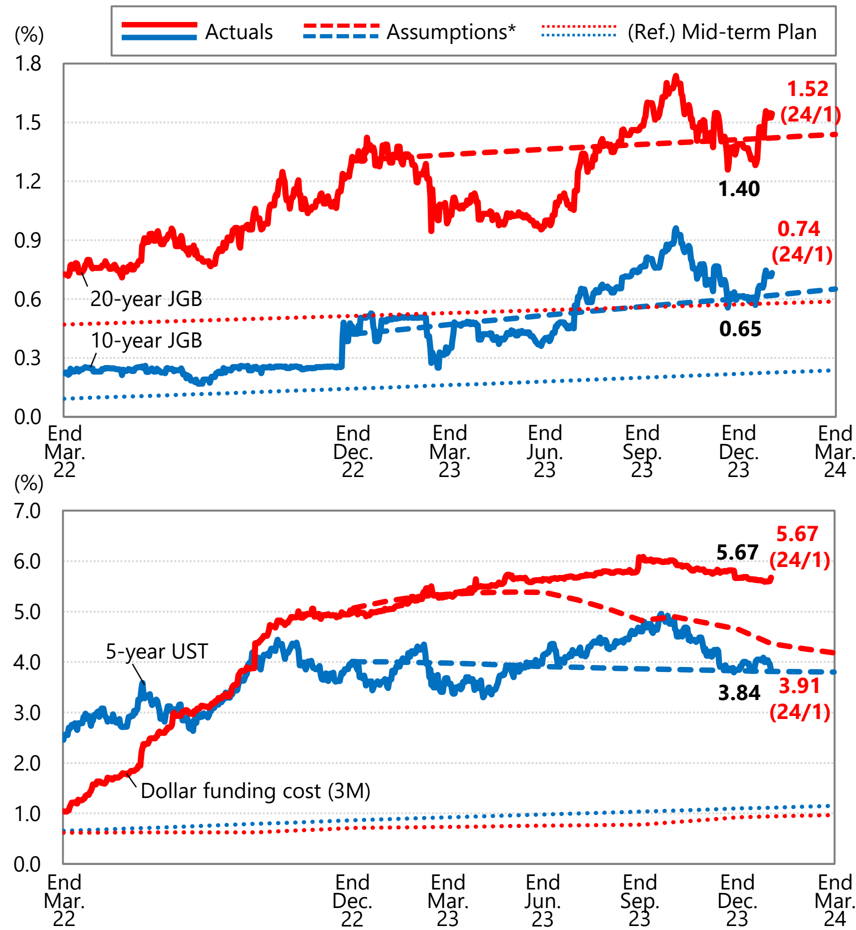
*1 Theoretical impact on the Bank's P/L from potential movements of market environment. Actual impact may differ due to changes in market conditions and the Bank's ALM policy.
*2 Include JGBs in money held in trust.
*3 Include real estate funds, direct lending funds and infrastructure debt funds in money held in trust.
*4 Investment trusts raise capital within the fund, and foreign currency funding costs depend on differences in yen and foreign interest rates.

Market Situation

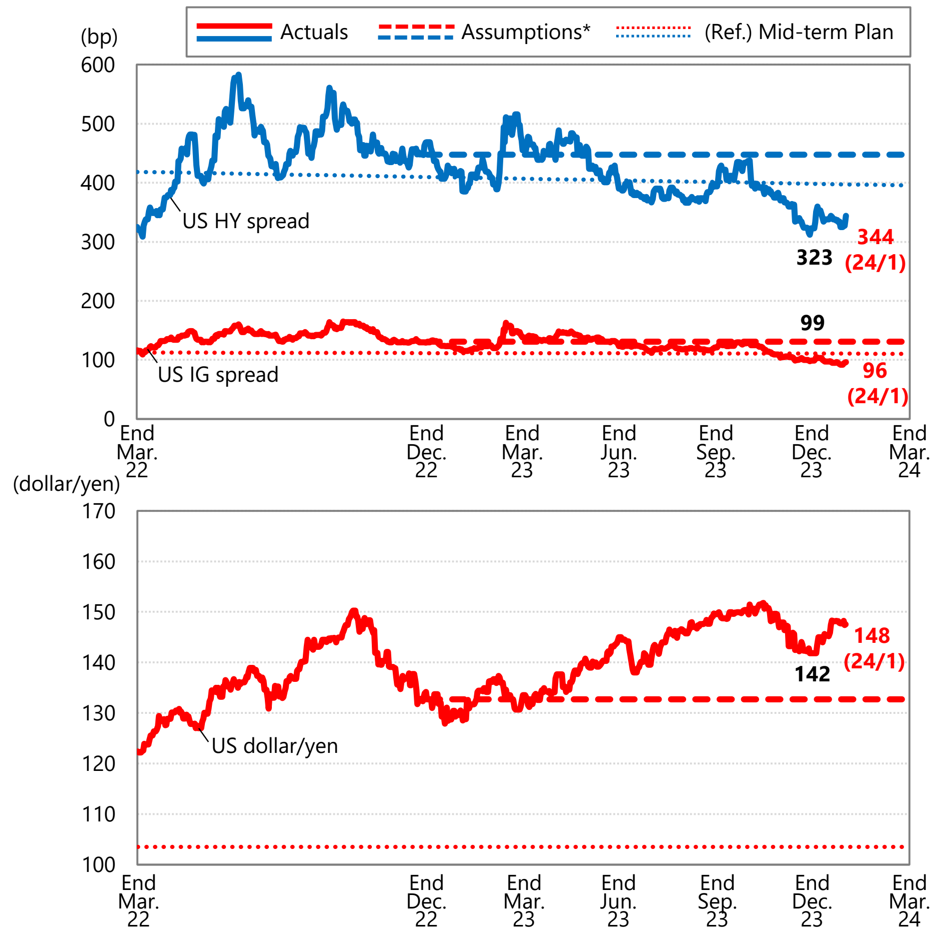
Main risk factors such as domestic and foreign interest rates exceeded expectations* due to a number of issues, such as trends in monetary policy in U.S. and Japan.

* Assumptions at the time of formulating the FY2024/3 earnings forecast

Domestic and Foreign Interest Rates / Dollar Funding Cost



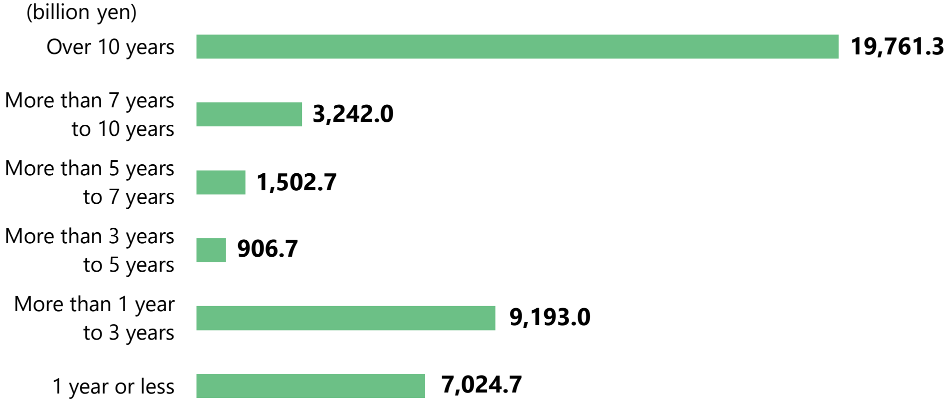
US IG and HY Spread / US Dollar/Yen



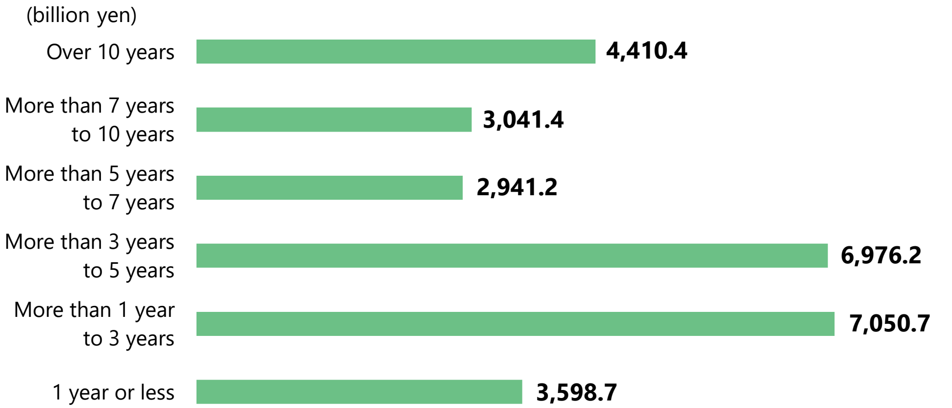
Asset Management (3) Balances of Securities Based on the Remaining Time to Maturity, etc.

Balances Based on the Remaining Time to Maturity
(Ending Balance Basis, As of Dec. 31, 2023)

Balance of Japanese Government Bonds: JPY 41,630.7bn
(Held-to-maturity: JPY 18,030.7bn, Available-for-sale: JPY 23,599.9bn)



Balance of Foreign Bonds: JPY 28,018.8bn
(Held-to-maturity: JPY 5,997.9bn, Available-for-sale: JPY 22,020.9bn)



Balances
(Based on Average Balances, FY2024/3 Q3)

Balance of Japanese Government Bonds and Foreign Securities, etc.

(billion yen)

	FY2024/3 Q3	
	Average Balance	(Ref.) Ending Balance
Japanese government bonds	40,321.1	41,630.7
Foreign securities, etc.	82,612.7	83,347.0
Foreign bonds	29,234.6	28,018.8
Investment trusts	53,270.9	55,200.3

Balance of Deposits

(trillion yen)

	FY2024/3 Q3	
	Average Balance	(Ref.) Ending Balance
Liquid deposits	122.1	124.7
Transfer deposits	12.8	12.9
Ordinary deposits, etc.*	108.4	110.9
Savings deposits	0.7	0.8
Fixed-term deposits	72.6	70.0
Time deposits	3.1	3.0
TEIGAKU deposits	69.5	66.9
Other deposits	0.2	0.1
Total	195.0	194.9

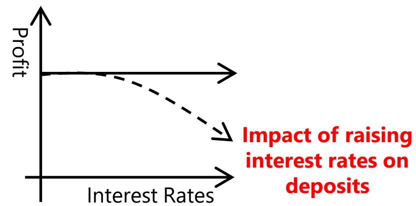
* Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)

Status of Credit Risk, etc.

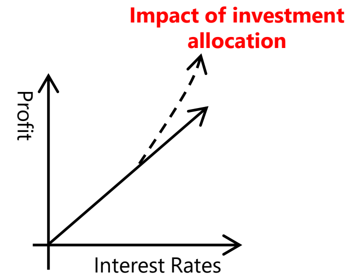
	Existing Holdings	New Investments

Yen interest rates risk

approx. **JPY 42tn** (Bulk is in fixed bonds.)



If deposit interest rates rise, interest payments will increase (Impact depends on deposit types). However, interest rate spreads would still be secured due to the lag behind the rise in market interest rates.

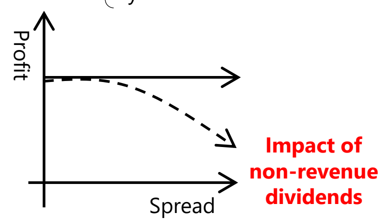


Considering shifts from due from banks, etc. in preparation for potential interest rate increases

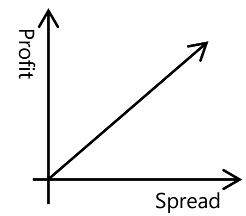
Credit risk*

*** Mainly taking credit risks (Hedged interest rates: approx. 70-80% of foreign securities, Hedged foreign exchange: approx. 90%+% of foreign securities)**

approx. **JPY 69tn** (Of these, those impacted by non-revenue dividends: approx. **JPY 22tn**)



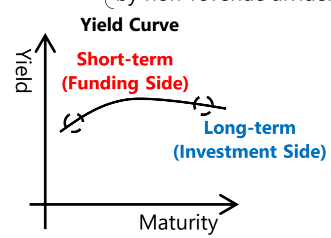
Non-revenue dividends are generated in some foreign bond investment trusts. However, return gains are generated upon cancellation or redemption.



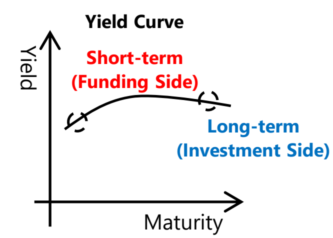
Non-revenue dividends are generated in the case that credit spreads widen following new investment.

Foreign currency interest rates risk (Difference in long- and short-term interest rates)

approx. **JPY 15tn** (Of these, those impacted by non-revenue dividends: approx. **JPY 7tn**)



A decline in short-term interest rates in the future is expected to reduce foreign currency funding costs, which will have a positive impact on earnings.



The impact on profits depends on the difference in long- and short-term interest rates.

(Repeated from previous page)

The Bank's BS (non-consolidated)

Total assets **JPY 229tn**

(as of Dec. 31, 2023)