

Results for the Three Months Ended June 30, 2025  
Summary of Teleconference Q&A (August 8, 2025)

Q1.

At the start of your presentation, you explained the reason for the sharp YoY decrease in Q1 income from interest on foreign securities was due to fluctuations in income from foreign bonds investment trusts. Could you provide more detail regarding this?

Also, you explained that your progress rate for net income against the full-year earnings forecast would rise to nearly 50% in Q2 due to a rebound from Q1. Could you tell us what grounds there are for this, if any?

A1.

Regarding the foreign bonds investment trusts, fluctuations, or ups and downs in income, arise in each quarter due to impacts such as movements in the market values of foreign exchange forward. In Q1 of the previous fiscal year in particular, there was a significant upswing. We see this as a cause of the YoY decrease.

We monitor the trends of foreign bonds investment trusts from month to month, and we had expected a certain level of decrease in income from them in Q1. In Q2, there has been a degree of rebound from Q1, and we have confirmed that there is a considerable build up in earnings at this point. For this reason, if the current market conditions persist, we expect the progress rate for net income against the full-year earnings forecast to rise to nearly 50% in Q2.

Q2.

In the supplementary materials of Financial Results, you have presented the balances for Japanese Government Bonds (JGBs) by remaining time to maturity. According to the materials, you have increased the balance for “over 10 years” in addition to “more than 7 years to 10 years.” Has there been a change in your investment policy?

A2.

In terms of time to maturity of JGBs, we purchase mainly 10-year bonds, but we do not in any way preclude the possibility of purchasing JGBs with other

maturities. We consider various aspects such as interest rate level, outlook, and supply and demand when we invest. So there has been no change in our investment policy.

Q3.

With regard to interest on foreign securities, you explained that income fluctuates each quarter due to the nature of the investment method, that there was a downswing in Q1, and that this appears to be reversing in Q2. This is difficult to understand on the surface. Is it possible to reduce the size of these fluctuations in some way, such as changing the hedging method?

A3.

The Bank is aware that fluctuations in earnings caused by movements in the market value of foreign exchange forward and so forth are an issue. We are currently examining the possibility of controlling them. If there is any change in this regard going forward, we will let you know.

Q4.

In your explanation at the start, you commented that the progress rate for net income against the full-year earnings forecast will rise to nearly 50% in Q2; however, I understand that the contribution to earnings from Strategic Investment Areas, in particular private equity, is relatively lower in H2. Do I understand correctly that in spite of this you expect to be able to achieve the plan for the fiscal year overall because you expect the earnings contribution from JGBs to increase through H2?

A4.

That is correct.

Q5.

With regard to the CET1 ratio, as of the end of June 2025, the CET1 ratio had improved to 12.16%. Could you tell us the reason for this? Also, since the CET1 ratio is expected to be around 11 to 12% at the end of FY2025, can we assume that you have a certain level of capital surplus?

A5.

With regard to the improvement in the CET1 ratio, we have not disclosed specific figures; however, the amount of credit risk-weighted assets, which is the denominator of the CET1 ratio, has decreased. The main reason for this was the strong yen. Regarding the CET1 ratio forecast, while profit accumulation going forward will be a positive impact, on the other hand, the effect of an increase in the risk weight of equities and so forth due to the impact of strengthened regulations will be negative impact. We therefore intend to continue monitoring the situation carefully without making any assumptions.

Q6.

Looking at deposit balances, fixed-term deposit balances continue to decline. Are these deposits going to other banks? Also, given this situation, would you consider running some kind of promotion campaign to capture deposits, such as other banks are running?

A6.

The balance of fixed-term deposits is declining, but we manage deposits on an overall basis together with ordinary deposits. Furthermore, with the increase in domestic interest rates, we have confirmed that the funds are being used to finance purchases of retail JGBs, and we believe that a substantial amount will return as deposits in accounts at the Bank in the future.

We recognize that other banks are running interest-rate promotion campaigns with certain conditions, and so forth; however, given our nationwide network of over 20,000 post offices, our customer base of 120 million accounts, and the fact that the majority of deposits are within the limits of the deposit insurance system, we believe it is possible to retain deposits by setting interest rates at levels comparable to those of other banks, and other means. We do not believe we are lagging behind other banks. In any case, we recognize that the balance of deposits is important, and we are monitoring and analyzing aspects such as the situation of other banks. We are ready to take action at any time if it should become necessary.

With regard to promotion campaigns, we are not running any with additional interest on deposits for example, but since June we have been running a promotion campaign for pensions and the Yucho Bankbook App.

Since the Bank of Japan hiked the policy rate, we recognize that the value of

deposits at financial institutions has increased with the return of positive interest rates. We will examine various measures and methods to respond as necessary going forward.

Q7.

With regard to private equity of Strategic Investment Area, previously you have explained that you are taking a conservative view of H2 due to the impact of tariffs. However, based on your full-year plan, it appears that you are expecting a significant increase in earnings in Q2, is that correct? Also, I assume that your forecast for realized gain from private equity for the full year is also becoming firmer. Could you tell us about your forecast for progress in H2 and the current state of exits?

A7.

I would prefer not to comment on quarterly earnings forecasts; however, the progress to date has been largely in line with our plan. With regard to the current state of exits, we have not seen the expected level of stagnation given the turbulence in economies and financial markets following the US tariff policies in April and so forth; however, the recovery in private equity has been softer than in listed stocks, and we intend to continue closely monitoring the trends of US policies and the private equity markets going forward.

Q8.

General and administrative expenses increased by over 2.0 billion yen YoY. However, my impression is that they have not increased compared to the full-year forecast. What kind of forecast are you assuming with regard to the rise in expenses from Q2 onward?

A8.

I prefer not to comment on quarterly breakdowns; however, we believe that we are progressing broadly in line with the plan as initially announced at the start of this fiscal year.

End

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