

Results for the Six Months Ended September 30, 2025
Summary of Teleconference Q&A (November 14, 2025)

Q1.

There have been reports in the media regarding an increase in credit risk in the United States. Could you tell us about the impact on the Bank and its investment policies going forward, particularly with regard to direct lending (DL) and real estate?

A1.

The balance of DL funds is included to “Others” under the Balance of Strategic Investment Areas on page 10 of the presentation material “Selected Financial Information for the Six Months Ended September 30, 2025.” The amount is extremely limited compared to the overall balance of assets under management.

Furthermore, our portfolio, which includes private credit, is highly diversified, and we have invested selectively through highly experienced fund managers. As a result, even as covenant-lite transactions increase in the market amid strong investor demand, we continue to invest with great caution, without compromising on investment terms.

Therefore, if further problems happened, the impact on the Bank would be extremely small. However, with the recent disruption in some parts of the U.S. credit markets, the outlook continues to be uncertain, and we will therefore continue to monitor the situation.

Also there is no particular change to our real estate investment policy of selectively investing in high-quality properties.

Q2.

In the material that Japan Post Holdings announced today, there was some description of the outline of the next Medium-term Management Plan for the Bank. Regarding the Bank, the materials mentioned “Take on the challenge of an asset management business.” Could you speak in more detail about this?

A2.

As you know, page 8 of the “Key Initiatives of the Next Medium-term Management Plan (Outline),” announced by Japan Post Holdings today, sets out the main strategies for the banking business.

We will explain these in greater detail at the investors meeting planned for November 20, so please wait a little for now. Also, on the day before the meeting, November 19, we plan to disclose the materials that will be used, so please refer to these as well.

Q3.

Within interest on foreign securities, income from foreign bonds investment trusts in particular fluctuates significantly and is difficult to forecast. Could you explain the status for the third quarter, as you did for the second quarter in the teleconference for the first quarter?

A3.

Regarding interest on foreign securities, due to the nature of the investment method, there is some fluctuation in the income each quarter, as I explained in the teleconference for the first quarter. However, at this point, we have not heard an indication of a large fluctuation for the third quarter.

Q4.

The deposit balance continues to decline at a rate of around 1% YoY. How does the Bank view this trend?

A4.

As shown on page 6 of the presentation material “Selected Financial Information for the Six Months Ended September 30, 2025,” the deposit balance has decreased by approximately ¥2 trillion compared with the end of March 2025.

We think that some of the reasons for this are due to the impact of deposit withdrawals accompanying an increase in spending due to inflation and the impact of an increase in retail JGB sales. We consider the trend in deposit balance to be one of the most important parts to our management base, and we continue to monitor this trend.

As current measures to attract deposit inflows, we are setting deposit interest rates to levels comparable with other banks, reaching out to customers who visit our branches, and running the promotion campaign for pensions and the Yucho Bankbook App. We aim to take appropriate measures as necessary at any time, according to the situation.

Q5.

With regard to the CET1 ratio, we see a QoQ improvement since the end of the first quarter, and capital surplus appears to be increasing. Could you share your assessment of the current status?

A5.

The Bank follows the domestic standards with regard to regulations. However, since we have large investments in securities overseas, and so forth, we conduct monitoring based on international standards. As stated on page 9 of the presentation material “Selected Financial Information for the six months Ended September 2025,” our CET1 ratio at the end of the second quarter stood at 12.43%, an improvement of 66bps compared with the end of March 2025, and approximately 25bps compared with the end of the first quarter. The CET1 ratio improved this time because on the denominator side, the fluctuation of risk-weighted assets was small, partly due to small movements in the yen exchange rate, while on the numerator side, capital increased due to a decrease in net unrealized losses on available-for-sale securities and accumulation of profits.

We currently believe that the CET1 ratio has remained stable, but there is no change in our policy of continuing to monitor the situation carefully, since the market environment will be unclear and the gradual increase in risk weight of equities under the finalized Basel III framework will be applied at the end of March 2026.

Q6.

In terms of the Bank’s deposit stickiness, could you tell us if there has been any change in the trend of fund movement by deposit type under the current phase of rising yen interest rates, such as movement from fixed-term deposits to ordinary deposits, or ordinary deposits to fixed-term deposits? Also, could you share your outlook for deposit balance going forward and your strategy for acquiring deposits?

A6.

There has not been a significant change from the existing trend of deposits flowing from TEIGAKU deposits to ordinary deposits as the TEIGAKU deposits reach maturity. However, currently we are also seeing a certain flow of funds into time deposits.

With regard to the outlook for the deposit balance, we believe that we can secure deposit stickiness by continuing to conduct promotional activities targeting pensions and so forth, leveraging the strengths of our nationwide network of branches.

Q7.

Regarding the profit progress in the second quarter, my understanding is that performance has been steady. Could you elaborate on the differences across the various investment portfolios—specifically, which areas performed well and which underperformed?

A7.

Please check the investors meeting materials that we plan to disclose on November 19 for detailed disclosures. However, to give a general idea, although there are differences between the portfolios, the variances from the forecasts are small, and overall the financial results were in line with the Bank's expectations.

Q8.

In the second quarter, there was some movement in the interest rates of Japan and the United States. In the Bank's investment, particularly outsourced investment, could you tell us to what level the impact of reduced foreign exchange hedge cost has already materialized? Also, could you tell us what level of impact you expect going forward?

A8.

The rise in the short-term yen interest rate and fall in the short-term U.S. interest rate indeed have a positive impact on the Bank's earnings in the form of lower foreign exchange hedge cost. This impact has already materialized in our results to a certain degree. Also we expect it to continue to materialize going forward, as it takes some time to do so due to the influence of hedge periods, etc. However, in the area of outsourced investment in particular, our investment policy is to gain profits through credit spreads, and since credit spreads are tightening, this impact will need to be closely monitored going forward.

End

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