Results for the Three Months Ended June 30, 2026
Summary of Teleconference Q&A (August 7, 2026)

Q1.

The balance of Japanese government bonds (JGBs) increased by about ¥1 trillion since the end of March 2026, but the purchase pace appears to be somewhat restrained compared with the previous fiscal year. Could you tell us about the current status of investment in JGBs?

A1.

We have a policy of steadily purchasing JGBs to capture rising yen interest rates, and this policy has not changed. However, we have been somewhat conservative in our purchases due to expectations of rising yen interest rates. We have not disclosed our specific purchase plan, but we intend to continue steadily purchasing while monitoring the market environment and other factors.

In terms of time to maturity of JGBs, there has been no change in our investment policy of purchasing mainly 10-year JGBs. However, recognizing that the investment appeal of short- and medium-term JGBs has increased to some extent with the interest rate rises, we intend to review the purchase maturities as appropriate by comprehensively taking into account factors such as interest rate levels, forecasts, and supply and demand.

Q2.

Looking at the capital adequacy ratio (domestic standard), the total amount of risk-weighted assets decreased compared with the end of March 2026. Could you tell us what has caused this?

A2.

The main reason is that the balance of foreign securities, etc. decreased compared with the end of March 2026, as shown on page 8 of the Selected Financial Information.

For foreign securities, the Bank has focused on quality, such as investing mainly in investment grade (IG) bonds, and pursued further increases in investment efficiency. As credit spreads remain tight and investment appeal has diminished, we are currently taking a somewhat restrained approach to investment.

Q3.

Page 4 of the Selected Financial Information shows that interest on foreign securities is performing strongly. Could you tell us the outlook for the current fiscal year? Also, Strategic Investment Areas recorded an approximately ¥47 billion increase in profit YoY. Could you tell us the outlook for the current fiscal year for this as well?

A3.

Regarding interest on foreign securities, as shown on page 48 of the IR Presentation disclosed in May, the Bank has built up a position in foreign securities that benefits from increases in short-term yen interest rates. The increase in interest on foreign securities is significantly attributable to a decrease in hedge costs at foreign bond investment trusts.

It is assumed that this question is prompted by concern regarding the fluctuation in earnings of foreign bond investment trusts in Q1 of the previous fiscal year, which was caused by movements in the fair value of foreign exchange forwards and so forth. As we have explained before, measures to control this fluctuation have been implemented continuously, and we believe that it has now become relatively smaller.

For this reason, we expect that the decrease in hedge costs at foreign bond investment trusts following the rise in short-term yen interest rates will continue to have a positive impact on interest on foreign securities going forward.

With regard to Strategic Investment Areas, it is difficult to provide predictions due to factors such as the status of private equity (PE) exits. However, given the currently favorable exit environment, we believe we can expect to continue generating stable earnings going forward.

Q4.

The balance of deposits continues to decrease. What is your assessment regarding the pace of that decrease? Also, could you share your forecast for the trend of the deposit balance going forward?

A4.

We believe that the decline in the deposit balance in the medium-term is being caused by an outflow of deposits due to a rebound in consumption after a temporary increase resulting from factors such as COVID-19 relief payments. Moreover, in the near term, we recognize that the decline is caused by factors including an increase in consumption driven by inflation, the shift from deposit to investment, and the impact of an increase in retail JGBs sales due to the arrival of an era of positive interest rates.

As we consider the deposit trends to be the core of our management base, we intend to respond by developing various measures.

Today, we announced an increase in interest rates on time and TEIGAKU deposits. We have been taking a range of measures to strengthen our deposit base, including revising deposit interest rates to the same level as other banks and offering new 10-year time deposits starting from May.

In addition, while thoroughly implementing customer-oriented management, we intend to further strengthen our efforts to provide products and services to meet diverse customer needs by collaborating with post offices and utilizing their network of over 20,000 locations.

Q5.

On page 38 of the Supplementary Materials of Financial Results, the yield of USD (OIS) and 5-year U.S. treasuries are both above assumptions. Could you tell us the impact in the case of an interest-rate hike in the United States?

A5.

Under the Medium-term Management Plan, our assumption for the U.S. interest rate is that it will remain roughly flat. If the Federal Reserve were to hike the interest rates, our hedge costs would increase, and this would likely have a negative impact on our earnings.

However, as shown on pages 47–48 of the IR Presentation disclosed in May, in the Bank's foreign securities investments, the bulk of its foreign currency interest rate exposure is hedged. As a result, while our short-term yen interest rate receivables position is about ¥50 trillion, we have reduced our foreign currency interest rate position for taking on risk to around ¥10 trillion.

As we have managed our investments in a way that limits foreign currency interest rate risk, we believe the impact of rising foreign currency interest rates on the Bank's earnings would be limited.

Q6.

The CET1 ratio increased from 9.85% at the end of March 2026 to 10.09% at the end of June 2026. Is this progress in line with your plan? Could you also tell us your prediction for the CET1 ratio going forward?

Also, please tell us your approach to the total payout ratio for the current fiscal year, taking into account your prediction for the CET1 ratio.

A6.

In terms of the pace of recovery of the CET1 ratio, there has been a positive impact from an increase in CET1 capital due to profits outperforming our plan, but overall we believe it is proceeding as expected. Looking ahead, we think it will rise toward the target range of 11% to 13% indicated in the Medium-term Management Plan as capital accumulates following profit growth.

Our basic approach to capital policy is to consider the balance of shareholder returns, financial soundness, and growth investments, and our dividends will be based on a dividend payout ratio of around 50% with progressive dividends through profit growth. Also, we will consider the feasibility and scale of share buybacks as necessary, based on factors such as capital accumulation through profit growth, the market environment, and growth investment opportunities.

Q7.

On page 13 of the Selected Financial Information, we calculate that gains on cancellation of investment trusts were approximately ¥26 billion in Q1, an increase from the same period of the previous fiscal year. Could you tell us the background for this?

A7.

Gains (losses) on cancellation of investment trusts are recorded mainly when foreign bond investment trusts are cancelled. The Bank holds foreign bonds through investment trusts, and may cancel such investment trusts after considering factors such as redemptions of bonds, the scope for reinvestment and other factors.

Q8.

The balance of loans increased by approximately ¥2 trillion compared with the end of March 2026. Could you explain the causes of this increase?

A8.

As shown in the Loans section, on page 21 of the Selected Financial Information, the main factor increasing the balance was an increase in loans to central and local governments. Many of these loans are relatively short term, and they have been executed when the investment is deemed attractive in comparison with other investments.

Since the loan periods are short by nature, the balances on the record date fluctuate to some degree. We hope this clarifies the point.

Q9.

Regarding the restructuring of the yen interest rate portfolio, we understand that from the current fiscal year, redemptions of JGBs will settle down to some extent, and that the balance is in an increasing phase. Could you explain the status of redemptions of JGB in Q1? Also, we believe that yields on new investments are steadily rising, can you confirm this understanding is correct?

A9.

The number of redemptions of JGBs in Q1 was more than zero, but it remained at a minimal level. Yields on new investments are steadily rising, as you have recognized.

We aim to continue steadily purchasing JGBs while comprehensively considering various factors such as interest rate levels, forecasts, and supply and demand.

Q10.

We understand that the Bank is able to estimate earnings from PE up to about half a year ahead. Could you share your current outlook going forward?

A10.

The exit environment for PE continues to be favorable. At this point, we are not aware of any concerning information that could cause a major change in our plan for this fiscal year. We believe we can expect PE to continue to contribute steadily to earnings.

End

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