Results for the Six Months Ended September 30, 2026
Summary of Teleconference Q&A (November 13, 2026)

Q1.

In the revisions of full-year earnings forecasts on page 12 of the Selected Financial Information, net interest income, etc. has been revised upward by 40 billion yen, and net fees and commissions by 4 billion yen, while general and administrative expenses have been revised downward by 11 billion yen. Could you provide more detail on the factors behind these changes?

A1.

We have revised upward our forecast for net interest income, etc. mainly because the pace of policy rate increases by the Bank of Japan has been faster than anticipated at the start of the fiscal year, and because market interest rates are expected to remain higher than our initial forecast. We also expect this to bring benefits such as reducing foreign currency funding costs. As a result, we expect earnings to increase.

Regarding net fees and commissions, we expect continued solid performance across a wide range of fees and commission businesses, rather than growth driven by any single specific initiative.

General and administrative expenses are expected to be lower than initially planned as a result of continuously reviewing and making efforts to reduce them.

Q2.

With markets fluctuating significantly, including AI- and data center-related sectors, has there been any change in the status of alternative investments, such as private equity (PE) and so forth, and in the outlook for earnings from them?

A2.

The Bank's basic policy on alternative investments, including PE and real estate, is to make rigorously selected investments diversified across high-quality assets. As such, we think that the impact of market fluctuations in a particular sector will be mitigated. We recognize that the business environment for PE is solid overall, with earnings continuing to grow steadily. And in terms of valuations, while AI- and IT-related stocks have experienced greater volatility in the short term, we consider they have remained stable from a medium- to long-term perspective. At this point, we do not have any particular concerns, but we will continue to gather a wide range of information going forward and monitor the situation carefully.

Q3.

On page 12 of the Selected Financial Information, it appears you have revised the earnings forecasts assuming the implied forward rates as of September 30, 2026. Can we assume that the probability of achieving these forecast results remains broadly unchanged, even considering the yield curve fluctuations and changes in the market environment since the end of September?

A3.

This forecast was formulated making reference to the yield curve as of the end of September 2026, and giving a certain degree of consideration to factors such as the potential for increased market volatility.

At the moment, we consider fluctuations in the yield curve since the end of September to be within our envisaged range of fluctuation.

Based on this recognition, even taking the market conditions since the end of September into account, we do not think there is any significant change in the probability of achieving the forecast results. However, since there are factors in the market environment that may cause fluctuations going forward, we will continue to monitor the situation.

Q4.

Currently, the deposit balance is on a declining trend. Does this reflect the impact of strong sales of retail Japanese government bonds (JGBs)? How do you plan to address this going forward?

A4.

As you correctly noted, one of the factors behind the declining deposit balance is an increase in the sales of retail JGBs at our branches and post offices.

Given the shift in focus "from savings to investment" and the arrival of an era of positive interest rates, we think our focus should be on providing products and services that meet customers' needs and ensuring that this connects to expanding the Bank's assets under management (AUM). We will continue working to strengthen our customer base.

Q5.

Regarding the revised full-year forecast for net income attributable to owners of parent of 700 billion yen, you are projecting the second half to slow down compared to the first half. Does this mean you have factored in a buffer to a certain extent?

A5.

Please note that it is not that we currently expect the second half to slow down, but that our forecast has been formulated to reflect factors such as future market fluctuations, including geopolitical risks.

In addition, while we remain committed to the newly disclosed earnings forecasts and our profit target for FY2028 of over 1 trillion yen, from the second half of the fiscal year onward, we will also examine the possibility of JGB rotation aimed at increasing future profitability.

Q6.

Regarding the background to the 30 billion yen share repurchase, did this reflect impacts such as the CET1 ratio (on a finalized and fully implemented Basel Ⅲ basis, excluding unrealized gains on available-for-sale securities) falling below the target range of 11% to 13% in normal times at 10.24%, the deterioration of net unrealized gains (losses) on available-for-sale securities, and the financial burden of the capital contribution associated with the capital and business alliance with Matsui Securities Co., Ltd.?

A6.

We conduct our capital management with an emphasis on the balance of shareholder returns, financial soundness, and growth investment. Moreover, as stated in the Medium-term Management Plan, we do not rule out additional shareholder returns, even when the CET1 ratio falls below the target range in normal times. Our decision to set the latest share repurchase amount at 30 billion yen is based on a comprehensive judgment of factors including the pace of future profit growth and capital accumulation, the outlook for future capital surplus, and growth investment opportunities.

In addition, we do not consider the capital contribution associated with our capital and business alliance with Matsui Securities to have a significant impact on the Bank's financial position. We hope that the latest share repurchase demonstrates the Bank's and the management's commitment to shareholder returns.

I will also say regarding the capital and business alliance with Matsui Securities that this alliance is more than a simple capital contribution. We see it as a strategic investment toward realizing our vision of becoming a comprehensive financial platform.

We have a customer base of approximately 120 million accounts, physical channels including a nationwide post office network and directly operated branches, as well as digital channels centered on the Yucho Bankbook App. However, we do not currently handle securities functions, such as equity and foreign exchange transactions. On the other hand, Matsui Securities offers a broad range of financial services, such as equity and foreign exchange, has expertise as an online securities brokerage, such as provision of investment information and customer support, and has a customer base with a proactive stance on investment. Through this partnership, we believe that we will be able to better address a broader range of customer needs than before by combining both companies' customer bases, strengths, and functions.

Q7.

As shown on page 9 of the Selected Financial Information, net unrealized gains on PE funds have increased by just under 500 billion yen since the end of June 2026. Could you explain the reasons for this?

A7.

The increase in net unrealized gains was mainly due to growth in global IT- and technology-related stocks.

For our PE investments, we aim to diversify investments and have built a high-quality portfolio with effective diversification by investing in rigorously selected, high-performing funds. We think this enables us to curb the impacts of specific events and maintain low levels of volatility for the overall portfolio. However, in an environment of severe market fluctuations, we not only look at the valuations of investee companies, but also monitor factors such as their current performance, financial strength, and business results and quality, to continue ensuring stable operation of the Bank's portfolio.

Q8.

Could you please share the current status of European bonds operations, taking into account sovereign bonds, including European government bonds, particularly French government bonds, and market conditions for European corporate bonds?

A8.

With regard to our investment in sovereign bonds, we will not comment on particular regions, but the proportion of the Bank's overall assets under management that is accounted for by sovereign bonds is extremely small. Also, since it is mainly focused on U.S. bonds, the balance of European sovereign bonds is very limited.

As for corporate bonds, we think individual factors related to each issuer have a significant impact, and we monitor these daily. We manage these investments carefully, checking on the credit status of the issuer and the market conditions.

Q9.

The balance of JGBs has increased by approximately 1.6 trillion yen compared to the end of June 2026. Can we consider this increase to correspond roughly to the amount of JGBs purchased? In addition, are we correct in understanding that the yield on JGBs is also improving steadily?

A9.

The increase in the balance of JGBs compared to the end of June 2026 can be assumed to correspond roughly to the amount of JGBs purchased. In our investments in JGBs, we manage our investments somewhat conservatively due to our caution regarding the prospect of interest rate increases. However, with investment appeal increasing given the considerable rise in short- and medium-term interest rates, we consider the purchase amount taking into account various factors such as interest rate levels and forecasts, as well as supply and demand. Moreover, the yield on the JGBs we hold has improved steadily in the second quarter. Looking ahead, we will invest while taking into consideration factors such as interest rate levels and forecasts, and the shape of the yield curve.

End

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