

Summary of Q&A

Answerers

Makoto Umemiya	Member of the Board of Directors, Deputy President & Senior Executive Officer, Group CFO, Group CIO
Daisuke Horiuchi	Deputy Head of Retail & Business Banking Company, Group Executive Officer

Q. Business synergies

A. (Horiuchi)

We are expecting to provide products such as financial products and real estate service by Mizuho to wealth customers of Rakuten Securities. Through this alliance, we aim to accelerate the trend in personal financial assets “from savings to investments” and realize a “fully-fledged hybrid comprehensive asset consulting services that meets the needs of all individual customers”.

By utilizing Mizuho's expertise in medium- to long-term post-asset formation advisory needs, we expect to increase earnings cumulatively. Furthermore, it is expected to contribute to net profits within a few years considering a various cases, taking into account equity method investment gains and losses, synergies and other factors.

Q. Impact on financials and capital policy

A. (Umemiya)

It has a downward impact on the CET1 ratio (Basel III finalization basis and excluding Net Unrealized Gains (Losses) on Other Securities) of about just under 7 bps.

It depends on the future environment, but assuming the current exchange rate level of low to mid 140 yen against USD, we expect the CET1 ratio to increase slightly at the end of March 23 compared to the end of the previous fiscal year due to factors such as profit accumulation and the downward pressure of the CET1 ratio caused by this investment.

The CET1 ratio is at the target level even after considering sufficient stress, and we do not believe there is any need to change our way of thinking on capital at this time even after the implementation of this investment.

This is one example of capital utilization that has been carried out during the transition to the capital utilization phase.

Q. Amortization of goodwill

A. (Umemiya)

We would like to refrain from answering the specific amortization period and amount as we will make a decision in consultation with the CPA.

Q. Reasonableness of contribution amount

A. (Horiuchi)

The investment amount is estimated by including a fairly wide range of cases including negative impact. We have also received third-party opinions, and we consider that it is well within the proper range. Even taking into account the amortization of goodwill, we expect it to contribute fully to earnings in the not-too-distant future.

Q. Distinction between PayPay Securities

A. (Horiuchi)

Rakuten Securities has a large number of wealth-building customers, mainly salaried workers, while PayPay Securities has a different customer base, with a younger population, a relatively small portion of investment, and mainly investment beginners.

For the time being, we believe it is appropriate to partner with Rakuten Securities and PayPay Securities, respectively.