FY2024 H1 Financial Results Presentation: Summary of Q&A

Q: Areas considered challenging at present

A: Asset and wealth management business is not progressing as expected. We want to move away from the traditional product-out approach and, in line with the essence of fiduciary duty, uncover the true needs of customers, and propose products fitting those needs, but it is a gradual process. Our partnership with Rakuten Securities has allowed us broader access to the asset formation and wealth management populations, but how the monetization of Rakuten Securities customers requiring consultation remains a challenge.

For large corporate business, predictive risk management for large credit exposures is crucial in debt governance. Globally, including the utilization of Greenhill, we have entered a phase of promoting inter-regional collaboration. We are advancing collaborations between the Americas and Japan, the Americas and Europe, and as we increase the exchange of staff between these regions, things may require changing, like compensation, for example.

As for management, we are aware of and are managing risks like system failures, cyberattacks, and geopolitical risks. An example is our proactive strengthening of portfolio monitoring in the Americas as the switch to a Trump administration, and thereby a resurgence of inflation and rising interest rates became a possibility. We should make sure not to fall backwards just as things start going well.

Q: The outlook for collaboration with Rakuten Card

A: We have been collaborating with the larger Group in various ways for over two years, including investing in Rakuten Securities, and we have now further deepened our partnership through investment in Rakuten Card. KPIs include the number of joint cards issued, sales using digital installments payment feature, and we will consider further deepening the collaboration based on how these progress. Regarding return on our investment, we have simulated future ROE and it is set to increase. For Rakuten Securities, we are on track to achieve the ROE target earlier than initially planned.

We recognize significant potential business opportunities in corporate partnerships, but we are still exploring here. We have been looking at how we can enhance the profitability of Orico and UC, and by involving them here we feel that we can create a partnership that leverages the strengths of both companies, which should contribute to the overall profitability of Mizuho Group.

Regarding our relationship with Rakuten Bank, we are not in a tug of war over the credit card arm. Rakuten Group feel the same way, which allowed this partnership

– we will steer initiatives that deliver a win-win for both parties. As the issuance of Rakuten credit cards increases, it is up to the customers to open a deposit account at Mizuho or Rakuten, and we think both will expand.

Q: Initiatives in the financial business for individual customers

A: For residential mortgages, for a while now we been engaging solely with customers where there is potential for ancillary business. We don't intend to participate in the highly competitive environment.

Credit card business hasn't been a strong point for us, and balances have been decreasing. There is now sufficient potential to increase that balance through the issuance of joint Mizuho-Rakuten Cards, and enhanced marketing, and we consider it an area of business worth strengthening.

Q: Long-term ROE targets

A: Overall we're looking further upwards. We should reach a TSE ROE of 8% this fiscal year, but feel we can go higher. Personally, I think we should be looking at 9-10%, and we will be examining specific levels going forwards.

Q: Direction of risk-weighted assets (RWA)

A: In our RWA management, we place importance on return. This fiscal year we have continued our strict standards for RORA, and have been declining deals that are under par, resulting in a decrease in average loan balance, visible especially overseas. Increasing RWAs is not the goal; if the return is sufficient then we should increase, but will refrain from using them where returns are not sufficient.

Q: Approach to Capital policy

A: We feel that our capital policy is entering a new phase. Until now, we had to prioritize accumulation, while providing as much shareholder return and performing growth investment as possible. Currently, with our CET1 ratio (Basel III finalization basis, excluding net unrealized gains and losses on other securities) rising to 10.5%, even considering stress factors we have sufficient capital, now allowing us to shift to increasing the weight of growth investments and shareholder return. It was by no means an easy ride, but we are finally here.

Q: Possibility of acceleration of reducing cross-share holdings

A: If the intentions of our customers change, it would be possible to accelerate reduction. Though, while we always have the intention to accelerate, we also value our customers’ views, and so decisions are made carefully and cautiously.

Capital released from their sale will follow the same treatment as other capital, within our overall capital policy. The outlook for sales proceeds this fiscal year is around 80 billion yen, so not significant compared to our total net profits. We believe it is important to balance growth and enhance returns within the overall framework of our capital policy.

Q: Evaluation and recognition of issues in the European and Asian regions

A: Europe is a highly competitive market with many banks. It is crucial to enhance RORA, by engaging selectively in high-profit transactions. We have been pursuing efficiency through organizational changes, and RORA is improving. We intend to continue this. Like the Americas, Europe has a solid capital market, so we will deploy our CIB model and monetize capital market business.

In Asia, where the capital market is immature, we will advance monetization through indirect finance, transaction banking, and derivatives. Expansion of transaction business with non-Japanese corporates and the provision of solutions, such derivatives for both Japanese and non-Japanese corporates, is also gaining traction. We need to keep an eye on whether we are expanding at the right pace.

We can also expect growth in cross-border M&A. In H1, we landed several M&A mandates between the Americas and Japan, and are anticipating various other cross-border patterns such as between the Americas and Europe, and between the Americas and Asia. We aim to monetize these deals using Greenhill's functions.

We will pursue strategies tailored to the characteristics of each market, while deepening global collaboration to develop a business model that increases fee income and financing centered on M&A.

Q: Evaluation of each business division

A: RBC: The forecast for this fiscal year (Net Business Profits) is flat YoY. While Gross Profits are expected to increase, we are also strategically deploying expenses, such as in Human Capital in line with the transition to CANADE, and proactive investment in digitalization. We expect growth in gross profit to follow afterwards. As of H1, we are in line with our plan, but will aim to outperform here on the back of BOJ's rate hike in July.

CIBC: Net Business Profits were initially forecasted to increase by 10 billion yen YoY, and at H1, momentum is already strong. Loan demand is strong, and corporate action is rife, increasing non-interest income too. We can also consider outperformance here on the back of the additional rate hike in July.

GCIBC: Net Business Profits were forecasted to increase by 5 billion yen YoY. Many factors are contributing to increased expenses, such as inflation, governance, and IT investment, and we are allocating corporate resources in line with our medium-term view. As of H1, progress is in line with our plan.

GMC: In banking, the first quarter was especially strong, realizing gains in line with various markets. However, in H2, considering the regime change to the Trump administration and its impact on the economy and financial markets, we need to operate with considerable caution. Therefore, we will prioritize protecting MtM valuation over realizing gains.

In S&T, we expect increased revenue in a volatile environment, and we aim to generate solid revenue in H2 as well.