

Mizuho Investment Conference: Summary of Q&A

Q: Regarding cross-shareholdings, how much do you plan to dispose in the future?

A: We are currently in the process of assessing the objective of holding each share based on the criteria we have established in August. For those shares that didn't meet the quantitative judgment, we will start a dialogue with the customer to improve our profitability as a first step. With respect to the numerical target, we intend to present that when we announce our interim results for FY15 in November.

Q: How did you design the criteria used for quantitative judgment?

A: As stated in our Corporate Governance Report, we have determined the basic policy regarding cross-shareholding reflecting the "potential impact on our financial position associated with stock market volatility risk". Thus, we will assess the objective of cross-shareholdings from risk capital basis incorporating the risk of share price fluctuation in addition to credit risk.

Q: Are you starting to see any impact on the credit cost given the instability surrounding Chinese and emerging market economies?

A: Our Non-Japanese customers are mainly Super30 or Super50 companies that are blue chip and global companies. I am confident about the credit quality of our Non-Japanese loan portfolio and believe that it has a sufficiently strong resilience to risks. Nevertheless, I will pay close attention to the situation of the Chinese and emergent market economies.

Q: Please elaborate on your Risk Appetite Framework (RAF)

A We implemented RAF from this fiscal year. Under the supervision of the Group CEO, Group-CRO^{*1}, CSO^{*2} and CFO^{*3} are cooperating to enhance its operation. This is a framework that is not only to control risks but also to take risks that we should be taking. The risk appetite is determined based on each unit's business strategy, and is in line with resource allocation and profit plan

*1: Head of Risk Management Group

*2: Head of Strategic Planning Group

*3: Head of Financial Control & Accounting Group

Q: Would the policy regarding capital management change in the next medium-term business plan? Would the disposal of cross-shareholdings affect it?

A: Our principal policy regarding capital management is to "pursue optimal balance between strengthening of capital base and steady return to shareholders", and we aims for a "steady dividend payout policy with a dividend payout ratio on a consolidated basis of approx. 30% as a guide for our consideration." The usage of excess capital, whether to increase shareholders return, will be discussed within the scope of the next medium-term business plan, but I would like to consider those options once we reach our newly stated CET1 target.

Q: Recently, you have increased your voting rights in Orico, but what are your strategies regarding credit card business? How would this affect your partnership with Credit Saison?

A: Expanding credit card business is one of the keys of this recent enhancement in collaboration with Orico. We are collaborating with Credit Saison in various card businesses such as Mizuho Millage Club card and this will remain unchanged. On the other hand, we intend to further collaborate with Orico in various areas. For instance, Orico possess a huge database of purchase history (Big Data) through installment credit business and to utilize that would an option for us. We will not perceive FinTech merely as a way of settlement but utilize it by coupling with Big Data, and explore new businesses with Orico.

Q: What are your visions regarding the next medium-term business plan?

A: I believe that as customer needs diversify, the integrated management between banking, trust and securities becomes even more important. In our current medium-term business plan, we aim to “transform into a stable and sustainable profit structure centered on income from customer groups”, and the idea, to stay client oriented and increase profits from customer groups, will not change in the next medium-term business plan. However, we need to consider whether the integrated management of banking, trust and securities is sufficient or not, and also need to consider ways to address to the Non-Japanese customers’ needs.

Mizuho Securities is performing well, results in FY14 and 1QFY15 were both favorable, but I would like to elevate Mizuho Securities to aim for the next-stage, a stage that Mizuho Securities can compete with our global peers. In addition, although there are innovations in non-face-to-face services like what we see in FinTech, I believe the importance of face-to-face services is also increasing. Achieving the optimal balance between these two business styles will be another topic we should discuss in the next medium-term business plan.