FY2025 Interim Financial Results Presentation: Summary of Q&A

Q: Medium- to long-term outlook and targets for ROE

A: This fiscal year's ROE is projected to exceed 10.0%, based on the revised fiscal year-end Net Profit of 1.13 trillion yen. Regarding business, we are beginning to see signs of expansion driven by global and regional collaboration, and we intend to steadily push this forward. Additionally, by further deepening initiatives in Asset & Wealth Management in Japan, we believe an ROE of around 12% is possible.

Even without further interest rate hikes, we hope to reach this level; that said, a single +25bps rate hike would have an impact of +120 billion yen to Net Business Profits. There is also upside potential in our bond portfolio, where we still maintain a cautious approach. By managing all of these aspects flexibly in accordance with the prevailing environment, we believe further improvement is achievable.

Q: Recent increase in expenses

A: During our Fundamental Structural Reform (FY18-22), investments in IT, systems and branches were restrained, but we are now investing in these areas selectively.

For IT systems, while there are ongoing investments to update the core banking system at BK and TB ("MINORI"), we believe that, aside from this, most major investments have already been completed. For branches, we are fundamentally reviewing their locations and operations, which may result in some increased expenses here and there.

All of these, however, are necessary investments aimed at future growth enhancing governance—we view none of them as wasteful. Furthermore, we are making investments in human capital management and, in this environment where inflation is remaining elevated, we also recognize the need for solid wage increases.

We are also continually reviewing whether there are any core expenses that can be reduced, and currently we are taking steps to optimize third-party usage. We are managing expenses that are within our control, aiming for the time being to maintain our expense ratio at our target of around 60%.

Q: Underlying financial indicators in the revised Profit guidance

A: We have set the USD/JPY rate at 140 and the Nikkei 225 at 40,300. As pointed out, these appear conservative relative to current market levels. However, since this is ultimately subject to market fluctuations and not within our control, we have set guidance at these levels; should current market levels persist, then we have upside. Personally, however, I consider market-driven fluctuations to be temporary and not indicative of our true capabilities.

Q: Outlook for Mizuho's Total Payout Ratio (TPR)

A: Our guideline for TPR is 50% or more. Whether a ratio higher than this is sustainable or not depends on the prevailing market conditions and the status of inorganic growth investment opportunities, so it is difficult to provide a definite answer.

Q: Growth in Net Interest Income within the International Division

A: On improving returns for Non-JPY currencies, this has been a deliberate effort for quite some time: improving spreads on the lending side and considering cost-effectiveness on the funding side. Thanks to these persistent efforts, we have gradually built up a deposit base that is low-cost and sticky. Also, this fiscal year, the funding environment has been very favorable, allowing us to issue senior bonds under highly advantageous conditions.

Also, by increasing holdings in Held-to-Maturity Non-JPY bonds, we are able to offset declines in loan/deposit income in the Customer Groups coming from rate cuts. It is a result of these factors that Net Interest Income in the International Operations has increased year-on-year, despite the fact that the policy rates have come down.

Additionally, as funding costs for MSUSA and similar entities are also included in Net Interest Income, the decline in funding costs in the current environment is another contributing factor to this year's improvement.

Q: Initiatives in the mid-cap area

A: Our strategy to support growth for mid-cap companies was included in the medium-term business plan that we launched in FY2023.

Whereas previously, we assessed the presence of opportunities for business with such companies almost entirely on lending needs, we now take a comprehensive view of their businesses, and make proposals more directly linked to growth support. We are seeing tangible results from these efforts.

Externally, there are ongoing discussions about revisions to Japan's "Corporate Governance Code", the Takaichi administration recently released its 17 priority industries to drive growth in Japan, and also changing perspectives to Japan from overseas. We expect corporate action to remain elevated, and currently there are many promising developments in the pipeline.

Of course, we recognize that competition with other companies in this area is particularly intense, so we will continue to hone our proposals for those clients where we can make a meaningful difference.

Q: Challenges with the overseas CIB model and the Augusta acquisition's position within the CIB business

A: Regarding our overseas business portfolio, we do not necessarily believe we need to add more products to our coverage. However, it is crucial to keep reallocating assets out of low yield loans and continually monitor our return on risk. The US is a hot market, but could theoretically overheat, so we remain alert to signs of excessive exposure and are careful not to overextend ourselves in overheated segments. As for talent, Mizuho continues to attract highly capable personnel, so there are no concerns there.

Augusta is a boutique M&A firm specializing in renewable energy. Although the scale of the acquisition was not very large, Europe's renewable energy market is enormous and this acquisition is aimed at strengthening our European business.

Q: Recent trend in Individual Customer deposits, and future mass retail strategy

A: I see it that we are basically flat year-on-year. In the past we had not been able to sufficiently invest in infrastructure for the mass retail segment, so more recently we have been increasing investment. As a result, new account openings are finally growing year-on-year, which has maintained neutral movement year-on-year.

To obtain growth, we need to further enhance the convenience of our online banking app, reconsider the role of physical branches, and steadily implement measures across our customer channels, operation, service and branding.

Although initiatives such as the Mizuho-Rakuten Card, collaboration with Rakuten Securities and Rakuten Card are yielding positive results, we believe at the same time that it is essential to develop Mizuho's own unique value propositions, and we are considering future strategies with this in mind.

Q: Possibility of collaboration with Rakuten Bank and others

A: We are always open-minded when it comes to partnerships and alliances, not limiting ourselves to specific companies. We constantly entertain ideas about potential collaboration with a variety of partners. This openness, we believe, is one of our strengths.

Q: Risks to business execution going forward

A: There remains uncertainty over whether inflation will subside in both the US and Japan, and in the US in particular there is a possibility that tariffs could be passed on to end consumers. The outlook for fiscal stimulus/government spending is also something we are watching closely.

On AI, there is definitely a boom in investment underway, but will these loans and investments actually generate returns? That does concern me.

For private credit, while the large players are most likely maintaining discipline, given the presence of a large number of various market participants, it can be difficult to identify who the ultimate investor is, which is another risk we are aware of.

Finally, there is still a great deal of uncertainty regarding US-China tariff negotiations, and we are monitoring these developments very carefully.