Material 1

Explanatory Material

November 24, 2015

Supervisory Bureau, JFSA

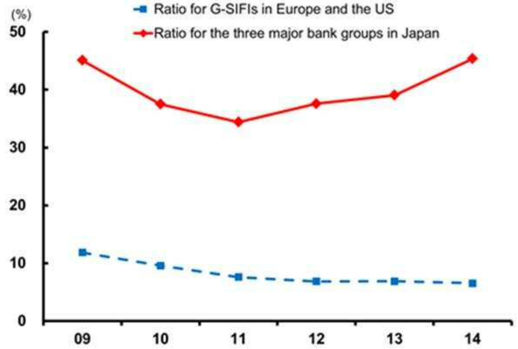
Extract of “Financial Monitoring Report” *published in July 3, 2015

Three major bank groups

◇ Risk of stock price fluctuation

- Compared to G-SIFIs in Europe and the US, the three major bank groups have a higher rate of shareholdings to equity capital. This means that particular attention needs to be paid to the impact on equity capital due to a decline in the stock price.
- Currently, soundness of equity capital of the three major bank groups is as sufficient as that of G-SIFIs in Europe and the US, partly due to the net unrealized gains from shareholdings.
- In the past, economic/market downturns affected financial conditions of financial institutions through a drop in stock price, and restricted sufficient function of financial institutions. (occurrence of procyclicality)
- <u>It is necessary for the three major bank groups to further strengthen their financial bases especially through reducing the risk of stock price fluctuation in order to be able to adequately respond to the economic/market changes and business support needs of enterprises during hard times.</u>

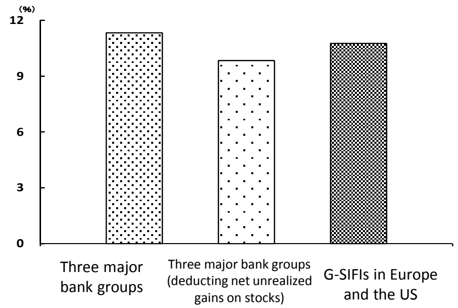
Ratio of shareholdings to equity capital
(comparison between Japan and Europe / US)



Note: Shareholdings (market value) divided by Tier 1 (based on the end of each term) is the ratio of shareholdings to equity capital.

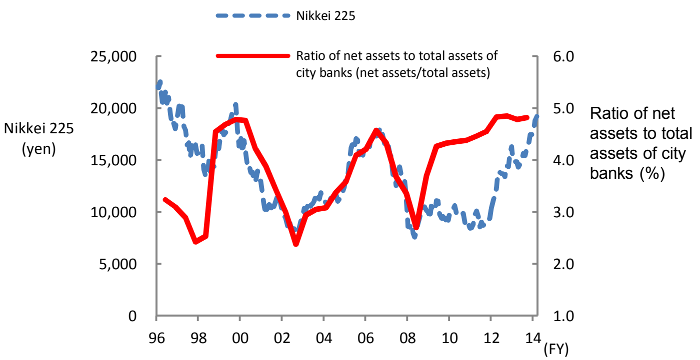
Source: published data from each company

Common Equity Tier 1 Ratio
(comparison between Japan and Europe / US)



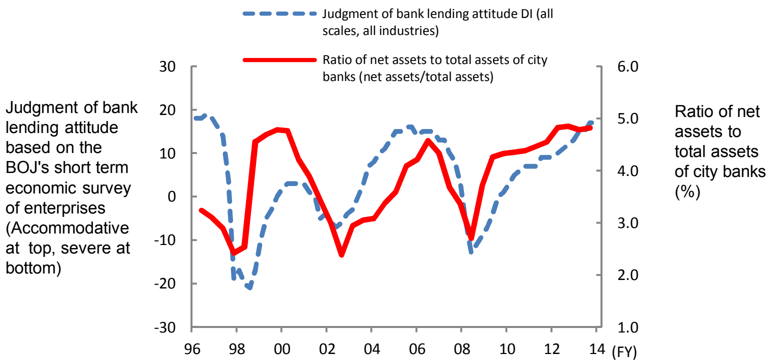
Note1: Common Equity Tier 1 ratio is estimated on the assumption of full implementation of Basel III (at the end of FY 2014, excluding some G-SIFIs in Europe and the US)
Note2: Common Equity Tier 1 ratio which deducts net unrealized gains on stocks is estimated on the assumption that the net unrealized gains of domestic stocks in the category of available-for-sale securities are zero.
Source: FSA and published data from each company

Nikkei 225 and ratio of net assets to total assets



Source: Bloomberg and Japanese Bankers Association

Judgment of bank lending attitude and ratio of net assets to total assets



Source: BOJ and Japanese Bankers Association

Extract of “Japan Revitalization Strategy - Revised in 2015” *published in June 30, 2015

Section2 Three Action Plans

I. Industry Revitalization Plan

1. Vitalizing of industries

(3)Specific new measures to be taken

i) Promotion of "Proactive Management"

[2] Fulfillment of steady financing function to strengthen support enterprises management

…As the financial institutions have already started appointing independent outside directors and reducing the shareholdings, which is held by financial institutions for business relationship purposes, the Government continues to closely monitor their efforts. Especially, the global systemically important financial institutions need to reduce procyclical factors (that amplify the effects of economic fluctuation) such as the risk of stock price fluctuations, etc. in order to be able to adequately respond to the economic/market changes and business support needs of enterprizes during hard times, while taking into consideration the international regulatory changes.

Extract of Corporate Governance Reports of the three major bank groups

◇ Mizuho Financial Group (June 1, 2015)

・As a basic policy, unless we consider these holdings to be meaningful, MHFG and our core subsidiaries will not hold the shares of other companies as cross-shareholdings. This reflects factors including the changes in the environment surrounding corporate governance and the potential impact on our financial position associated with stock market volatility risk.

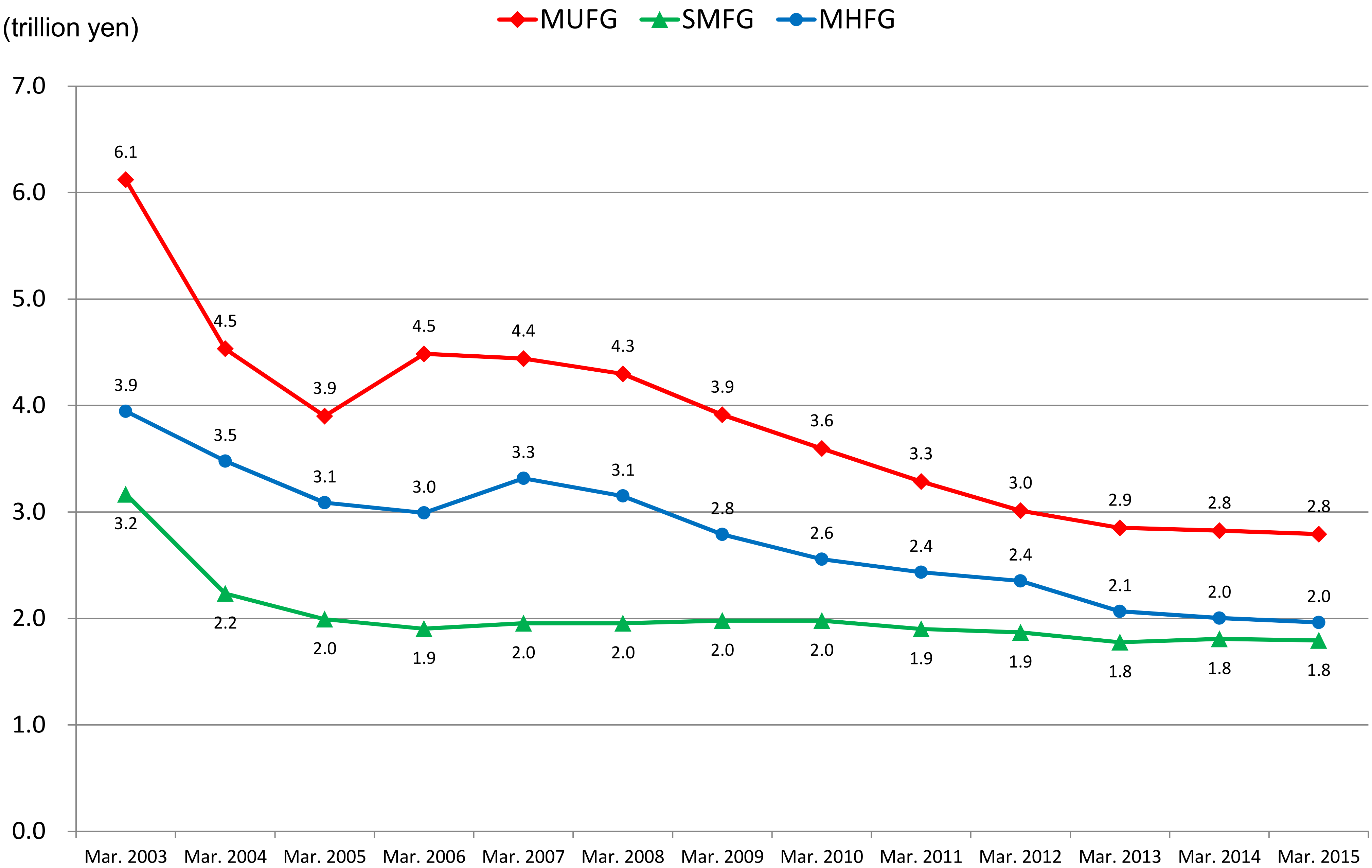
◇ Sumitomo Mitsui Financial Group (July 3, 2015)

・In principle, SMFG does not hold the shares of other listed companies where "the rationale" to hold those shares cannot be recognised. This policy is in place in order to help maintain SMFG's financial soundness, taking into consideration the standards of globally operating financial institutions and our proactive response to global regulation.

◇ Mitsubishi UFJ Financial Group (July 31, 2015)

・MUFG has adopted a basic policy that its Group banks, taking into account shareholding risk, capital efficiency and international financial regulations, shall reduce the amount of shares held for the purpose of strategic investment, following sufficient consultation with the relevant corporate business clients.

The equities held for business relationship purposes *acquisition cost basis



Source: MHFG “Summary of Financial Results for the First Half of Fiscal 2015” (November 13, 2015)

(Reference) Response to Cross-shareholdings

Policy Regarding Cross-shareholdings

Basic Policy

- **Unless holdings are considered meaningful, we will not hold the shares**

Criteria for Meaningful Holdings

- **Core subsidiaries (Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities) conduct assessments of the meaning of holding each share**

< Profitability Criteria used to assess the meaning>

- **We determine the holding as meaningful when the ratio between Total Profit*1 and Risk Capital*2 associated with the customer exceeds the hurdle rate established based on our ROE plan*3 (cost of capital + x)**

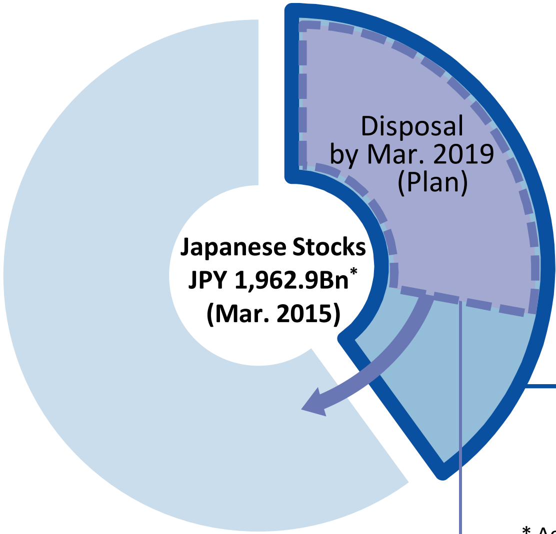
*1: After excluding credit cost, expense and funding cost, etc.

*2: The sum of credit risk and risk of share price fluctuation, etc.

*3: ROE plan for FY2015 (including Net Unrealized Gains on Other Securities): Approx.8%

Assessment Results and Disposal Plan

Reduction amount necessary to meet the Profitability Criteria is approx. 40% of the total Japanese stock portfolio



* Acquisition cost basis

At least dispose of approx. 70% of the necessary reduction amount by Mar. 2019

Aim to achieve 40 to 50% of the above disposal plan by Mar. 2017 through accelerating dialogue and negotiation with clients

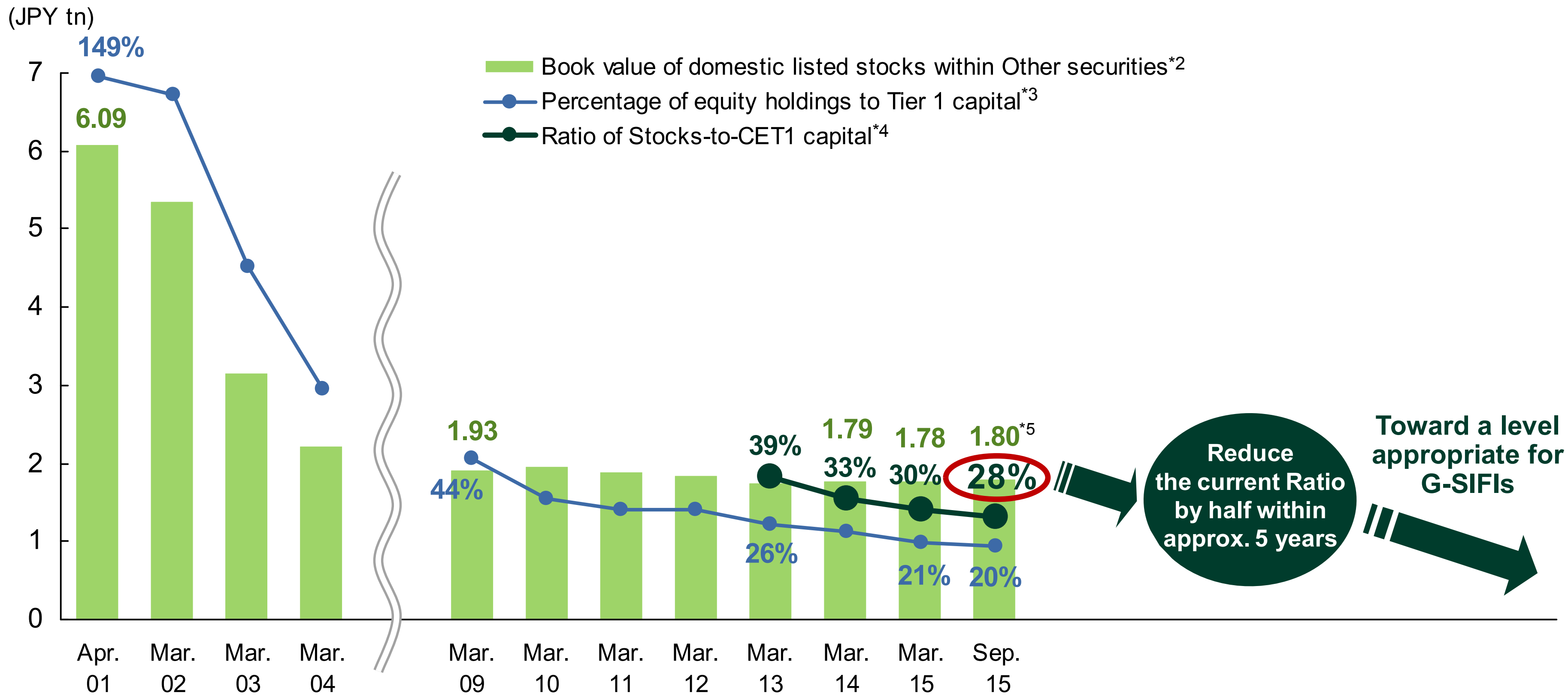
The above information includes forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. See “Forward-looking Statements” on P.14 of this presentation

Reduction of strategic shareholdings

- We will continuously mitigate the risk from stock price fluctuations in order to have a more stable and robust financial base
- Toward achieving an appropriate level of the Ratio of Stocks-to-CET1 capital(*) as one of the G-SIFIs, we aim to have the assurance of reducing the current Ratio by half within approximately 5 years

(*) SMFG consolidated basis The book value*1 of domestic listed stocks / Common Equity Tier 1 capital (CET1)
(Basel III fully-loaded basis, excluding net unrealized gains on Other securities)

Strategic shareholdings outstanding (SMFG consolidated basis)



*1 Same meaning as acquisition cost *2 Up to Mar. 2002, on a SMBC consolidated basis
*3 Up to Mar. 2002, percentage to SMBC non-consolidated Tier 1 capital. From Mar. 2013 onwards, percentage to Basel III SMFG Consolidated Tier 1 capital
*4 On a Basel III fully-loaded basis, excluding net unrealized gains on Other securities
*5 Diminishes after deducting increase in book value from the termination of hedge transactions

Capital Adequacy Ratio (Basel III)

	(A) As of Mar. 31, 2015	(B) As of Sep. 30, 2015	(B) - (A)
Common Equity Tier1 ratio(*1)	11.14%	11.23%	0.09%
Tier1 ratio	12.62%	12.73%	0.10%
Total Capital ratio	15.68%	15.68%	0.00%

(*1) 12.0% for full implementation basis (Calculated on the basis of regulations applied at the end of March 2019)

Earnings Target and Dividend Forecast for Fiscal Year 2015

	FY14 H1	FY14	FY15 H1	FY15 (Forecast)
Profits attributable to owners of parent(*2)	578.7	1,033.7	599.3	950.0
Dividends per common stock(*3)	9 (interim)	18 (annual)	9 (interim)	18 (annual)

(*2) in billions of JPY (*3) in JPY

- MUFG has resolved to repurchase own shares of up to ¥100 billion from markets in order to enhance shareholder returns, improve capital efficiency and conduct capital management flexibly.

Key Initiatives for the second half of Fiscal Year 2015

- Establishment of business platform for our sustainable growth and improvement of productivity to achieve our mid-term business plan
  - Expansion of our business under our “Shifts from Savings to Investments” promotion policy through supporting retail customers’ asset buildings.
  - Strengthening of our business platform through providing well-thought-out proposal to corporate customers to overcome their business challenges.
  - Reform of our overseas business from loan-centric business model.
  - Expansion of our revenue base through non-organic investments in the investment service and asset management business areas.
- Maintenance of sound capital base and improvement of ROE by sophisticating financial and capital management
  - Seek the “Best Capital Mix” to achieve both the maintenance of enough capital base to fulfill the global regulatory requirements and the enhancement of productivity of our capital.

Policy to reduce equity securities held for strategic purposes

- We are aiming to reduce our equity securities holdings* to approximately 10% of our Tier 1 capital over the next five years.
  (*for strategic purpose, at acquisition costs)

Source: MUFG “Financial Results for Six-months ended September 30, 2015” (November 13, 2015)