

FY2021 Financial Results Presentation: Summary of Q&A

Q: Results and challenges of the 5-Year Business Plan

A: In the first three years of the 5-Year Business Plan, we have made a lot of achievements, mainly in business, which are reflected in our earnings. On the other hand, due to the IT system failures, we were not able to sufficiently work on new things. This awareness of challenges has led to initiatives for corporate culture and DX. There are also challenges in addressing existing business areas. For example, retail corporate business has transferred to reorganized branch network, and while improvements have been seen by enhancement of expertise through the separation between corporate and retail, and sharing of know-how, there is still room for further growth in supporting innovative companies and sustainable finance. In such business areas, it is necessary to identify growth areas and review strategies. In addition, there are challenges related to human resources, such as investment in human resources, employee-friendly work environments, and women empowerment.

Q: Earnings outlook and increase/decrease factors, volatility

A: As for the FY22 Earnings Outlook and increase/decrease factors, please see page 12. For the overall Customer Groups, due to effects such as the increase in costs for stable business operations, FY22 Net Business Profits will temporarily decrease. However, from FY23 onward, we aim to achieve Net Business Profits of more than those of FY21 and 22.

As for Markets, although the carry gains of foreign bond portfolio will decrease due to a reduction in position in banking, the losses on sales is not expected to be the same level as in FY21, and both are expected to be offset. We are reducing our position in the foreign bond portfolio (p.46), and we are considering the interest rate risks are sufficiently controllable. In addition, S&T has business opportunities in light of the uncertain market environment, and we plan to increase profits compared to FY21, and increase Net Business Profits for the whole market division YoY.

Q: About Expenses

A: We will continue our efforts to reduce expenses.

In FY21, we worked to reduce FM and personnel costs and reduced JPY 18 billion excluding special factors such as the FX effects. On the other hand, expenses in FY22 will increase as a whole due to the expected increase in stable business operations and growth investment. We aim to maintain expense ratio at around 60% by increasing Gross Profits in improving productivity and allocating personnel to growth areas.

In the FY22 budget, the impact on expenses in IT system failures (p. 8) is expected, but the impact on expenses after FY23 is not expected at the moment.

Q About Dividends

A: We maintained the dividend estimates at JPY 80 for FY22 to monitor the strong uncertainty in the business environment, such as the situation in Russia and rising inflation and interest rates outside Japan.

If the likelihood of FY22 estimate of Net Income attributable to FG of JPY 540 billion increases, we will consider the option of increasing the dividends to JPY 85 in accordance with the shareholder return policy.

Q Share buybacks and growth investments

A: In FY22, we first aim to achieve the estimate of Net Income Attributable to FG of JPY 540 billion and increase dividends. After monitoring growth investment opportunities, we will consider share buybacks in accordance with our shareholder return policy.

The CET1 Capital Ratio (Basel III finalization basis, excluding New Unrealized Gains (Losses) on Other Securities) decreased to 9.3% due to reserve adjustment and other. On the other hand, based on the current risk profile, we do not expect to change the target level of the lower end of the 9-10% range. If we reach our earnings plan and a preventive reversal of reserves occurs, the CET1 Capital Ratio could rise to around 9.7-9.8% or more. At that stage, the next capital utilization will be considered.

Q What is your policy and framework on DX?

A: We are working on both bringing external resource and alliance technologies to Mizuho and utilizing Mizuho's own knowledge and knowledge gained through alliances.

In the former case, the knowledge learned through the LINE Credit business, for example, could be utilized in Mizuho's initiatives. In the latter, we will use the good technology we have found through our partnership with Google in our business partnership with LINE.

In frontier business, in which we cooperate with Softbank and LINE, ROE, timing of profitability, etc. are set as KPIs and we are monitoring the degree of achievement.

Q: How do you see your business portfolio going forward? What do you think of Asian Retail, Leasing and Credit Card?

A: In the case of Asia's retail business, we are envisaging collaboration with existing corporate businesses in Asia and the repatriation of digital expertise to Japan. However, at the moment, we are not envisioning that this will be a single segment.

As for Mizuho Leasing, we have shifted our investment from BK to FG and will move strategically as one of our core entities. On the other hand, we are not considering the change in investment ratio.

Orient Corporation aims to increase its Ordinary Profits in the medium-term business plan to about JPY40 billion, which is JPY20 billion at present. While our investment ratio to Orient Corporation about 49%, changes to investment ratio will be considered after confirming the progress of the plan and growth potential business, as well as whether Orient Corporation will be positioned as a core business of Mizuho.

Q About Sustainable Business

A: A huge demand for funds is expected to be born in order to realize the transition, but it is difficult to meet the demand only by indirect finance and domestic capital market, and funding, including investors outside Japan and capital funds, is required.

In addition, we would like to provide clients with the added value of consulting, in non-financial areas, and create clients' businesses, which will lead to transactions in financial areas, thereby increasing profits.

Q Is it possible to set a target to reduce cross-shareholdings to zero?

A: As of the end of March 2022, the number of companies of cross-shareholding was reduced from 1,319 at the end of March 2015 to 882. We will continue to carefully communicate with our business partners and reduce the balance as much as possible.