

IR Day 2022: Summary of Q&A

1. Retail & Business Banking Company

Q: What are the SX support initiatives towards SMEs?

A: In light of concerns about stranded assets, we have been making steady efforts to raise the issue first and work out solutions together with customers through discussions since around the year before last. In order to support corporate initiatives, we are actively proposing financing, such as sustainability-related loans, and the need for such financing is increasing.

The initiatives toward decarbonization was originally taken by large companies, but now SMEs are showing more interest, and it is gradually gaining ground. It is expected that initiatives for sustainability will further advance, reinforced by the current trend of disclosure obligation on climate change risks.

Q: About housing loan initiatives

A: As interest rates have been falling for about 10 years, the market has become extremely competitive and severe. Without any measures taken, we estimate that this business fall into the red after 20 years from now. On the other hand, as housing loans business is an important service to support customers' housing acquisition, we have been working on cost reforms to solve our structural problems.

Specifically, we have shifted our strategy to provide housing loans through specialized channels rather than through all branches, thereby increasing efficiency. We are also strengthening our approach to customers with high credits. As a result, even if we offer the same level of interest rates as online banks, we are able to secure sufficient profitability.

Mizuho has strengths in its products, which require real estate and tax expertise, and detailed services that online banks do not offer. Leveraging these strengths, we are accelerating moves to reverse the balance and aim to increase earnings.

Q: What is the speed of growth and expected synergies for digital strategies such as LINE

Bank and MoMo/Tonik?

A: The significance of LINE Bank is to launch a bank on the LINE platform with 90 million monthly active users. We want to provide banking functions that are easy to use, close and accessible. The bank aims to be a game changer and provide various payment services for monetization.

MoMo has a near-monopoly position in Vietnam as a payments provider. We also expect to expand its users in Vietnam by strengthening sophisticated financial services, through cooperation with Vietcombank as well as Mizuho providing knowledge.

Tonik is the first private digital bank in the Philippines, and we hope to strengthen our business expansion while also collaborating with Mizuho's business partners. In any case, we would like to utilize our experience in Japan, and also to learn their tips and bring them back to Japan.

Q: What is your strategy for promoting the asset management business? How will you utilize DX?

A: The assets under custody in Mizuho Group are disproportionately in JPY deposits, and customers are not able to enjoy the benefits of global growth. Under the slogan of "long-term, diversified and continuous investment", we would like to allocate customers' funds appropriately to managed assets and contribute creating society with affluence. Although NISA and other systems to support asset building have been put in place, they have not been fully utilized, and there is still room for growth in the asset management business.

DX can be used in a variety of ways, including support for sales consulting and marketing to identify needs. Another option is to expand non-face-to-face channels through the internet and smartphones.

Face-to-face sales, however, have good aspects such as providing detailed service and promoting communication between people, and therefore; we would strictly like to put focus on face-to-face sales. On top of that, we think it is important to pursue convenience by using DX.

Q: Please let us know about the review of business portfolio and what kind of initiatives you

are taking to improve productivity.

A: We are reviewing it and pursuing to improve productivity simultaneously. In FY21, we began to reorganize business areas in which challenges were identified. We would like to take a more detailed look at these areas, taking into account the effects of our earnings improvement measures.

Specifically, we are working to strengthen digital marketing in the mass segment and build a business foundation in Southeast Asia. At present, we have not classified the areas to make less focus,, but we plan to strengthen non-face-to-face channels in response to changes in customer trends, such as the growing need for contactless services, and megatrends, such as population decline. We will also appropriately drive our business in accordance with such business trend. While supporting our sales people by utilizing DX, we would like to improve the productivity of RBC as a whole.

Q: Responses and challenges to change the corporate culture

A: To change the corporate culture in Mizuho as a whole, it is important to reform RBC, which has a large number of employees, and we are working hard to do so.

In the past year, the company has developed a framework for reforming its corporate culture, in which it listens to the voices from sales on-site and the management side listening thoroughly to them.

For example, we have introduced a framework in which sales branches evaluate corporate section on the response and the ways of communication. Regular checks are conducted and improvements are made at corporate section based on these checks. Such efforts have also created a virtuous cycle in which it is easier for the workplace to raise its voice. We want to foster a culture in which the voices of our employees are reflected in in-house company policies.

2. Corporate & Institutional Company

Q: Even though Mizuho is shifting capital from cross-shareholdings to SI field (strategic investment), the amount of transition investment around JPY 50 billion seems small. What is the background?

A: Initiatives in the SI field and transition investment quota have different purposes.

There are four main areas in the SI domain. Hybrid finance that provides capital, strategic LP investment in funds, LBO finance, and mezzanine finance for assets such as real estate and renewable energy.

On the other hand, transition finance framework will be utilized to establish new technologies to achieve carbon neutrality, from the stage of demonstration experiments, by sharing risks with customers. We consider the transition process to be particularly important in Japan in addressing the decarbonization challenges the world facing. The process requires new technologies such as in hydrogen, ammonia, and CCS, but many of them are in the "demonstration" stage before commercialization. Mizuho will share risks as a partner in such areas where uncertainty remains high for customers. Therefore, we do not believe that a large amount of money will be required for individual projects at this stage.

The initial target is JPY 50 billion. However, as this trend accelerates and needs from the public and clients increase, we would like to appropriately review the amount.

Q: Please tell us about the effects and issues that you have seen by concurrently serving as the head of Corporate & Institutional Company and Global Corporate Company.

A: Many clients also manage their domestic bases in offices outside Japan, so I think it is important for a single head to be able to communicate with clients in Mizuho too. In addition, it is easier for clients to promote cooperation between Japanese and non-Japanese companies when they are looking for business partners or for companies to sell or acquire in the event of business portfolio replacement. From an employee perspective, it's also easier to view and cultivate their own careers across Japan and overseas. This is why GCF, new employees recruitment course is popular.

Since I have been in office for only two months, there are still some things that I have not seen yet, but I would like to devise ways such as time allocation so that I can pay attention to both CIC and GCC in a balanced manner.

3. Global Corporate Company

Q: Regarding transaction banking in Asia, is the lack of a local commercial bank a hindrance?

A: Mizuho's strategy is based on wholesale transactions, not retail transactions. We believe that there is room for expansion in the uptake of wholesale transactions by non-Japanese customers, and we are working on this by conducting an overall check of fund flows and developing data.

In carrying out the strategy, we place particular emphasis on human resources. There was also some period which sales people in charge, who does not specialize in transaction banking, having difficulty in making a good proposal, but now anyone can conduct transaction banking business due to the introduction of a training platform and evolving it into organizational knowledge through role-playing.

Q: In the U.S. capital markets business, what areas do you prioritize when looking at expanding balance sheets? How about the revenue impact?

A: We will expand market-related balance sheets, including derivatives, which initiative is jointly taken by both GCC and GMC. We are concentrating resources on S&T business, because this business will generate more profitability, the more transactions there are

We do not intend to increase lending excessively. One of the management issues for Mizuho is foreign currency funding, and we will appropriately control the balance of loans while monitoring our funding capacity and market liquidity.

4. Global Markets Company

Q: What is the upside and downside of revenue plan in FY 22?

A: In Banking, the upside is due to higher investment returns on new investments. Implied FF rate has already been above 3%, and the current PBR level of Japanese stocks are lower than that of previous recessions.

On the other hand, when inflation does not subside and interest rates rise further, it is necessary to manage positions in a fairly defensive manner. Furthermore, in the event of turmoil in the financial markets, a rise in funding cost is assumed in cash flow management. The above two points are recognized as downside risks.

Although S&T is primarily a volatile business in the top-line, its portfolio has been diversified and overall fluctuations have been restrained.

Specifically, in addition to the flow business related to current transactions, which has been the main business in the past, we have worked together with GCC to provide financing and hedging solutions as market products associated with deal originations, thereby increasing the ratio of corporate derivatives. The proportion of businesses using their balance sheets to record Net Interest Income is also increasing.

Q: How will the risk control of JPY interest rates be managed?

A: Mizuho's strength is that it has developed hedging instruments. In light of the possibility of a future rise in JPY interest rates, including a yield curve control adjustment by BOJ, we had advanced the system by the end of last fiscal year. However, risk control is of course important, and it is also important to assess market trends.

On the other hand, the JPY balance sheet has a structure in which there is a large excess of deposits, and an increase in interest rates following the lifting of negative interest rates, for example, has some positive effects.

Q: What positive effects can be expected from the easing of the Bank and Securities firewall restrictions on June 22?

A: We are in the process of implementing practical arrangements. Since it is a mitigation, not a repeal, we need to create a new framework and design the details.

Although the benefits are assumed to be within the scope of regulations, the opportunity to offer integrated products will expand as Bank and Securities have offered different products to their respective customers. We also believe that the return on risk will increase in the monetization of trading books. The impact on the FICC business will be particularly significant.

Q: From the perspective of ESG-related products, what challenges could be considered in S&T business?

A: We believe that there are needs for derivatives that are linked to ESG-related KPIs, and we are pursuing this as we explore. Carbon credit will be standardized more and more, but we believe that we can create products related to derivatives based on bilateral transactions that meet our needs.

As GMC, we don't want to overlook some of the things that need to be done, although profitability is unknown until we implement it. There are some customers who are showing interest in such transaction concretely, and we feel the potential.

5. Asset Management Company

Q: What are the initiatives towards the review of your business portfolio and to improve productivity?

A: AMC has two business portfolios: a publicly offered investment trust business and a business for institutional investors. In both cases, the top line grows through selection and concentration.

For example, we are stepping up efforts to redeem small funds. We want to create a good circulation by putting the surplus energy into stronger fields.

We will promote the integrated operation of TB defined benefit pension plans and BK defined contribution pension plans to realize efficient and productive operations. In addition, TB is working to improve productivity by consolidating consulting functions within TB and sharing product selection functions between TB and Asset Management One Co., Ltd..

In terms of improving ROE, how to implement an inorganic strategy is also an important point.

Q: Responses and challenges to change the corporate culture

A: It is very important to share with employees the sense of purpose behind the strategy. AMC has been mindful of its employees' opinions and will continue to do so.

As an example of our sustainability efforts, we have incorporated AMC's policy into the entire company and its employees. We believe that cultivating a sense of understanding and sharing an awareness of working together to solve social issues will lead to changes in corporate culture.

6. Outside Director Session

Q: How do you view Mizuho's business portfolio review from the perspective of improving ROE?

A: **(Director Kobayashi)**

With high uncertainty and conditions changing daily, it is important to rearrange portfolios flexibly. As is also the case in the short term, Mizuho initiatives are falling behind when it comes to digital transformation so we will do our best to improve them. Although there are various plans, such as those to be carried out by the company itself and those to be carried out with partners, the Board of Directors will confirm the progress status and fully exercise its supervisory function regarding risks.

In terms of sustainability, in addition to risk, it is also important how to link this to business strategies. From a financial institution's perspective, it is necessary to aim for a business portfolio in which Mizuho will benefit from the growth of the Japanese economy as a whole in the context of sustainability.

For the retail sector, which is showing signs of an improvement in earnings, it is necessary to step up further by expanding investment products and making it the core of earnings.

Q: What are the future challenges regarding corporate culture reforms and what kind of initiatives are necessary?

A: **(Director Kainaka)**

There are situations where lower level employees just listen to what the upper level employees say, and there seems to be a distance between the upper and lower level. I think this leads to the corporate culture that has been pointed out. However, it should be appreciated that there are various organizations in Mizuho, and they are not all such organizations.

At present, mainly the CEO is taking the initiative in receiving improvement proposals from the on-site employees. We are starting these efforts so that our employees know that speaking up can improve the company. Outside directors also went to the sites to discuss challenges and solutions with the heads of the subsidiaries and middle managers. We believe that these steady efforts will gradually improve the situation.

Q: I have an impression that the pace of implementation of reduction strategies in high-emission sectors of the investment and loan portfolio is slower than that of other companies. As a bank that excels in large corporate transactions, I think Mizuho should take the lead, but what are your future prospects?

A: **(Director Kobayashi)**

Many of the Board members are knowledgeable about environmental issues and sustainability, and while we are also point out issues on executive proposals, there are also many who believe that Mizuho's efforts should be communicated more actively. Mizuho's role is not only to focus on discussions in Japan, but also to incorporate the current situation and discussions that are taking place around the world, and to provide insights into the sustainability of Japanese companies.

(Director Tsukioka)

We are discussing how we should respond to the transition risks in Japanese economy as a megabank. Mizuho is a leader in transition finance and will continue to keep pace with the rest of the world.

Q: What is the pattern of the occurrence of violations of the Foreign Exchange Act and the assessment of measures to prevent recurrence?

A: **(Director Tsukioka)**

We believe that the incident occurred as a result of a series of IT system failure events. We believe that there were issues regarding communication between the various departments involved and the ability to respond after the fact. For improvement, we believe that we should clarify the division of roles and responsibilities for each section, and then move to a direction in which we respond under a person who takes the leadership.

Q: Given that challenges related to corporate culture have long been considered to be Mizuho's issues, I would like to know what specific opinions the executives have regarding corporate culture reform before and after the order for business improvement by the Financial Services Agency.

A: **(Director Kainaka)**

There is certainly a unique culture of banks. During the time of President Sato, reforms were promoted based on the spirit of "diving for the ball" and during the time of President Sakai, reforms were promoted based on the concept of "substance over formality," but I believe that these reforms were not thoroughly penetrated in the lower level. I have insisted to them that the culture of only respecting the formality should be changed, but even though it changed, it would return back as it was, as the time went by.

This important issue needs to be seriously addressed not only by outside directors but also by executive officers, and President Kihara is seriously addressing it. As outside directors, we will also engage in dialogue with the top management of each entity and work to gain an understanding of the on-site situation by actually going to the site.

(Director Kobayashi)

We believe that it is important in reforming our corporate culture to build a relationship of trust by having employees on the frontlines express their thoughts and ideas at their respective positions, and having recipients implement them based on these ideas. The first step in reforming the corporate culture is for outside directors to participate in internal dialogue and listen to the opinions of employees, while at the same time creating open opportunities for dialogue. The values of the younger generation are changing, so we want to keep our minds as flexible as possible and listen to their voices. We believe it is our responsibility to openly discuss how this can be incorporated into the management of the organization at meetings of the Board of Directors, such as in the discussion of personnel policies.

Q: What disclosure will you do externally to improve corporate culture? I think there is a way to disclose the results of customer satisfaction level survey and the employee attitude survey. What do you think?

A: **(Director Tsukioka)**

It is a very difficult issue, but I think one way is to make decisions based on the opinions of customers and employees. We believe that the Board of Directors and outside directors should communicate with employees, make efforts to translate their opinions into management, and regularly inform all related parties of these changes.

(Director Kobayashi)

The Board of Directors is currently discussing the Integrated Report in various ways, and I believe that disclosure of human capital is one of the primary contents.. Especially in the case of Mizuho, we have been pointed out about our corporate culture, and we recognize that it is an especially important disclosure item. Discussions are being held on what should be included in disclosure items specifically, including the results of the employee attitude survey on disclosure. Continued disclosure will serve as an indicator to monitor the progress of improvements. Therefore, from the perspective of continuity, the Executives are currently studying what items should be included in disclosure, and the Board of Directors will also fully focus its efforts.

Q: You were one of the first Japanese banks to come up with a digital concept, but it doesn't seem to be growing as a business. What do you think is the reason? What measures can be considered?

A: **(Director Kobayashi)**

Not all new businesses will be successful, but the DX strategy needs to be discussed in more depth and requires expert knowledge. In Mizuho Bank, certain people who have high expertise in technology have been invited to serve as a director or as an executive officer, and Mizuho FG, as a holding company, has been conducting discussions utilizing the knowledge of outside experts.

Q: I think corporate culture reform depends partly on systems such as a seniority system. How do you consider the necessity of taking action, including changes in personnel policies?

A: **(Director Kainaka)**

I believe that seniority system and demerit system in personnel management will undermine the vitality of companies. Although we have been gradually reforming its personnel system, we are considering revising it as a whole.