

## **FY2022 Interim Results Presentation: Summary of Q&A**

### Q: Initiatives taken since taking up the post of GCEO and challenges based on these initiatives

A: I have addressed corporate culture reform as a top priority. In this context, I feel that it is still important to change the top-down culture of Mizuho and to change the approach of middle management. In order to solve these challenges, I recognize the need to reform our corporate culture, human resources and business processes in a trinity, and recognize this as an initiative that should be further deepened, including through digitization of business processes.

### Q: More details on the business portfolio review and reallocation of risk assets and capital

A: On the specific scale and time frame in detail are now under discussion, but for example, within the exposure of JPY 10 to 15 trillion to SMEs in Japan, around JPY 2 to 3 trillion has lower profitability. Also, around one third of the EMEA loan portfolio is less profitable, so we want to replace it with transactions that can aim to improve risk returns. In reviewing our business portfolio, we will invest enough in reskilling our employees, if needed.

For inorganic investment, given the uncertain market environment, we do not currently expect to invest to the extent that we allow the CET1 Capital Ratio to decline. We would like to think within the scope of creating risk-weighted assets by accumulating capital and reviewing business portfolios.

### Q: Valuation of CET1 Capital Ratio and buybacks

A: The CET1 Capital Ratio (Basel III finalization basis, excluding net unrealized gains (losses) on other securities) at the end of September 22 was 9.2%.

Due to the weaker yen, profits increased while risk assets also increased, negatively affecting the CET1 Capital Ratio. We plan to balance growth investments with shareholder returns, but given the current uncertain external environment, we want to raise our CET1 Capital Ratio a little more.

We are not considering buybacks at this moment. If the CET1 Capital Ratio rises from now on, execution of share buybacks will be on the horizon.

### Q: Adequacy of capital in light of decrease in net unrealized gains (losses) on other securities

A: In the securities portfolio, the risk amount other than cross-shareholdings is limited. Unrealized losses on foreign bonds are basically fixed through hedges, and positions in JGB are similarly reduced. Ordinary stress tests also simulate a decline in earnings and an increase in credit-related costs, but we believe that capital is at a sufficient level in terms of whether the financial intermediary function can be maintained, even considering the stress impact to the maximum extent.

### Q: Details and management policies of Foreign Bond Portfolio and specific management

A: The average remaining period of foreign bonds at the end of September 22 was 0.5 years after hedge consideration and 2.5 years before hedge consideration.

The portfolio consists of short-term bonds for liquidity and medium- and long-term bonds aiming for carry income. Since an increase in unrealized losses in the foreign bond portfolio could affect the CET1 Capital Ratio, we are managing it very carefully.

We believe that the volatility of U.S. dollar interest rates will continue to be high, and that the portfolio will be gradually restructured once interest rate trends become predictable. Foreign bond portfolio carry income is negative but largely offset by foreign currency ALM carry earnings. Specifically, when positions were reduced, debt securities issued in US were hedged by swaps and mortgage bonds were hedged by TBA. While our positions were increased from June to August, hedges were reimplemented and increased in response to the subsequent sharp rise in interest rates.

Q: Background of business growth in the Americas

A: DCM business has expanded in both primary and secondary since 2015, when we bought assets from RBS along with human resources moving to Mizuho from them. In addition, the function of derivatives has been consolidated from banks to securities entities, and the synergy between fixed income and derivatives has enabled them to win business. In the secondary business, by taking no risks on our own and being ready to capture customer flow when market volatility increases, we have been able to capture revenue in a business environment like this year.

Q: Challenges related to alliance strategies

A: In a new business, it's important to be able to incubate ideas. We're going to scale up if we see chances, but for some businesses that incubation process wasn't enough.

J-Coin still has challenges in business promotion. Mizuho Bank has 23 million accounts, while J-Coin has only 800,000. In addition to reviewing promotions, we want to rethink how we can add value to our customers.

Q: About G&A expenses in the first half

A: In terms of expenses, while we have set a reduction plan for 'responding to structural issues' of JPY 26 billion at the beginning of the fiscal year, further control in personnel and IT costs resulted in a reduction of JPY 33 billion, which is a 127% progress against the first half plan.

However, some expenditure planned for the first half of the fiscal year were delayed in the second half, and the rate of progress for the fiscal year is expected to be leveled. In terms of reviewing the business portfolio, we plan to allocate the necessary expenses.

Q: Estimated financial impact in case lifting negative interest rate policy in Japan (Page 66)

A: With regard to loans, although the market-linked portion will not be affected, we expect the spread to gradually increase as loan turnover increases amid rising long-term interest rates. Net interest income from the balance of deposits and loans will also improve.

We expect that the negative interest rate/yield portion of market operations will improve to zero interest rates, which will have a positive impact.

Q: Decrease in leverage ratio

A: The leverage ratio at the end of September 22 was 4.2% against the regulatory level of 3.5%. Given that there is a buffer of about 70 basis points against the exposure of 230 trillion yen, there is a reasonable room. We don't expect the leverage ratio to be a constraint on business even under stress.

Q: Breakdown of the significance of cross-shareholdings by profitability (page 83)

A: Under 4% among 'Below profitability standard' accounts for about 50%. If this is further divided into under 2% and between 2 and 4%, the ratio is roughly 2: 3.

Q: Initiatives to change corporate culture

A: The way of having discussing with employees varies depending on the purpose.

For example, we hold engagement meetings to exchange opinions with employees in a limited number of around 10. A total of 131 employees have participated in 15 meetings so far. Also we hold townhall meetings in offices in and outside Japan, with around 30 to 40 people attending each round. In addition, there are 4 employee-participation working groups, with about 140 employees volunteering to participate, having discussions with management and submitting proposals to management in early September.

We have recently appointed Ms. Natsumi Akita, Deputy Director of Human Resources Group, as Group Chief Culture Officer (CCuO) responsible for promoting culture change. She has already provided guidance on organizational development and revitalizing internal communication. In the future, as the person responsible for promoting culture change, she will fill in the gaps in the culture of Mizuho by utilizing external knowledge.

Q: Background to the consolidation of the human resources systems of the five major entities

A: We believe that the banking, trust and securities collaboration under the One Mizuho slogan have deepened sufficiently to increase profitability. Going forward, collaboration beyond the financial framework will become increasingly important. We also believe that a unified human resources system is necessary to promote collaboration among entities and improve the content of proposals to our clients.