

FY2023 Financial Results Presentation: Summary of Q&A

Q: As CEO, your accomplishments and future challenges

A: The biggest role for the CEO is to devise strategies that can deliver our strengths, and to increase the motivation of our employees who will execute those strategies. As CEO, I have put great emphasis on increasing motivation and reforming our corporate culture and as a result, employees' engagement score and inclusion score have steadily improved. These efforts will have to be continued going forward.

Discussion on optimal resource allocation – not especially on the number of employees, but talent quality – is required. Other challenges include regeneration of business, improvements on ROE and P/B ratio, and conviction towards growth.

Q: Views on share buybacks

A: This year, as shown in the approach to CET1 ratio management on P18 of the “Investor Presentation for FY23”, if CET1 ratio is above mid 10% - 11% range, absent of increased stress from significant changes in external market environment, shareholder return will be increased, including share buybacks. Until such level is reached, we will continue to pursue the optimal balance between growth investments and shareholder return, but once CET1 ratio is above 10% to a certain extent, share buyback could be up for consideration.

Q: Evaluation on the profitability on the investment in Rakuten Securites and view on further collaboration in other areas such as payments (ie. credit card) and digital banking

A: Investment returns are higher than originally expected, with profits after amortization of goodwill.

On collaboration in other areas, although there are dicussions on various initiatives, details are undisclosed at this time.

Q: The competitive environment of Japanese corporate businesses

A: Currently, competition is increasing. In such an environment, it is important to well maintain our relationship with clients and strengthen our creativity in designing growth stories along with our clients. Mizuho has historically been enhancing its creativity and we believe that going forward, there are business opportunities in the sustainability area. Within sustainability, Mizuho will utilize equity investment capabilities such as “Transition Investment Facility” and “Value-Cocreation Investment” to expand our business with our clients.

For example, Mizuho has captured clients' action towards hydrogen and declared that

we will provide JPY 2T of financing in hydrogen transactions. Corporates have started various initiatives towards energy transition, creating many business opportunities.

Also, Mizuho Trust & Banking has strong capabilities in business succession and asset succession. We will leverage on these strengths to continue to expand our business towards mid-cap business owners.

Q: Approach to branch network

A: The number of branch reduction is reaching its limit. However, within the current existing branches, not all require a full service line up; our approach is to shift an appropriate number of branches to those that are more efficient and specialized for consulting services without the need for an in-branch back office. By such approach, we aim to decrease branch costs.

Q: Costs related to new HR framework “CANADE” and KPIs for such framework

A: Within the expenses for FY24 plan, the cost for “CANADE” of JPY 20B is all labor costs. Before “CANADE”, employees at separate entities had different compensation although performing similar roles, but with “CANADE”, compensation was adjusted among entities so that similar roles would receive the same compensation and as a result, labor costs, i.e. employees’ salaries, increased.

This increase in expenses should lead to increase in employees’ motivation and as a result, would then lead to an increase in engagement and inclusion scores, and as such, these scores are the KPIs.

Q: The impact in profits from additional rate hike by the Bank of Japan and long term ROE level based on such hike

A: FY24 plan is based on the assumption of 0% in the Bank of Japan policy rate¹. For any additional rate hike, we believe that the the impact would be at similar level as the estimated impact by Bank of Japan monetary policy change in Mar-24, shown in P69 of the “Investor Presentation”, of JPY 45.0B. Because the balance sheet was assumed to be static when estimating the impact of a rate hike, profits may fluctuate depending on our JGB position. However, because it is currently difficult to forecast long term interest rates, we are taking a very cautionary approach on our JGB portfolio management.

Regarding the ROE target, we also think 8% is still insufficient level. However, we are, at the foremost, aiming to reach our FY25 target of 8% one year earlier in FY24; the ROE target afterwards has not yet been discussed.

Q: Direction towards expanding core profits (Japan and outside of Japan)

A: There are strong lending demands from large corporates, mid-cap corporates, and

SMEs in Japan. Particularly, there are strong demands in investments in automation, DX, CAPEX, and working capital and we believe our loan balance will grow positively.

Outside of Japan, given the impacts of high interest stagnation, DCM performed better than loans in our US region, which led to growth in our fee business. For the US, we will continue to pursue our global CIB model and find the right balance between our commercial banking and investment banking business, based on external environments, to increase profits.

For APAC, given the effect from economic slowdown in China, loan demand in our Southeast Asia region were lower than expected, but this could change depending on US interest rates and we will take appropriate action while maintaining asset profitability.

Q: Th reason for having a lower reduction percentage in cross-shareholdings and smaller net gains related to stocks compared to other megabanks in FY23

A: Mizuho was the forerunner in reducing cross-shareholdings, the first megabank to start such initiative in 2015 and have since progressed steadily. Therefore, we would like to draw attention to our reduction rate since 2015 rather than in a single fiscal year. In FY23, we have reduced JPY 117.1B, including amount of sales accepted, in line with our Medium-term plan sales target of JPY 300B. We will continue to reduce and reach our target.

In terms of the external environment around cross-shareholdings, although there were some changes in the insurance market, many clients still prefer to have banks to be stable shareholders. However, there are signs of change from clients on their own cross-shareholdings, taking initiatives such as corporate governance code in to consideration. We will continue to steadily reduce our cross-shareholdings through respectful dialogue with our clients.

Regarding Net Gains (Losses) related to Stocks, although FY23 results may look lower when compared to the other 2 megabanks, this includes realized losses of approximately JPY 70B of bear funds. Similar operation is reflected in FY 24 plan.