

## FY2018 Financial Results Presentation: Summary of Q&A

Q. In the previous Medium-term Business Plan, the target for the expense ratio was not met. Can you tell us the background and countermeasures?

A. The target for the expense ratio was not met due to our business structure. Allow me to explain the actual expenses and gross profits separately. First, regarding expenses, we have a large amount of corporate resources, such as domestic branches and personnel, which results in huge fixed costs without sufficient returns. After the introduction of negative interest rates, the business model based on a stable domestic infrastructure in which profits were generated by collecting deposits has become much more difficult to maintain. Japan's growth potential amid a declining birthrate and aging population is limited, so reducing the increase in fixed costs on a "stock" basis (in terms of "stock and flow") is critical.

On the other hand, while growth of profits from lending and deposit transactions have slowed down in the low interest rate environment, we have focused on non-interest income business which has not consumed capital. As a result, our profit structure became highly volatile, reliant on areas such as investment banking and sales and trading business.

In light of these factors, we will focus on drastically reducing fixed costs and increasing profits on a quality basis as well as a quantity basis.

Q. What are your retail business initiatives under the new business plan?

A. As for the Net Business Profits of the Retail & Business Banking Company (RBC), our plan is to increase profits from approximately JPY 10 billion to JPY 160 billion from FY18 to FY23, and a reduction in fixed costs would be the biggest contribution.

The improvement of the expense ratio of RBC is expected to contribute significantly to the stable earnings of the entire group. Specific measures to increase gross profit include initiatives in new business areas such as J.Score, SME lending (Mizuho Smart Business Loan), and partnership with Line. Expenses would be incurred first, and ultimately in 3 to 5 years, these initiatives would produce tangible profits. Also, by providing one-stop solutions such as the deposit base of BK, the asset management function of SC, and the real estate function of TB, we will provide a range of financial solutions tailored to this new age of longevity.

[Abbreviations] BK: Mizuho Bank, SC: Mizuho Securities, TB: Mizuho Trust Bank

Q. What are your plans for business outside of BK, TB, and SC (Leasing, Credit card business, etc.)?

A. We are considering various possibilities both in the leasing and credit card areas. Especially for the leasing business which lends things by taking on business risk, it is becoming a very important function as we financial institutions are working to respond to a variety of client needs on a daily basis. As for the new company Mizuho Leasing, we acquired affiliates as we needed a responsive vehicle to accommodate structural needs. As an extension of this approach, we would like to search for various possibilities.

As for the expansion of business domains, from the perspective of strengthening strategic integrity and pursuing business synergies, we would like to consider not only domestic but also overseas opportunities, but the presence of investment opportunities and the appropriate valuation will be the two key points. Also, we will enhance available capital to invest in further growth, and are preparing for such investment opportunities or enhancement of returns to shareholders.

Q. Regarding your capital policy, the CET1 ratio has improved considerably. Any plan for a buyback?

A. Regarding our capital policy, we made our plan clear to enhance returns to shareholders at an early stage under the revision of our shareholder return policy this time.

In addition, from the perspective of available capital with risk tolerance, when considering a portion of unrealized gains being fixed through hedging, we believe that we have secured a ratio of 8% (Basel III finalization fully-effective basis) in the event of a stress event along the lines of the 2008 global financial crisis.

Mizuho's profitability, on the other hand, is based on a volatile structure which is dependent on the sale of cross shareholdings and volatile non-interest income. Therefore, the first step is to stabilize this business and profit structure, which we hope will enable us to return profits to shareholders.

We would like to expand our capital to a certain extent during these 5 years. However, this does not mean that we will automatically consider an enhancement of returns to shareholders or investment in further growth after attaining our CET1 capital ratio target level of the lower end of 9-10% range. We would like to consider whether there is an opportunity to invest in further growth or whether returns can be made stably based on the degree to which we are able to establish a stable revenue base and maintain a certain amount of available capital.

Regarding methods for enhancing shareholder returns (e.g. increase cash dividends or share buy-back), we will consider the matter comprehensively, taking into account the market circumstances and stock prices.