FY2019 Interim Results Presentation: Summary of Q&A

Q: Please tell us the background behind the strong performance of Customer Groups and if this is sustainable. In addition, please tell us how you made profits, especially top-line, in a tough market environment?

A: The Retail Banking Company struggled in terms of gross profits due to a deterioration in the interest margin in loans to corporate clients and lower commission income from sales of investment products to individuals, even though there is a sign of improvement in the latter. As shown in the 5-Year Business Plan, we will first work to reduce costs, and at the same time work to strengthen our asset management business targeting individuals, including the increase of customers' assets in custody.

The Corporate & Institutional Company was able to demonstrate Mizuho's strength in providing solutions to corporate clients. In particular, despite the intensifying negotiations on the reduction of cross-shareholdings, we were able to seize business opportunities including large transactions, through careful negotiations based on our long-standing business relationships.
In other words, I believe that Mizuho was able to demonstrate its strength in the corporate finance field, through collaboration between Mizuho Bank and Mizuho Securities or collaboration between offices in and outside Japan.

The Global Corporate Company (GCC) increased profits in transaction banking that remained robust particularly in Asia in addition to large transactions for corporate solutions. The loan balance that had already increased last fiscal year contributed to the earnings in the 1st half of this fiscal year.
We have upwardly revised our profit target for GCC, even though the recent decline in U.S. dollar interest rates is a negative factor for the second half of the fiscal year. This is proof that we were able to strengthen our earnings power from stable revenue sources through our effort to strengthen our transaction banking business.

We explained our profit structure by dividing it into stable, upside, and banking account revenue in our 5-year Business Plan. Most of the profit increase this time was covered by stable revenue, and I think this is a result that will lead to future sustainability. That is why we have upwardly revised our target for Net Business Profits by JPY 20 billion for the second

half of the fiscal year, despite various uncertainties.
There are some cost increasing factors such as the amortization of our new core banking system coming into full effect, but we can overcome those negative factors if we don't let our guard down.

Q: The CET1 capital ratio (Basel III finalized fully-effective basis) has improved significantly, partly due to the effect of hedging against cross-shareholdings. How do you evaluate this? What is the timing of the transition to a capital utilization phase?

A: Our basic approach to capital policy is to maintain a stable dividend even in the event of stress similar to the 2008 global financial crisis, and to maintain the regulatory required level of 8% on a Basel III fully-effective basis so as not to impede business activities.

In light of the above, from the perspective of enhancing downside resilience, we believe that hedging to fix unrealized gains on cross-shareholdings has been completed for this purpose as required for the time being. This portion can be regarded as an enhancement of capital. In the future, as profits accumulate, the hedging amount will decline accordingly.

With regard to the transition to a capital utilization phase, we are still working to reach our target of the lower end of the 9% to 10% range (Basel III finalized fully-effective basis). We still need to accumulate capital to enhance returns to shareholders, as we have been saying for some time.
This being said, however, the opportunities for investing in growth might vary in scale and there may be opportunities that we cannot ignore, even before we reach the target. In short, our thinking about the timing for capital utilization is not black and white.

Q In the new HR strategy, there is a focus on enhancing the abilities of employees, but there is also a risk of personnel outflow, and there may be costs to retain them. What are your thoughts on risk-return for the policy?

A: Human capital is highly liquid in the financial industry. Establishing a personnel system that rewards expertise and performance leads to retention of competent personnel. This measure is effective in dealing with such a matters. It is also important from the perspective of retention, for employees to be able to have concurrent assignments within or outside the company.
Of course, discussions on expertise are wide-ranging, and it is important for each individual

to discover his or her own expertise.

With the changes to the personnel system based on the new HR strategy, however, we hope that highly qualified experts, with their own areas of specialty, will be able to perform even better with high motivation at Mizuho.