

Summary of Q&A

Responses provided by Masahiro Kihara, Managing Executive Officer of Mizuho Securities and Managing Executive Officer of Mizuho Financial Group

Q.

You saw strong financial results this fiscal year. What are your views on the sustainability of revenue in the next? What are you thinking about future growth areas?

A.

While our financial results are partially due to the favorable market conditions this fiscal year, our revenue has been rising strongly in the areas in which we have been advancing structural reforms, and our overall earnings power is steadily improving.

We believe our global equity strategy, which promotes long-term, diversified, and continual investment, remains a strength in our retail business. In addition, we plan to expand, for example, our fund wrap business through further collaboration between banking and securities. Accordingly, as our balance of assets under management increases, we intend to make stable fee income, such as from management fees, a source of revenue.

In our Global Investment Banking Division, we will enhance collaboration between banking and securities by introducing a system focused on industry groups. We will also improve our insight into sectors and boost our advisory revenue through M&A and other services.

In the Americas, our efforts in the DCM business are driving an expansion in our market share. Going forward, we will further raise profitability in our equity and advisory business.

Sustainability is currently drawing increased attention and has become extremely important.

In both banking and securities, we are fully incorporating sustainability as one pillar of our proposals to clients.

Q.

What initiatives have you been implementing in your Americas business and what are your plans to strengthen that business going forward?

A.

Since FY2018, we have been moving forward on collaboration between banking and

securities. This has included integrating our coverage and products operations and our primary and secondary markets operations. Our coverage bankers have been transferred from Mizuho Bank to Mizuho Securities and have deepened their knowledge of investment banking. The results of this have been an improvement in our market share in ECM, where previously we were primarily active in DCM. By enhancing our capabilities in investment banking, we have become better able to provide multi-faceted support for our clients' needs in not only finance but also M&A and advisory. ECM and advisory are areas in which we see potential.

In cross-border business, the Americas are becoming a sort of focal point. For example, we may access investors in the Americas in the course of selling equities from issuers in Europe on global markets.

Q.

How are you developing new business utilizing digital technology (such as smartphone-based financial services, blockchain, and so on)?

A.

We have begun collaborating with SoftBank by making PayPay Securities a joint venture. While Mizuho Securities essentially has a face-to-face business model, PayPay Securities is able to use its associated everyday payments app to access a customer segment still forming their assets. These customers, who are beyond Mizuho Securities' reach at the moment, may become interested in face-to-face services in 10 or 20 years' time. As for blockchain, we are undertaking investment gradually.

Q.

What would be the effects on business of the revisions to firewall regulations, such as the relaxation of restrictions on sharing information with non-Japanese clients?

A.

Both inside and outside Japan, we have in place a rigorous system for managing sharing of information between banking and securities. However, in the Americas, for example, there are no regulations requiring consent for sharing of information, which has made it challenging to obtain consent forms from clients. A relaxation of the regulations may allow us to handle cross-border M&A and finance more quickly. We can expect that we would be

able to provide seamless services for our clients' needs with greater speed, and we believe the effects of a revision to regulations would be significant.

Q.

What about the initiative to integrate the Global Markets Division's derivatives platforms?

A.

In Japan, we have implemented operations to match transactions such as corporate client transactions in banking and institutional investor transactions in securities. This has enhanced our competitiveness and led to more deals. In the Americas, in addition to integrating platforms, we will strengthen and monetize our line of equity derivatives. In Europe, we will integrate platforms to further our price competitiveness.

Q.

What are the ratios of proprietary trading, sales, and trading book in the Global Markets Division's revenue? Has there been any change in the profitability of the trading business?

A.

We have closed all of our proprietary trading positions.

The ratio of sales to trading book in revenue is roughly 1:2, in both fixed income and equities. An important point is that we have pivoted to monetizing client flow trading through the trading book. Revenue volatility is falling, and with client flow trading as part of our trading book, revenue is stabilizing.

Q.

What is your approach to personnel and other costs in the Global Investment Banking Division and Global Markets Division which are aiming to capture greater market share?

A.

We expect to make necessary investments to expand our market share. For example, there will be costs involved in growing our team of highly capable bankers to expand our ECM

business in the Americas. On the other hand, it is also important to apply digital transformation and constrain costs that we cannot completely eliminate. By pursuing both of these together, we will control our bottom line.

Q.

Regarding IT systems, it has been almost one year since you began your collaboration with NRI. How are the replacement of the core IT system for the retail business and the reduction in running costs coming?

A.

Development on the replacement core IT system for the retail business is almost complete, and the system will soon enter user acceptance testing. Overall, while collaborating with NRI, we are simplifying our complex system and aiming to lower costs over the medium to long term.

Q.

Regarding your corporate foundation reforms, what is the outlook for headcount? What are the details of your talent portfolio strategy?

A.

On a non-consolidated basis, the number of employees is declining, though it is increasing in the Americas. Group-wide, we have about 10,000 employees. Quality is more important than quantity when it comes to talent. We are placing priority on how to secure talent with a high level of expertise for our talent portfolio. This is one goal of our group-wide HR management.