

FY2020 Financial Results Presentation: Summary of Q&A

Q: Could you provide a summary of the IT system failures, actions, and impact on the business at this point?

A: We would like to offer my deepest apologies for causing great inconvenience due to the series of IT systems failures. All members of Mizuho and the group as a whole will reflect on this, learn the lessons from it, and make the right choices to correct it. The Special Investigative Committee is taking proactive steps to investigate at the moment, so let me share with you our current thinking, as of today. First, there was a lot that we could have done better. The operational management for the core banking system, MINORI, was lacking, the peripheral systems were not sufficiently updated in connection with the system, and our response to customers and our crisis management, including our initial response, needs to be reflected upon. Based on this understanding, from a financial perspective, we have earmarked a special budget of JPY 8 billion with a sufficient buffer, for strengthening our operations base towards stable business management.

Q: Could you provide an overview and the background behind the positive results for FY20, and how you are going to achieve the FY21 plan?

A: As for FY20, we were initially expecting a tough situation regarding financial results due to the impact of COVID-19, but due to the business environment turning out better than expected, we were able to capture profit opportunities both in Customer Groups and Markets. We believe that the good performance is the result of the steady increase in stable revenue due to progress in finance structure reforms, and the increase in upside revenues mainly in Markets. As for G&A Expenses, we controlled the increase from investments into focus areas by advancing structural reforms, and achieved the plan for Consolidated Net Business Profits under the 5-Year Business Plan a year in advance. As for FY21 Consolidated Net Business Profits, we expect the same level as FY20. Markets business has slowed down, so we expect upside revenues will decrease by JPY 42 billion, but we will increase the quality of revenue by accumulating JPY 34 billion of stable revenue.

Q: Credit-related costs for FY21 fell 50% compared to FY20, but what are your thoughts on potential downside risks?

A: We think that downside risks for FY21 are high due to the prolonged COVID-19 pandemic. If we did not record reserves from a forward-looking perspective, we assume that credit-related costs on an actual basis would hover high at JPY 190 billion. However, because we recorded JPY 72.3 billion of reserves in FY20 from a forward-looking perspective, which were provisioned for credit risks expected in FY21

and onwards, the estimate for credit-related costs in FY21 is JPY100 billion, down from the peak in FY20. In addition to advance reserves provisioned for individual companies, we set aside reserves based on industry type under a portfolio-based approach. However, we think they will be reversed as long as our clients do not go bankrupt or have their debt waived.

Q: The Capital Policy and shareholder return policy have been revised. Could you tell us about growth investment and returns to shareholders based on the outlook for the CET1 capital ratio? Also, what about the possibility for a dividend increase and share buybacks?

A: We assume that the CET1 capital ratio will reach the midpoint of the 9-10% range at the end of March 2022, if we assume that dividend payments remain at JPY 75. Firstly, as for growth investment, our basic thinking is that, rather than just providing conventional financial services only, we want to expand business domains for Mizuho to provide value-added solutions for our customers, as well as capture the growth of the global economy within our business portfolio. From that perspective, we would like to actively consider investment if there are any good opportunities in digital areas that are capital-light.

Next, as for shareholder returns, we consider progressive dividends to be our principle approach based on the growth of our stable earnings base. Given the uncertainties in the Japanese economy with the fourth wave of COVID-19, we have to respond to the current circumstances with solid financial and other support for our customers, and so, at this moment, we are keeping the dividend at JPY 75.

As the uncertainty of the business environment improves, and if the FY21 plan of JPY 510 billion in Net Income is likely to be achieved due to steady accumulation in stable revenue, we will think about revising dividends, as and when appropriate. In that sense, even if we achieve our target with one-off revenues, they may not necessarily be the source for a dividend increase.

Regarding share buybacks, they will be carried out flexibly and intermittently, considering the balance between the opportunity for growth investment, but we are not able to say specifically when and how much at this time.

Q Sumitomo Mitsui Trust Holdings has announced it will reduce cross-shareholdings to zero. Could you tell us about your future policy for cross-shareholdings?

A: Generally speaking, reducing cross-shareholdings to zero, given current capital markets trends, is reasonable. We are not just reducing cross-shareholdings on the balance sheet, but also reducing stocks in the retirement benefit trust as part of our finance structure reforms. During FY20, we reduced approx. 100 billion of cross-shareholdings, and approx. 180 billion of stocks in the retirement benefit trust.

In the process of engagement with our clients, as a business strategy partner, we are proactively making proposals on capital strategies and other matters. Instead of shareholdings, which were a conventional symbol of corporate relationships, we will form new types of partnerships by taking risks, such as quasi-equity financing, while

saying what needs to be said based on a thorough understanding of clients' business and management situation.

Q Could you tell us about of Mizuho's business model and the outlook regarding sustainable finance?

A: Looking at the trends of the Japanese government, other major countries, and global financial regulatory trends, the move toward zero emissions is accelerating even more. We aim to utilize an engagement model which encourages clients' business structure transformation through engagement, instead of just pursuing a divestment model. In that sense, we think that encouraging transition financing is going to be crucial.

As for current results, for example, we have the top share of 27% in the league table of SDG bonds and we are also strategically pursuing sustainability-related securities business including subordinated bonds. Rather than extending the balance sheet, this is an attractive business area where the opportunities for improving our non-interest income by providing value-added solutions are expanding.