

## **FY2021 Interim Results Presentation: Summary of Q&A**

**Q:** Evaluation of the strong performance of Customer Groups in FY21 H1 and their future initiatives

**A:** Dividing Consolidated Net Business Profits (page 42) into stable revenue and comparatively fluctuating upside revenue, we have confidence in both revenues. Stable revenue has been steadily increasing, more than offsetting JPY 60 billion of negative impact derived by the zero US dollar interest rate, compared to the initial expectation of the 5-year Business Plan.

In RBC, individual asset formation initiatives are paying off. Instead of trading on the short term, our focus on the appeals of global, long-term, diversified and continuous investment is steadily bearing fruit. The average holding period of investment trusts is approximately 5 years at SC, while the industry average is just above 2 years in the industry.

With the reorganization of branch network, now a total of 1,000 life plan advisers (LPA) and financial advisers (FA) are selling installment type of investment products to customers. For the elderly, we are accelerating efforts to passing on real estate and testamentary inheritance related needs to TB from the perspective of succeeding individual assets to the next.

CIC is shifting its capital to the Strategic Investment (SI) area while increasing profitability in an effort to break away from a business model that relies on cross-shareholdings. We have been providing financing in response to COVID-19 mainly in the form of subordinated loans. As the economy recovers from the COVID-19 crisis, we will not only provide liquidity support, but also strengthen partnership with our clients by making proposals for restructuring of business portfolio in light of SX, etc., and by providing quasi-equity financing based on appropriate evaluation of their business.

GCC is expanding its customer base in the U.S. capital market while closely monitoring credit risk, and at the same time diversifying product lineup leading to increase added value of our services. As for transaction banking business in Asia, we are steadily accumulating liquid deposits in anticipation of future interest rate hike, and we will continue to focus on our efforts.

Q About the Revised earnings plan for FY2021

A: Consolidated Net Business Profits were revised upward by JPY 30 billion. Net Business Profits for Customer Groups are expected to increase by around JPY 54 billion compared to the initial plan in the beginning of the term. Net Business Profits for Markets were revised downward by JPY 38 billion compared to the initial plan, as we are being cautious about the outlook for interest rates. We have not changed the Credit-related Costs from the initial plan as there is possibility that the COVID-19 will resurge and that it will take time for the supply constraints to be removed. Taking into account the total JPY 10 billion of the downward revision combining Net Gains (Losses) related to Stocks and others and tax effects, Net Income Attributable to FG was revised upward by JPY 20 billion to JPY 530 billion, however, we look at the forecast conservatively.

Q CET1 capital ratio target and approach to shareholder returns/dividends

A: CET1 capital ratio as of September 2021 was 9.6% including the effect of hedging by bear funds of +0.2%. The CET1 capital ratio as of March 2022 is expected to be flat to or slightly lower than this figure, as we assume strategic deployment of risk-weighted assets given that sufficient stress resilience is ensured. Dividend will be determined based on the steady growth of stable earnings base, taking the dividend payout ratio of 40% as a guide into consideration. In light of the CET1 capital ratio situation and business performance outlook supported by steady growth in earnings from core operations in FY21, we increased the dividend estimate for the current fiscal year to JPY 80.00 per share.

We do not intend to increase dividends on the basis of the one-time gains from the revisiting of the group's capital policy in the first quarter.

Q Approach to management of bear funds

A: The initial assumption for bear funds was that they would be gradually cancelled over around 3 years starting from FY22, but based on the progress of the reduction of cross-shareholdings, cancellation is being done ahead of schedule, comprehensively taking the following into account: stock price trends, capital accumulation, and the impact on the business performance. We will continue to monitor market trends and make decisions on whether to adjust book value appropriately or cancel them.

Q Additional costs in response to the IT system failures

A: We will promptly review the allocation of management resources in steadily advancing our measures to prevent further incidents. The budget for strengthening operations base which we announced in May, was increased by JPY 6.5 billion for expenses including non-recurring expenses and by JPY 3 billion for investment in light of increasing flexibility for future requests and response.

We are also flexibly enhancing the number of personnel required in the IT divisions and front office operations, and will invest in order to establish stable business operations. While implementing various measures, incurring recurring and non-recurring expenses, we are not considering any changes to the expenses plan announced in the 5-Year Business Plan.

Q: Areas of future growth investment

A: We will prioritize investments in human resources and IT/digital domain, which form the core of our business foundation. Investment in human resources requires the development of personnel with expertise. In line with the full roll-out of the new HR strategy, we will realize enhancement of our people and organization by strengthening education and training and providing fair reward.

As for IT/ digital domain, we will allocate management resources flexibly and promptly to take full advantage of MINORI's flexible connectivity as an open platform. Also, we will promote DX in both business and operations through collaborating with external parties.

From a business portfolio perspective, we will expand and deepen existing business areas and also work on new business areas. For example, there are existing business areas such as individual asset formation, SX, SI, North American capital market and transaction banking in Asia. For new business areas we are considering non-financial and non-bank areas, and responding to game changes like SX related field, where we think advanced technologies and business models will be important.

Q Will the expansion of sustainable finance lead to the increase of earnings for Mizuho?

A: The market for sustainable finance will expand both in Japan and globally. We will provide transition finance without restriction on usage of proceeds. We hope that sustainable finance will lead to major investment opportunities resulting in social and economic growth in Japan. Mizuho will provide solutions from upstream to mid- and downstream and train personnel with expertise when providing sustainable finance solutions. Also, we believe that providing services to both large corporates and SMEs is our strength and can be a great differentiator.