

IR Day 2024: Summary of Q&A

1. Retail & Business Banking Company and Asset Management Company

Q: Regarding RBC's Net Business Profits outlook, what is the breakdown of gross business profit by segment and expenses?

A: The gross profits in FY24 and FY 25 is expected to increase equally between individual customer and corporates. For expenses, the increase will peak out in FY24 and although investments for digitalization, its associated amortization, and investments in human resources will occur, the increase will decelerate. Therefore, we expect Net Business Profits to remain flat in FY24 and significantly increase in FY25.

Q: What is the background of RBC's reform in branches and the schedule going forward?

A: In 2025, the renewal of self-service tools, starting with tablets, will progress and we expect 80% of the in-branch paperwork will be completed by self-service. One of the backgrounds of our branch reform is to reduce operations in branches through shift to digital channels, and ultimately transition to a next-generation branch.

Also, the increased interest in asset & wealth management, including the NISA, is another background on our branch reform. Mizuho has focused on getting customers to open NISA accounts via our branches and we are quite positive in our results last year. We will renew our Life Design Plaza to create a better environment where customers can consult on investments in our bank branches.

Within the renewal of our Life Design Plazas, we are considering moving braches inside malls or station-adjacent complexes, and will take around 4 to 5 years including building facilities. Mizuho has approximately 320 branches overall and can be categorized in the following 3 types: traditional style core branches, Life Design Plazas specialized for individual customers, regional branches. We will first renew our Life Design Plazas and while centralizing our back office operations, renew our core branches.

Q: What is RBC's strengths and room for growth for high-net-worth business?

A: Mizuho's strengths is our sales strategy using the bank as our core. The bank, with information on customers' assets, is able to propose investment solutions in accordance with the customers' "savings characteristics". We believe that with a world of interest rates going forward, the role of the bank will further increase. Many high-net-worth individuals are company owners, and we have relationships with these owners not only in RBC, but also in CIBC. However, because our previous strategies did not fully capitalize on these relationships, from last year, we have revamped our internal framework and is currently strengthening our high-net-worth business.

In terms of talent training, we are training talent with an understanding of corporate business as private bankers. Until now, many of our talents were oriented towards large corporate business, but they are now starting to be more interested and understanding the importance of this business. We will continue to enhance talents forwards our high-net-worth business.

Q: What is the outlook on RBC's loans and high profit loans?

A: High profit loans increased in corporate loans. As reduction in low profitable loans progressed, leading to a decrease and loans that are not high profit or low profit slightly increased, we expected a slight increase in overall. For individual loans, due to decrease in mortgage loans, loan balance is decreasing. Within RBC's loan balance in total, we expected an increase centered on corporate loans.

Pipeline for high profit loans are significantly increasing and we expect to meet or exceed our target. (Compared to FY22, +65% in FY24)

Q: Given the high expense ratio of 80% for RBC, is there room for improvement? Also, what is the initiative for reallocating resources to improve expense ratio?

A: Given that mass retail business is a business that requires infrastructure, expense ratio is expected to be high. However, the revenue per customer for those that use digital channel as a main method of banking* is very high and by promoting digital channel, we can expect an increase of several billion yen in gross profits. Moreover, we are focusing on our face-to-face wealth building business by our Life Plan Advisors, leading to an

increase of the percentage of active fund contract amount, which has higher revenue per contract, producing results only face-to-face channel can achieve, becoming a good source of revenue.

*Customers that have registered to Mizuho Direct and that have made transactions.

On the other hand, expenses in the medium term will decrease from natural decrease in headcount in back offices and centralization of branch back office operations. In FY24, Net Business Profits will remain flat due to early-on cost expenditures, but in the medium term, reduction in expense from these initiatives will cover the increase in expenses, and adding the increase in gross profits, we expect the expense ratio to improve.

We are improving our remote channel for reallocation of resources. For corporates, it has been 3 years since the opening of our Engagement Offices and have steadily produced results. For individuals, we will release the next-generation contact center in August and we plan to shift customers covered by Life Plan Advisors to remote channels in order to expand coverage, and allocate resources to high-net-worth business. In the next few years, strengthening of our high-net-worth business, and reallocation of human capital resources to larger corporates will advance.

Q: What is the progress on collaboration with Rakuten Securities?

A: (RBC)

Currently, we are preparing collaboration, including setting up MiRal Wealth partners, a JV with Rakuten Securities. Although significant achievements has not been seen yet, we feel that the mindset of sales staff has changed, including recommending Rakuten Securities in branches.

The important part of this collaboration is to acquire business with customers that are out of reach of Mizuho, but use Rakuten Securities' digital channel. Many customers investing for the first time tend to use digital channels to start, rather than face-to-face channels. However, as these novice investors' assets grow, needs for consultation will emerge and Mizuho would like to capture those needs. Once the next-generation contact center is released in August, we look to connect those customers starting with smart phone channels to our contact center and Life Plan Advisors.

Moreover, in the beginning of FY25, we plan to renew Mizuho's membership program. We believe that this renewal will connect the dots between Rakuten users and Mizuho and hope that this will contribute significantly to our collaboration.

(AMC)

We are considering offering products to a broad range of customers in collaboration with Rakuten Securities' product development division. In particular, we are currently developing products fit for novice investors with mid to long term stable returns, for MiRal Wealth Partners.

For our defined contribution business, Rakuten Securities' share is around 20% and Mizuho's share is around 8% in iDeCo. We are also contemplating on developing products that capture investor needs in defined contribution. We greatly benefit from collaboration with Rakuten Securities by being able to approach a broad range of investors.

Q: How do you plan to improve AMC's ROE?

A: ROE outlook for FY 24 is 4.3%. If we exclude impacts from goodwill, ROE is 15.6%. Asset management, by nature, is a capital light business. In terms of our business portfolio, pension business holds 70% of our AUM and investment trusts holds 30% of our AUM. We would like to expand our public investment trust as we can receive higher fees.

In terms of our public investment trust business, AUM has increased mainly in passive funds with lower fees since the introduction of the new NISA program, but we are currently seeing an increase in AUM for active funds as well given the increased needs from market appreciation. We look to increase profits by helping clients to fully understand the framework of iDeCo and NISA and shifting investments to value added products.

Moreover, there was significant growth in private assets for institutional investors. Given the complexity of private assets, fees are usually higher than traditional assets with products over 100bps in fees. We have capabilities in offering a broad range of private assets that greatly contribute to increase in profitability.

2. Corporate & Investment Banking Company

Q: What is the outlook on loan balance and spread going forward?

A: According to the Bank of Japan's Short-term Economic Survey (Tankan), the outlook on capital expenditure growth is more than 10% and demand for working capital is increasing, taking into consideration of FX. From the reform of capital markets starting from last year, corporate actions, including privatization, is increasing and the need for loans with higher spreads such as LBO financing is growing. By capturing these needs, spread has increase by 2bps in FY23 and given the loan balance of JPY 30T, this has led to an increase of JPY 6B in profits.

Going forward, traditional corporate loans will be very competitive and increasing spreads will be challenging, but as loans with higher spreads such as LBO financing, structured finance related to real estate, and mezzanine will increase, we believe that overall spread will further increase.

Q: What is the result on Credit-related costs and the outlook going forward?

A: For FY23, against the planned Credit-related costs of JPY 100B, actual costs were at similar levels with 80% of such costs attributed to CIBC. The reason for CIBC's Credit-related costs to land above expected levels was due to increase costs in certain industries as a predictive measure.

Such industries has become stable and although we do not expect additional costs on an industry basis, there is the possibility of posting Credit-related costs on certain large corporates. The outlook for CIBC's Credit-related costs for FY24 is expected to remain within JPY 50B.

Q: Mizuho started to reduce cross-shareholdings earlier than other banks, but the current reduction pace seems slower compared to its peers. What is the reason for the difference in reduction pace and the outlook going forward?

A: As Mizuho started to reduce cross-shareholdings earlier than our peers, the book value of such holdings for reduction was around JPY 1T at the start of our Medium-term business plan, meaning that the total amount of cross-shareholdings to be reduced was smaller

compared our peers. Therefore, in terms of reduction percentage in a 1 year time-period, we understand that it may look lower when compare to other banks.

The current Medium-term business plan's sales target (JPY 300B in 3 years) was set so that the value of cross-shareholdings would be below 20% on a market value basis at the time the plan was set. In FY23, we reduced JPY 82.1B, and including amount of sales accepted, total reduction was JPY110B, which was above our expectations. This reduction amount is approximately 40% of our target.

Currently, the book value basis of our cross-shareholdings is around JPY 900B, and has become very challenging to sell, but from FY23, we have started to negotiate with all of our shareholding clients, including smaller clients, and our sales pace is in line with our plan.

Q: There was a significant growth in IB product profits in FY23, but can we expect the same for FY24?

A: IB product profits increase by 17% YoY in FY23. This increase was a result of accumulation of large deals with profits over JPY 300M, including deals that are not disclosed. Defining the number of large deals as 100 in FY21, this has increase to 160 in FY24, demonstrating our increase in origination ability in large deals.

This trend will remain unchanged in FY24 and as pipelines are increase by double digit percentage compared to the same period last year, we expect IB product profits to further increase in FY 24.

3. Global Corporate & Investment Banking Company

Q: What is the outlook on expenses and initiatives to control expenses?

A: Expenses are expected to increase in FY23 and FY24, but we are able to control these expenses.

The reason for the increase is to comply with new regulations and enhancing internal controls. For example, we have increased talents specialized in governance, starting with the introduction of our regional CxO framework, and established a global capability center in India. However, as we standardize operations and utilize technology, we believe that higher efficiency can be achieved going forward. In the medium term, reorganization of our EU footprint, integration of offices and joint purchases of supplies with Greenhill will contribute to expense control.

In our current plan, gross profit is expected to grow, but if required, we are prepared to control expenditure.

Q: What are the specific strategies to accelerate to allocate risk assets to growth areas in the next 2 years?

A: Gross profits in FY23 mainly increased from fee business and while gross profits increased, loan balance and risk assets decreased. Going forward, we will look for growth areas to allocate our assets. We will find growth areas in relation with the changes of our clients' "business portfolio", such as challenges that our clients are facing, review of supply chain, and initiatives in decarbonization transition.

A key point in FY24 will be the PMI of Greenhill, and we have already made more than 800 joint pitches, collaborating at a very fast pace. However, M&A in the mid-cap market, which is Greenhill's expertise, has not yet recovered to levels in the large-cap market, and once the mid-cap market recovers, we expect more M&A and ancillary business opportunities.

In FY23, we reduced JPY 2T in low profit areas and reallocated JPY 1T in growth areas, but gross profits were simply offset and remained flat. ROE will increase due to asset reduction, but given that there is a time lag in ROE improvement even after asset is reallocated to growth areas, we conservatively forecast ROE to be around 8% in FY24.

Q: What is the expectation of Greenhill going forward?

A: As shown in one of the examples in the slides, Mizuho was appointed bookrunner in M&A advisor, DCM, ECM, and loans. This was a result Mizuho's sector knowledge and abilities to provide loans coupled with Greenhill's capabilities and relationships. Greenhill and Mizuho have already jointly proposed 800 times, and from these proposals, we build pipelines and acquire mandates. Bringing these mandates to deal execution could take some time, but we are quite positive that these will contribute to our growth.

Q: How do you plan to achieve top 10 in global league table by 2030?

A: Mizuho was ranked 14th in FY23 and at today's point, ranked 13th in global league table. In our current Medium-term business plan, our target is to be within the top 15, and in 2030, within the top 10. Boutique M&A firms are susceptible to market volatility and harder to achieve higher rank in the overall rankings. Mizuho's strength is that we have our own DCM, LCM, ECM, and M&A functions.

Foreign banks that are ranked above Mizuho in the overall ranking are ranked higher in the Non-IG businesses, but as we focus on having a sound portfolio, we are not aiming to be the top level in Non-IG. Mizuho is currently 27th in M&A, and we believe we can reach top 20 by increasing our current share of 0.7%. By doing so, other products will also improve, enabling us to increasing our rank step by step.

We were appointed as 1 of the 4 active bookrunners in large deals such as ECM for Arm Holdings and DCM for Amgen. We believe that enhancing our presence by acquiring such large deals, will lead to improving our ranking in the league table.

4. Global Markets Company

(Banking)

Q: What is the approach for JGB investments?

A: Mizuho's balance for medium to long term JGBs are close to zero. We understand that the ratio of our core deposits to overall deposits are lower than our peers, but we are significantly over deposited and have large investment capacity. On the other hand, the current 10 year JGB is yielding 1.1%, which we do not believe is fair value. Movement in JPY yield is not only contributed by Japanese markets, but if US interest rate fall due to economic downturn, JPY interest rate could fall as well. However, fundamentally, we believe that JPY interest rate has room to rise.

Bank of Japan will sell around JPY 600T of JGB that holds in the medium-long term. Financial institutions accepting deposits have sold around JPY 200T to Bank of Japan since 2013. For Mizuho, we have investment capacity to take JGB position of around JPY 10-20T.

Although we expect interest rate to rise in the medium-long term, our basic approach is to use AFS (Available for Sale, other securities) to prepare for decrease interest rates. From an ALM perspective, we will also effectively utilize bonds held to maturity.

Mizuho's uniqueness lies in its abundant hedging methods for AFS. We will utilize such hedging methods to flexibly adjust our positions according to market conditions.

(S&T)

Q: What are the challenges to replicate the success of the CIB model and integrated BK-SC operations in the US in other regions?

A: In the US, we have been promoting the CIB model since several years ago, and have been providing high level solutions to clients through integrated BK-SC operations, and collaboration in the primary and secondary functions, in addition to, establishing systems and corporate functions. Moreover, as profit buffers are produced, we are able to provide broader set of products.

In Europe, we have started BK-SC integrated operations since last year and currently

working on integrating infrastructure and corporate functions, completing the platform step by step. Although collaboration on the sales side have progressed, profitability and market scale is different from those of the US and given the high competition with US and European banks in the various countries, Europe is a difficult market. In such environment, we aim to capture unique deal flow by utilizing the bank's asset and our access to Japanese investors and corporates.

For Asia, the capital market is not big, and competition due to over-banking is more challenging than the US and Europe. Our focus for Asia is in capturing FX and derivatives deal flow linked to transaction banking. We completed our trading platform last year, and will acquire deal flow going forward.

Q: What is Mizuho's positioning and potential going forward on JPY products such as JGBs?

A: As a Japanese financial institution, Japanese fixed income, and JPY derivatives are our pillar. We have firm relationships with Japanese investors and have good market share.

We believe that it is important to create sales flow that are similar to the market and as oversea investors are increasing their flow to Japanese fixed income, we have allocated distribution channels in Asia, Europe, and Americas to continue to capture global deal flow. For derivatives, although there was a challenge to access clients, especially in the US, due to the implementation of the Dodd-Frank Act, we have overcome this by establishing frameworks in compliance with all regulations and are now able to trade with US investors.

With the trends in Bank of Japan's monetary policy, interests in fixed income products and Japanese equities are increasing among investors outside of Japan. We believe that by providing information and flows to those investors will lead to upsides in our profits.