

FY2024 Financial Results Presentation: Summary of Q&A

Q: Medium- to long-term management challenges

A: Cost control is still a significant challenge. For example, it is important to keep revisiting the use of third-party services and verify if they are appropriate. Also, while an increase in cost was inevitable to some extent, we do believe it is necessary to take another look at our cost structure, even if that doesn't mean implementing another Fundamental Structural Reform¹.

Keeping organization structure simple is also essential, as an increase in organizational complexity leads to gaps in communication, which then results in an increase of administrative functions. In some areas we are also realigning organizational operations to their functional axes, such as at Mizuho Trust & Banking to real estate and consulting. We will continue to work on restructuring organizational frameworks moving forward.

On the business side, retail and asset management remain key challenges. While the acquisition of NISA accounts, so the mass segment, is somewhat promising, we are behind competitors in asset management. We are actively discussing measures to strengthen Asset Management One.

Another challenge is securing high-quality talent in the face of a declining population in Japan. We need to secure not only personnel sufficient to carry out business and strategy, but also personnel with adequate quality. To achieve that we need to clarify areas that need strengthening and the quality required to do so.

Q: Upside potential for FY25 Plan

A: As of April, when we formulated our FY25 Plan, ECM and M&A pipelines were very much stagnant both domestically and internationally. However, the secondary market was active. Then, since May, activity has gradually picked up in ECM and M&A, but our conservative outlook estimates reflect these facts.

Going forward we need to closely monitor the impact of reciprocal tariffs. If tariffs are to continue at extreme levels and economic stagnation ensue, it is unlikely that our outlook will change, but should they be relaxed, then there would be potential for upside in our net profit, landing probably somewhere between ¥940 billion and ¥1.05 trillion.

1. FY18-22

It's largely dependent on when the impacts of tariffs become verifiable, but we may be able to announce an official revision of our plan by our mid-term financial results.

Q: Profitability perspective for growth investments within capital utilization

A: Management engages in highly intensive discussions on growth investments. We consider our ROE targets and implied cost of capital from our stock price at the time, and maintain the view that return on our investment should exceed that within a specific timeframe. The decision process is meticulous, evaluating also whether the investment will strengthen Mizuho's unique competitive edges.

Our approach is to execute growth investments only when they are deemed to deliver greater benefits than share buybacks. If the profitability perspective is not met, then the investment is deferred.

Q: New Shareholder Return Policy

A: Shareholder return is decided in line with opportunities for growth investment. The decision to carry out growth investments is not only based on assessment of the current fiscal year, as well the outlook for subsequent years. If opportunities are abundant, the decision may be made to retain necessary capital; if not, then we will look at additional return through share buybacks. That means that the probability of the total payout ratio exceeding 50% is actually quite high. For this fiscal year though, as assessments for current growth investment opportunities are still underway, we announced the total payout ratio to be approximately 50% at this point.

While internal discussions did take place on setting specific EPS targets, we opted not to, as we need to be able to strike the optimal balance between growth investment and shareholder return. Our goal is to surpass our EPS historical high of 551 over the medium to long term.

Regarding the size of share buybacks, it is expected to be primarily in units of ¥100 billion. Announcement should take place generally at our annual and interim results, with execution taking place in the following quarters. While we did consider more flexible timing for share buybacks, we found practical hurdles, for example relating to managing insider information.

To make sure that investors' properly grasp our new shareholder return policy, we will provide thorough explanations of it during IR activities over the coming months.

Q: ROE targets in new medium-term financial targets

A: We aim to increase ROE from around 9% in FY25 to around 10% by FY27, assuming no additional rate hikes by the BOJ. We believe this is feasible even only through continuing our efforts in our key focus areas: Asset & wealth management, Domestic corporate businesses, and Global CIB business. Should the BOJ policy rate increase further, then we should reach the higher end of 10% or even 11%, as outlined in our new medium-term financial targets.

Q: Demonstrating downside resilience

A: We consider three aspects to ensure downside resilience: P/L volatility, financial soundness of assets, and bond portfolio management.

In addition to controlling P/L volatility through primary and secondary market business, we also leverage our strengths in industry research and consulting functions to identify customer needs and drive corporate actions. Even during uncertain times such as now, we can stimulate corporate actions and deals and secure income, strengthening our P/L. Further, we are able to mitigate the occurrence of credit-related costs through the early prediction of changes in corporate performance and providing advice and support on management. Fixed cost reductions within our cost structure are also deemed important.

Q: Global custody business divestiture

A: We saw that significant investments would be required to expand market share here, and that it therefore did not align with our profitability perspective.

The decision is a reflection of the difficulty we saw in continuously expanding our services into the future. You could say that this decision, though not exactly revolutionary, does reflect a shift in our thought process towards structural changes. It considers potential for future market share growth, compared to, for example, structural changes we made in the past²

Q: Domestic loan demand and U.S. IB business outlook amid tariff impacts

A: Both RBC and CIBC have seen growth in corporate lending balances, driven by corporate actions. While corporate actions have slowed due to uncertainty caused by U.S. tariffs, once global conditions become clearer, we expect activity to bounce back, through actions resulting from reformation of supply chains among large and mid-cap corporates.

² Referring to Fundamental Structural Reforms from FY18-FY22

Our IB business in the Americas has shown similar trends, with ECM and M&A experiencing stagnation. However, DCM remains robust, particularly with U.S. companies issuing bonds in European markets. Again, as the outlook becomes clearer, corporate actions are expected to recover, allowing us to leverage our IB capabilities both domestically and internationally.

Q: Progress in partnership with Rakuten

- A: The Mizuho Rakuten Card has achieved approximately nine times more issuance than standard Mizuho credit cards, demonstrating some market penetration. There are, however, challenges in the connecting of Mizuho-Rakuten card applications to the opening of Mizuho Bank accounts. Resolving this issue, i.e., eliminating drop-offs caused by the complexity of the application process, could lead to a significant increase in card issuance and we will continue efforts addressing this. The original aim of the Mizuho-Rakuten card is to connect card payments with Mizuho bank accounts and thereby expand our deposit base.

Through our partnership with Rakuten Securities, we are now approaching a full spectrum of customers in the Asset & Wealth management business—from asset-building individuals to affluent clients—through both digital and face-to-face channels.

Q: Pursuing global optimization

- A: Since the acquisition of Greenhill, we have expanded various areas of business while deepening global regional collaboration. Instead of operating independently of each other, we want to further link our regional operations to drive business collectively and enhance our revenue.

While collaboration between Japan and the Americas, Europe and Asia (including the Middle East), and Japan and Asia have progressed to some extent, deepening collaboration between Europe and the U.S. remains a challenge. Strengthening this collaboration is key to achieving further growth. The appointment of Suneel as Deputy President at Mizuho Financial Group is partially intended to advance this initiative.