FY2020 Interim Results Presentation: Summary of Q&A

Q: Why were profits in Customer Groups strong and will this be sustainable going forward?

A: For Customer Groups, strategic initiatives which we have been working on led us to success, such as RBC's Global Equity Strategy which encourages individual asset formation and GCC's Global 300 Strategy outside Japan. In addition to Customer Groups, in Markets, we accumulated gains on carry income primarily from foreign bonds, and profits in Sales and Trading increased due to factors such as interest rate derivative transactions. As a result, the financial results were steady as a whole, even in the midst of the COVID-19 pandemic.

In terms of the breakdown of Consolidated Net Business Profits (P49) into stable revenue, upside revenue which varies from time to time, and banking revenue, stable revenue is estimated to be JPY 309 billion, exceeding FY19 results even after the negative impact of COVID-19, which equaled JPY 18 billion in the first half of FY20. We consider the quality of profits to be increasing steadily, and we have strengthened our earnings power.

Also, the impact of COVID-19 on Gross Profits is estimated to be around JPY 20 billion to JPY 30 billion.

Q: What is the aim of the new HR Strategy (P62) and revision to the sales framework (P65)?

A: The aim of the new HR Strategy is to transition to a proactive framework where each employee develops their expertise, has high motivation, and feels more positive and productive.

We will transition to a cross-entity HR platform. Structural reforms targeting employees in roles that support our corporate foundations are the most difficult task, so we will carry this out with an unwavering resolve.

As for our sales framework (P65), for example in our retail business, we will build a framework where our employees will work hard with high motivation to support retail customers' asset formation. In CIC, we will accelerate a cross-sector approach across the group while strengthening knowledge in sectors via collaboration between Mizuho Bank and Mizuho Securities.

Q How will banking operations change as you advance digital transformation?

A: Through utilizing MINORI, from October we have been reducing the back office operations conducted at branches, and for the 8 remaining main procedures which require a lot of manual work to be completed in a bank branch, within this year we plan for all Mizuho Bank branches to no longer need to process these operations. Almost 100% of new bank account openings have become bankbook- and seal-less, and we are receiving positive feedback from our customers.

We will reduce a lot of the workload by centralizing operations in 180 offices within the fiscal year. A total of 1,100 employees will be shifted from back to front offices, and some of these personnel have already been shifted.

In addition, employees working at Head Office, including in corporate divisions, will be shifted to front offices as well.

Q What measures are being taken to relieve the downward pressure on financial results due to the prolonged impact of COVID-19?

A: The sub-scenario shown in the CEO message: Economic outlook (P46) is a scenario in which the impact of COVID-19 lingers and the economy is sluggish, and we are most concerned about credit-related costs arising in view of the downward pressure on financial results. However, we estimate that credit-related costs will land within the plan of JPY 200 billion even under the sub-scenario, due to our recording additional reserves from a forward looking perspective, in addition to the refining of our macro approach for estimating credit-related costs and our efforts to prevent credit deterioration implemented in collaboration with our credit division.

We recognize that under the normal economic climate before COVID-19, credit-related costs were approximately JPY 60 billion per year.

Q In regards to the measures to control risk-weighted assets as of the end of September, given that the CET1 Capital Ratio was 8.8%, what do you think about strengthening returns to shareholders?

A: Due to the financial support for clients we are providing amid the COVID-19 pandemic, risk-weighted assets increased by around JPY 2 trillion and a few hundred billion on a Basel III finalization fully-effective basis. However, we were able to reduce almost the same amount of risk-weighted assets; that is, JPY 900 billion in Customer Groups, JPY 300 billion in Markets, and the rest owing to various measures, including refined risk measurement methods led by the corporate divisions.

As for our CET1 Capital Ratio, we will keep aiming for the lower end of the 9 - 10% range as before, and we would like to strengthen returns to shareholders as early as possible by accumulating profits and monitoring capital sufficiency.

Q What is the breakdown of the deals in the pipeline for responding to capital restoration needs (P59)?

A: Many of our clients who utilize quasi-equity loans belong to industries affected by COVID-19, and there are cases where we extend quasi-equity loans to maintain their external credit ratings. Separate from this, there are also many cases where we support their proactive investment projects.

Q What is the reason for the improvement in the loan spread outside Japan and what is the future outlook?

A: The continuous negotiations we have been conducting to improve the loan spread have borne fruit, particularly in Europe and the US, where there is a strong awareness of risk vs. return in the market. Although the improvement in the spread for the second half of FY20 is anticipated to slow down, given that the loan demand driven by the impact of COVID-19 has tempered off, we expect that we can continue to benefit from the majority of the increase in the loan spread.