

Outside Director Session: Summary of Q&A

Q: I believe the Compensation Committee discussed raising the ratio of stock-based compensation. Shouldn't it be increased further?

A: (Director Uchida) In the most recent revision, for executive directors we have raised the overall compensation level, and within that, increased the proportion of stock-based compensation. Outside directors also have a certain degree of stock-based compensation, though personally I believe it could be increased further. While it still may not be close to that of investors, I believe that having employees of a certain managerial level receive a portion of their compensation in company shares heightens their awareness to the share performance.

A: (Director Ikuno) Based on my experience at foreign financial institutions, I believe stock-based compensation is effective in changing employees' mindsets toward greater accountability for performance. For that reason, individual evaluation within the human resources framework is also important.

Q: What kind of discussions does the Board of Directors have regarding the reduction of cross-shareholdings?

A: (Chairperson Tsukioka) Mizuho began reducing cross-shareholdings around 2015, when its book value was about 2 trillion yen, and it has now decreased to around 750 billion yen, demonstrating significant progress. Since each counterparty has its individual circumstances, dialogue is approached carefully. As a short-term target, we aim to reduce at least an additional 350 billion yen for the years from the end of FY24. There are some cases where negotiations for large holdings are somewhat stagnant due to the counterparty's individual situation, but overall, reduction is progressing.

Q: What have been the results of the corporate culture reforms led by President Kihara, and what is the direction for aiming even higher in the future?

A: (Chairperson Tsukioka) When I first joined as an outside director, I felt, both from the outside and after joining, that there was a lingering sense of the legacy of the three banks that merged in 2000 to form Mizuho, and that the organizational structure and internal company system was overly complex and thereby obstructing reporting chains. The corporate culture was one characteristic of banks, where once a decision was made, it was carried out thoroughly, but this led to rigidity. To create a more open and vibrant organization, we discussed redefining the corporate philosophy and formulating a Purpose—not just decided by the corporate planning

department, but involving people from the front lines as well. This led to the formation of the current Purpose: “Proactively innovate together with our clients for a prosperous and sustainable future”. In the process, we also reflected on the history of the three legacy banks and discussed the importance of preserving each of their positive DNAs. Through ongoing dialogue between management and the front lines, I believe that the organization has become more open.

As for where Mizuho heads from now, it is important to communicate clearly that Mizuho is not merely competing for deposits, but, from a historical perspective, is a company that takes risks for the development of Japan and its industries, such as supporting startups. Clearly articulating this story and message, and fostering pride among employees, should further drive this positive corporate culture reform.

A: (Director Uchida) The organizational climate has improved drastically. Going forward, personally I want to observe the extent to which this permeates middle management and team levels, as I think there may still be a tendency to wait for instructions from above. The next challenge is to empower the front lines to act freely and draw out their vitality, as this can become a source of competitiveness.

A: (Director Ikuno) The culture reforms implemented over the past few years, especially after struggling with system failures, have been very effective. This is also reflected in the improvement of engagement and inclusion scores.

Q: To avoid homogenization with other Japanese FIs, and progress in a way that is unique to Mizuho, growth investment is necessary. From a supervisory standpoint, how do you get involved in investment decisions and post-investment PMI and evaluation?

A: (Director Uchida) Rather than simply seeking scale, Mizuho’s strategy is to internalize desired functions. Equity method investments for the sake of scale present governance challenges, so, as was the case with Greenhill, we believe it is better to internalize functions and integrate them together with existing capabilities. For such growth investments, the Board receives periodic reports and updates, but also visit investee companies to talk with management and check on PMI progress directly.

A: (Chairperson Tsukioka) For Global CIB business, we discuss at management meetings how to leverage our strengths in the Americas in other regions, and how far to promote global collaboration. These topics are discussed at board and off-site meetings. We feel that a direct bolt-on approach, as with Greenhill, produces results, so overseas inorganic investments will likely continue to follow the same internalization strategy.

A: (Director Ikuno) Unlike other Japanese banks, Mizuho’s overseas inorganic investments are characterized by internalizing functions to create new value. Overall, growth investments are

being made very strategically.

Q: How do you evaluate the changes in IT strategy since the system failures?

A: (Chairperson Tsukioka) I was a member of the System Failure Response Evaluation Committee, and have checked all external evaluations from third-party committees, etc. While there was a structural issue of having three major vendors, the bigger issue was that organizational silos hampered the speed of response when incidents occurred. As a countermeasure, we implemented a vast number of drills and trainings, reviewed budget allocations, and received regular reports at the board. As a result, the head of the IT division can now report the situation, and there is a system for sharing information with the board. Also, bringing in external experts as directors helped progress. Even if a system failure were to occur again, we are focused on having a structure that allows for immediate maintenance afterward.

Q: How do you approach running the Board of Directors as Chairperson?

A: (Chairperson Tsukioka) As Chairperson, I do not take the lead in expressing my own opinions, but instead work to create an open atmosphere where other directors feel comfortable sharing their views. I joined as an outside director with the impression that board meetings at banks would be rigid, but in fact, the atmosphere is very open, and outside directors are able to express opinions based on their expertise and experience. I strive to maintain this atmosphere.

Q: Have you been able to utilize your industry experience and expertise in the Risk Committee?

A: (Director Ikuno) I also serve as a member of the Risk Committee, where I receive reports from management on various risk factors and market conditions. Mizuho's business has become very global, and the need for global risk management is increasing as the linkage between overseas and domestic business grows. The market environment surrounding financial institutions—especially the larger Japanese banks—has become increasingly uncertain. It is necessary to manage risk appropriately, balancing the securities, banking, and trust businesses, and to move forward while addressing risks. When I make comments on risk management, they are taken seriously, and I believe that risk management is functioning well.

Q: I would like to understand the effectiveness of the Board of Directors. When there are differences of opinion between management and outside directors, what kind of discussions take place? How much are outside directors able to express their views to management?

A: (Chairperson Tsukioka) I believe the effectiveness of the board should be measured not only by

the board meetings themselves, but also by off-site meetings and dialogue with the front lines. In addition to expressing opinions to management through the board, there are opportunities for direct dialogue with other executives management, and we are able to exchange opinions sufficiently. There is also a system for the Corporate Secretariat to follow up after board meetings, which is functioning well.

A: (Director Uchida) We exchange views in various forums, such as the Audit Committee and off-site meetings. As an outside director, I am always conscious of whether we are providing added value to management. Sometimes, the opinions expressed at the board are reflected in subsequent reports. For example, after the board meeting, the secretariat holds follow-up meetings, where questions and opinions raised are conveyed to management. In addition to the annual effectiveness evaluation, daily follow-up ensures effectiveness.

A: (Director Ikuno) Before and after board meetings, we receive thorough explanations, so there is an environment where it is easy to ask questions as an outside director. There are more meetings than I expected, and there are many opportunities for opinion exchange in various formats.

Q: What kind of discussions are being held at the board to raise PBR and ROE?

A: (Chairperson Tsukioka) We do not act just to raise such KPIs; rather, KPIs rise as a result of action. Raising ROE and PBR, which are indicators of corporate value, is important, but it should be the result of cash allocation. Balancing the interests of multiple stakeholders is also important. We discuss what we may be lacking compared to global peers in terms of PBR.

A: (Director Uchida) There are many discussions with management at the board on how to evaluate Mizuho's corporate value. As we start discussing business plans and financial target setting for the coming years, there are still things we can do to improve productivity and profitability. Personally, I would like to see us become a company that can stably achieve ROE of around 12%. Improvement in previous years' performance is partially a result of various tailwinds such as the interest rate environment, reforms led by the TSE, and the sale of cross-shareholdings. Now, as we enter a phase of stable earnings improvement in a world with positive interest rates, we are formulating strategies to further enhance profitability. It is important to create a vision for where we want to be, be able to explain it convincingly, and enable each employee to act autonomously.

A: (Director Ikuno) It is important to proactively advance the Purpose-driven business focus areas that were set out in FY23, and employees are working together daily to realize these strategies.

Q: As the Nominating Committee bears the heavy responsibility of appointing the CEO, what is the process for considering whether the current CEO should be reappointed or replaced each year before the AGM?

A: (Chairperson Tsukioka) As a process, all nominating committee members consider who should be the next CEO, assuming various scenarios. Currently, management is in a phase of stability and is doing well, and while there have been improvements in performance due to internal efforts, there have also been tailwinds from the financial environment. The most important thing is to discuss what needs to be done next. It is essential to select a leader who is best suited to realize Mizuho's ideal future—not simply based on seniority or career, but on the ability to demonstrate leadership for the future.

The Nominating Committee is composed entirely of outside directors, but how outside directors themselves are selected is also important. I believe it is extremely important to choose outside directors who are truly committed to transforming Mizuho.