

Development of Technology & New Business Opportunities

September 2017

Mizuho Financial Group

Forward-looking Statements

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In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “endeavor,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “project,” “risk,” “seek,” “should,” “strive,” “target” and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions.

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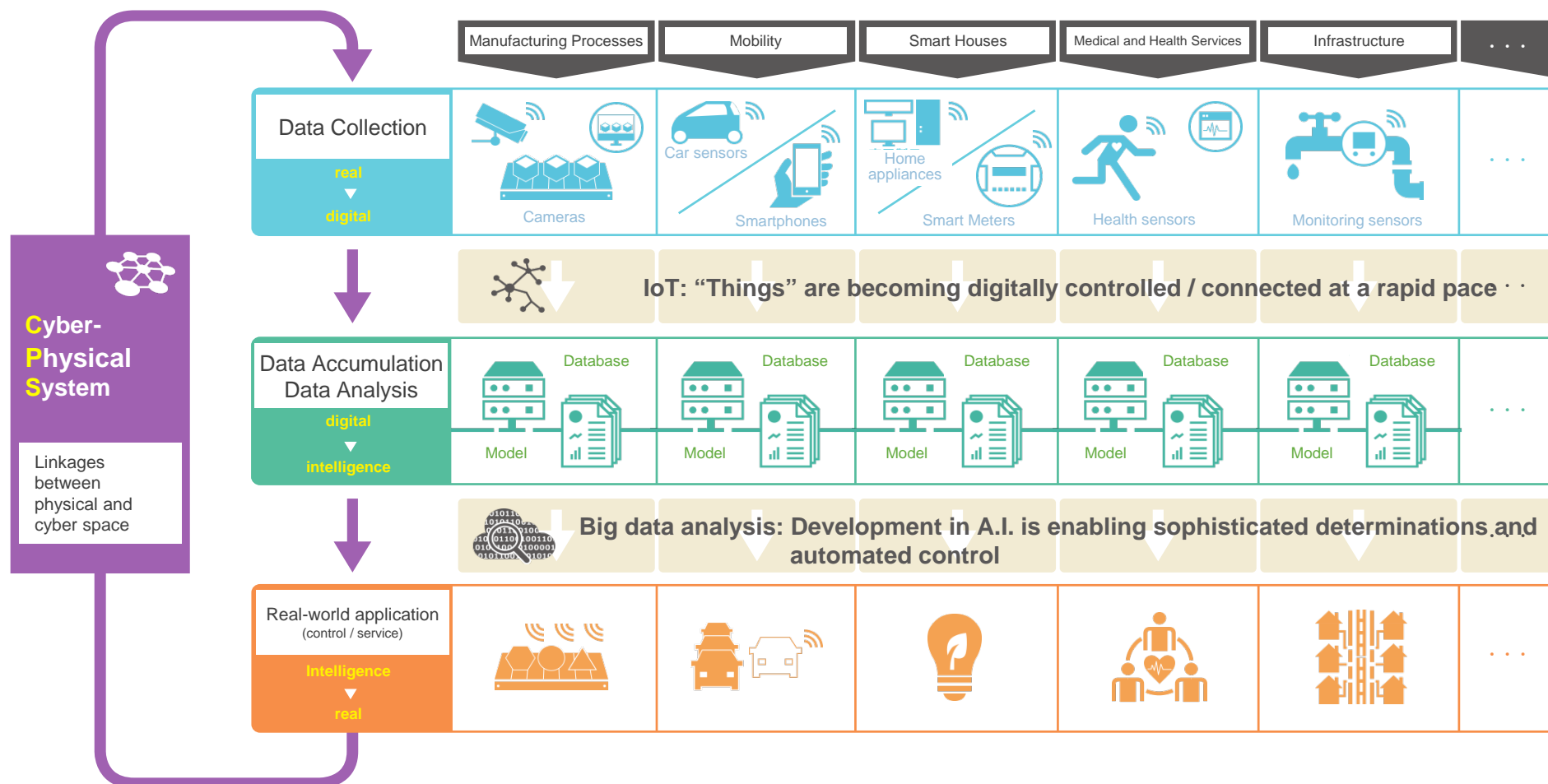
4. Potential Challenges Posed by Technology Development

Rapid development of technology

| | | | |
|---|---|--|--|
| 1 | Development of devices | Progress in sensor technology | Exponential increase of data |
| 2 | Expansion of the internet | Improvements in communications / networks | |
| 3 | Diffusion of smartphone | Use and application of various mobile devices | |
| 4 | Development of cloud / storage technology | Development of concentrated information storage technology | Decrease in costs for information aggregation |
| 5 | Development of algorithm | Improvements in data processing technology | Decrease in costs & improvement in information analysis accuracy |

Shift in industry structure: Revolutionary change in wide range of areas

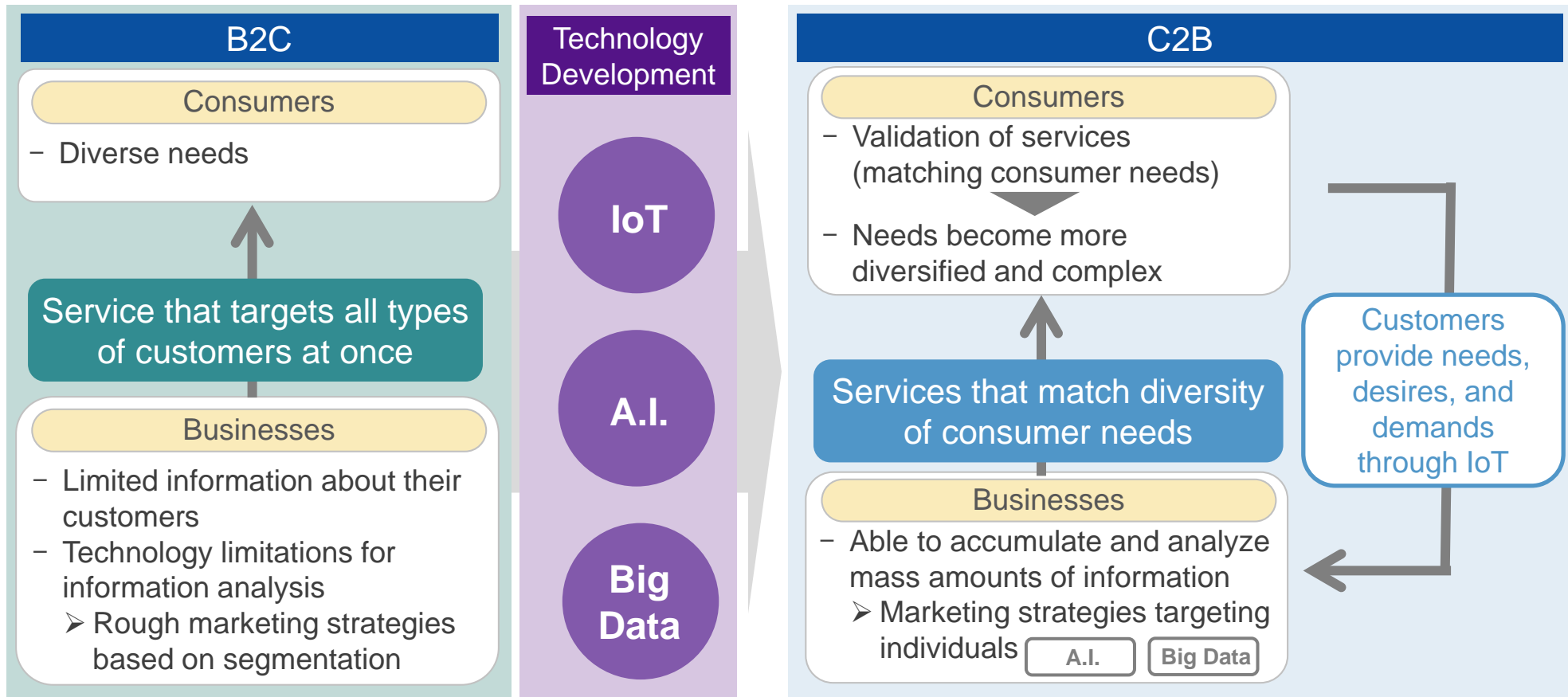
- Cyber-physical systems (CPS)—linkages between physical and digital / cyber spaces—will, in combination with other technology developments, spur revolutionary changes in various economic and industrial fields.



Source: Prepared by Mizuho Financial Group Inc. based on the material of "Industrial Structure Council" May-15

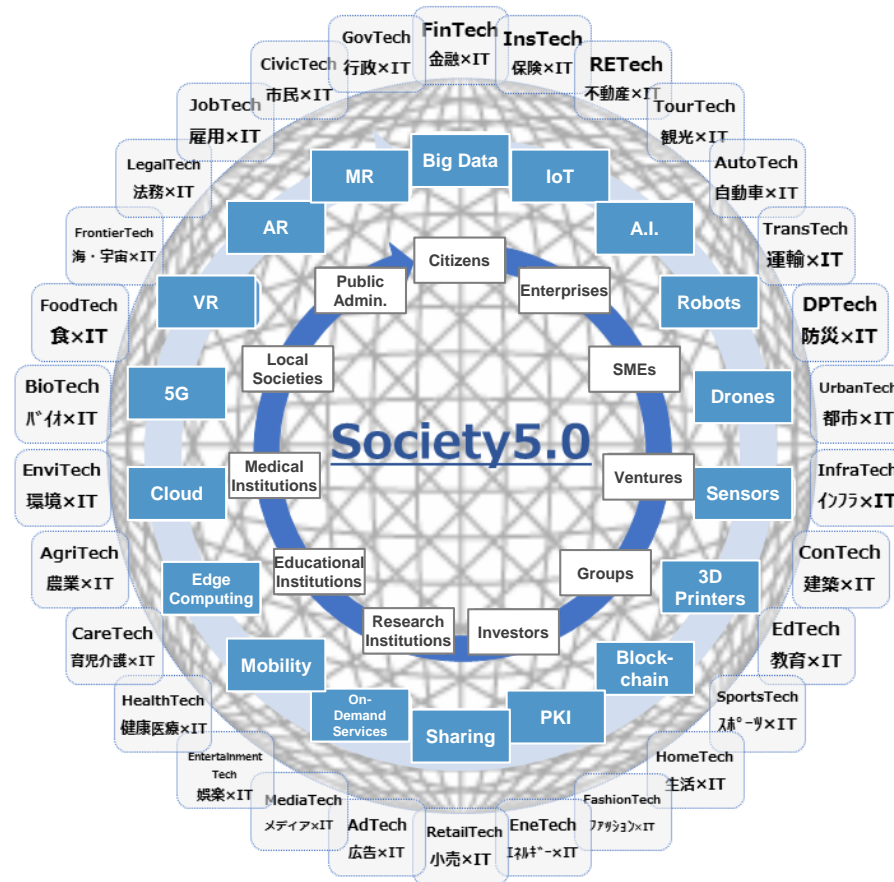
Shift in business model: From B2C to C2B

- Technology development will enable companies to provide more customized services to consumers
- As companies accumulate more information related to consumers—their customers—the companies' services will become more sophisticated
 - Consumers communicate their needs, desires, and demands to companies, and companies create new business models in response—driving the shift to a C2B market era



Every industry will be connected through IT

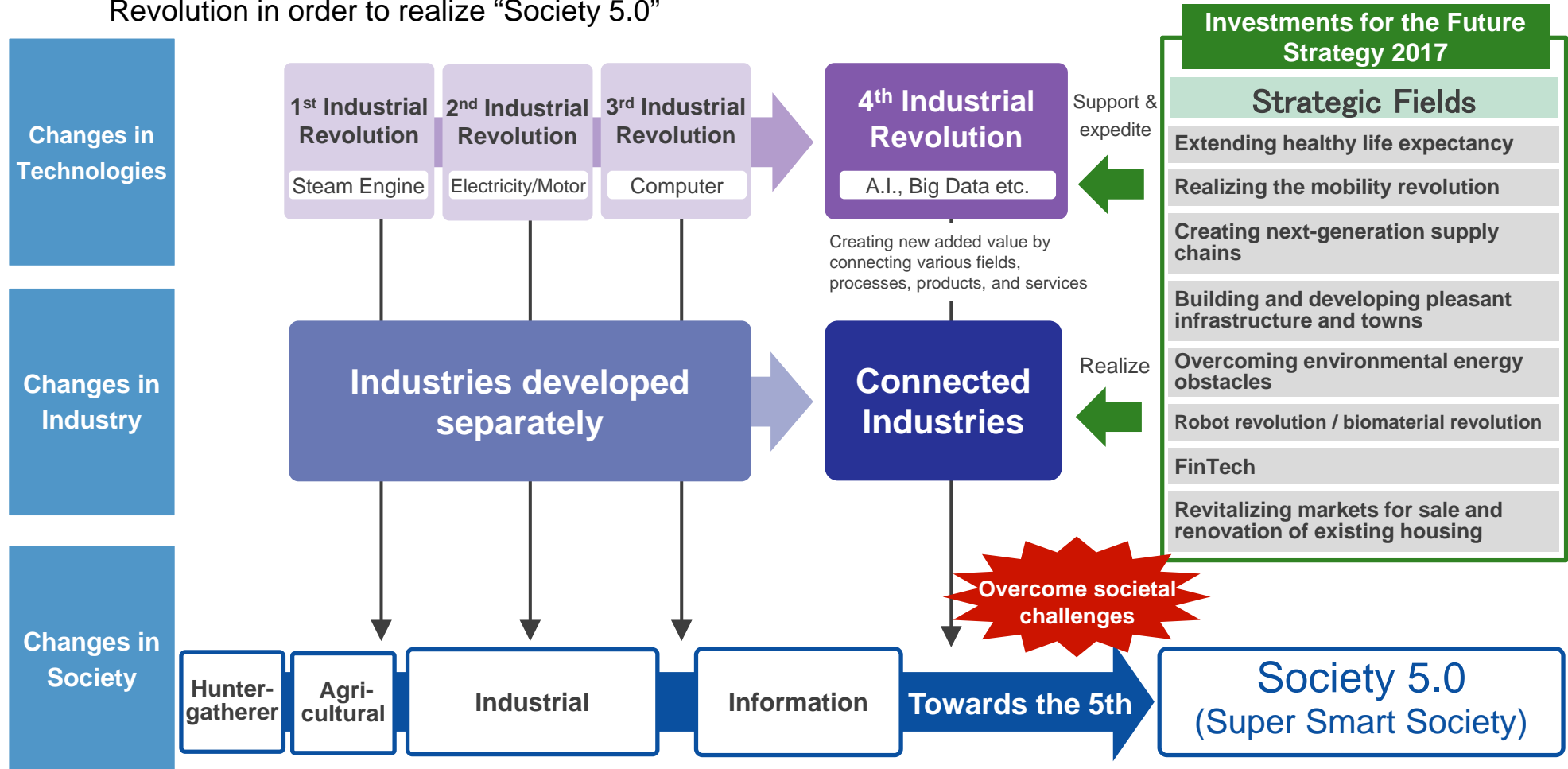
- Digitization of industries is accelerating, and data-driven innovations are popping up one after another
- Realization of “Society 5.0” and the utilization and application of data across organizational and industrial boundaries is necessary for Japanese companies to maintain global competitiveness



Source: Prepared by Mizuho Financial Group based on data from KEIDANREN (Japan Business Federation)
 'IN PURSUIT OF AN ENVIRONMENT FOR UTILIZATION OF DATA - Towards achievement of Society 5.0 -'

Aim of Abenomics growth strategy: Realization of “Society 5.0”

- “Society 5.0”, or “Super Smart Society”, is a society that facilitates human prosperity by utilizing technology to solve social challenges and to meet various social needs
 - Japan’s “Investments for the Future Strategy 2017” plan will expedite and support the Fourth Industrial Revolution in order to realize “Society 5.0”



Source: Prepared by Mizuho Financial Group, Inc., based on material of “Future Vision towards 2030s” and “Japan as a future-oriented country solving global challenges on an individual basis” by the Ministry of Economy, Trade and Industry, and “Investments for the Future Strategy 2017” by the Cabinet Secretariat

1. Changes in Business Driven by Technology Development

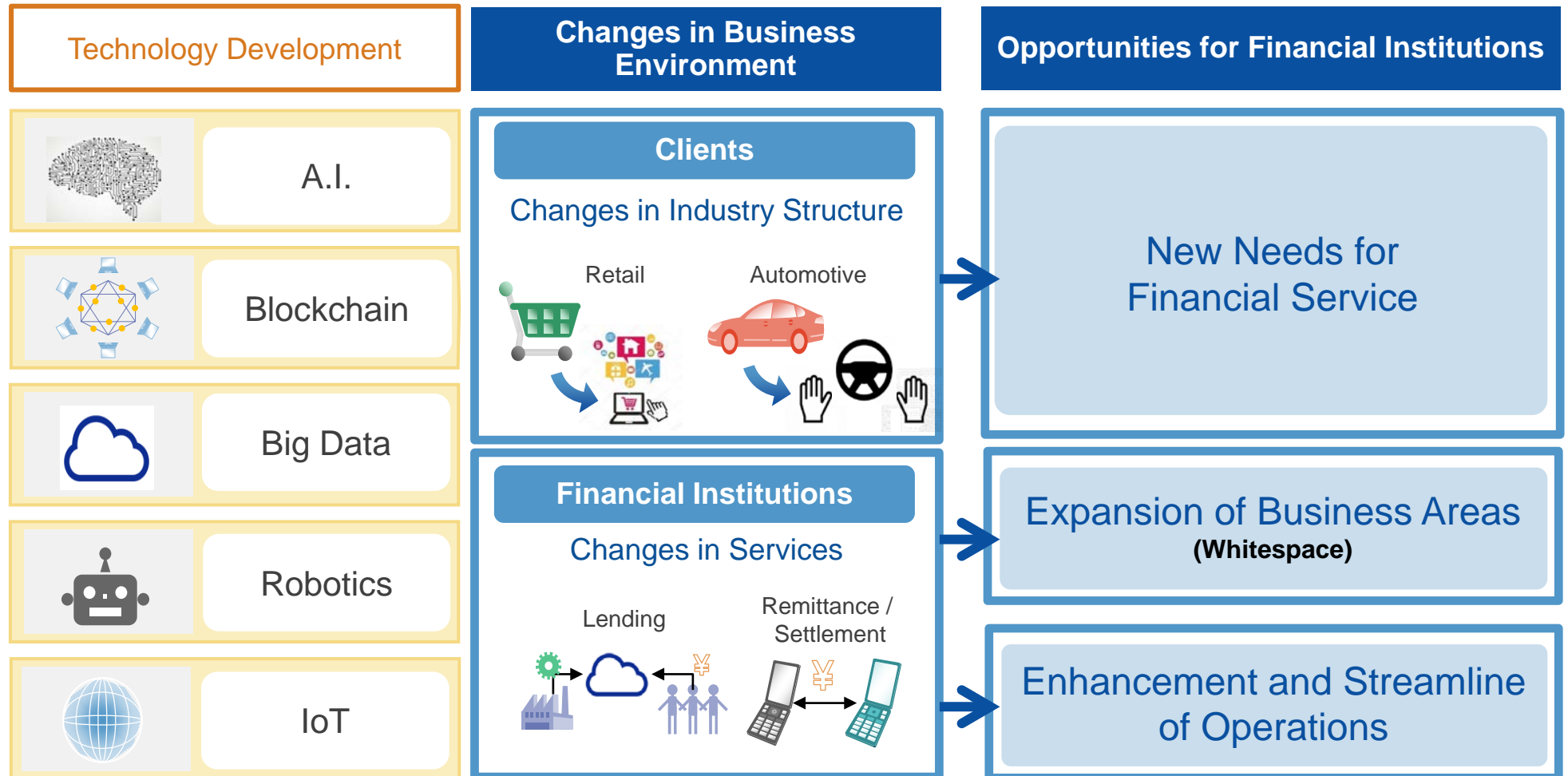
2. New Business Opportunities for Financial Institutions

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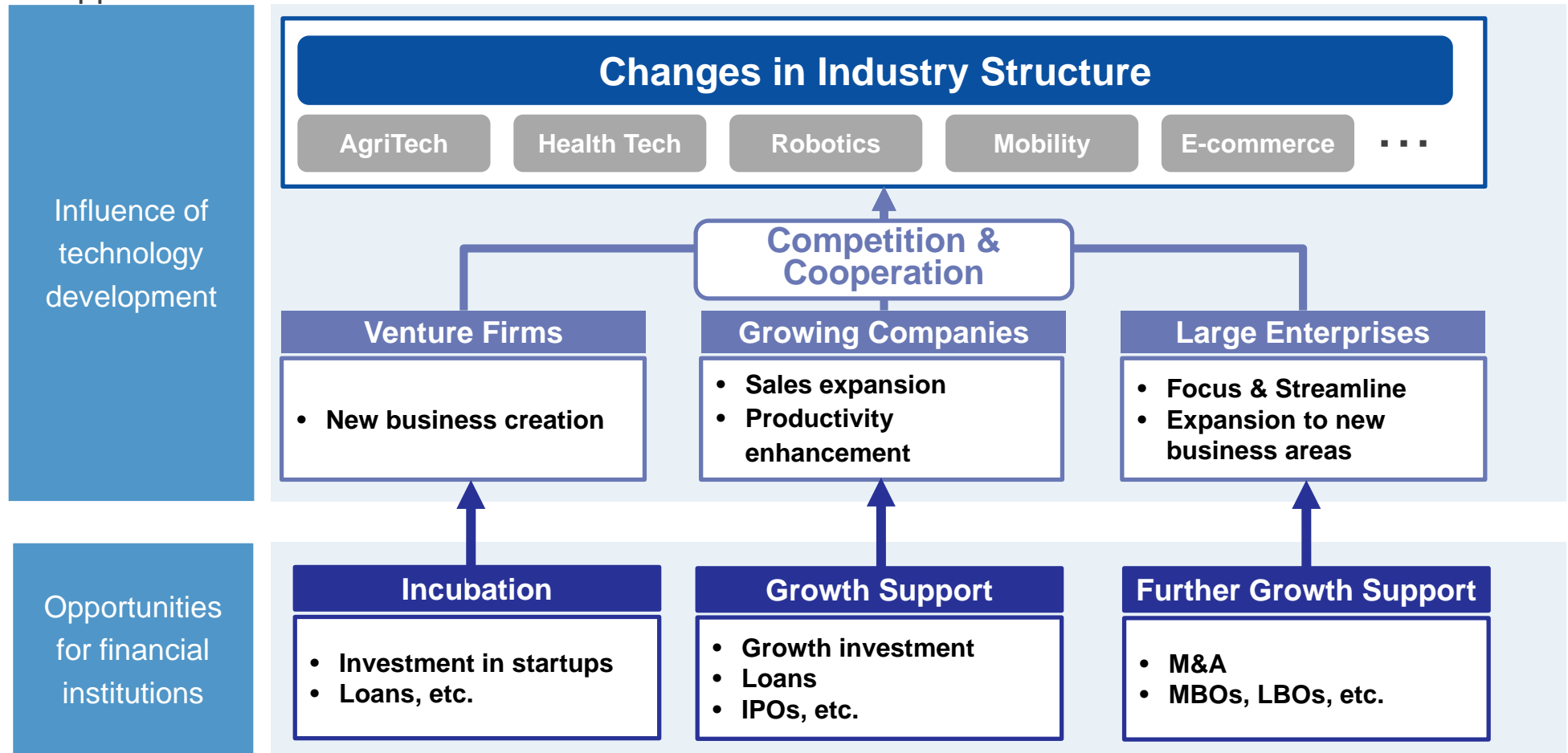
Business environment changes driven by technology development

- Changes in industry structure and in financial services driven by technology development are creating new business opportunities for financial institutions



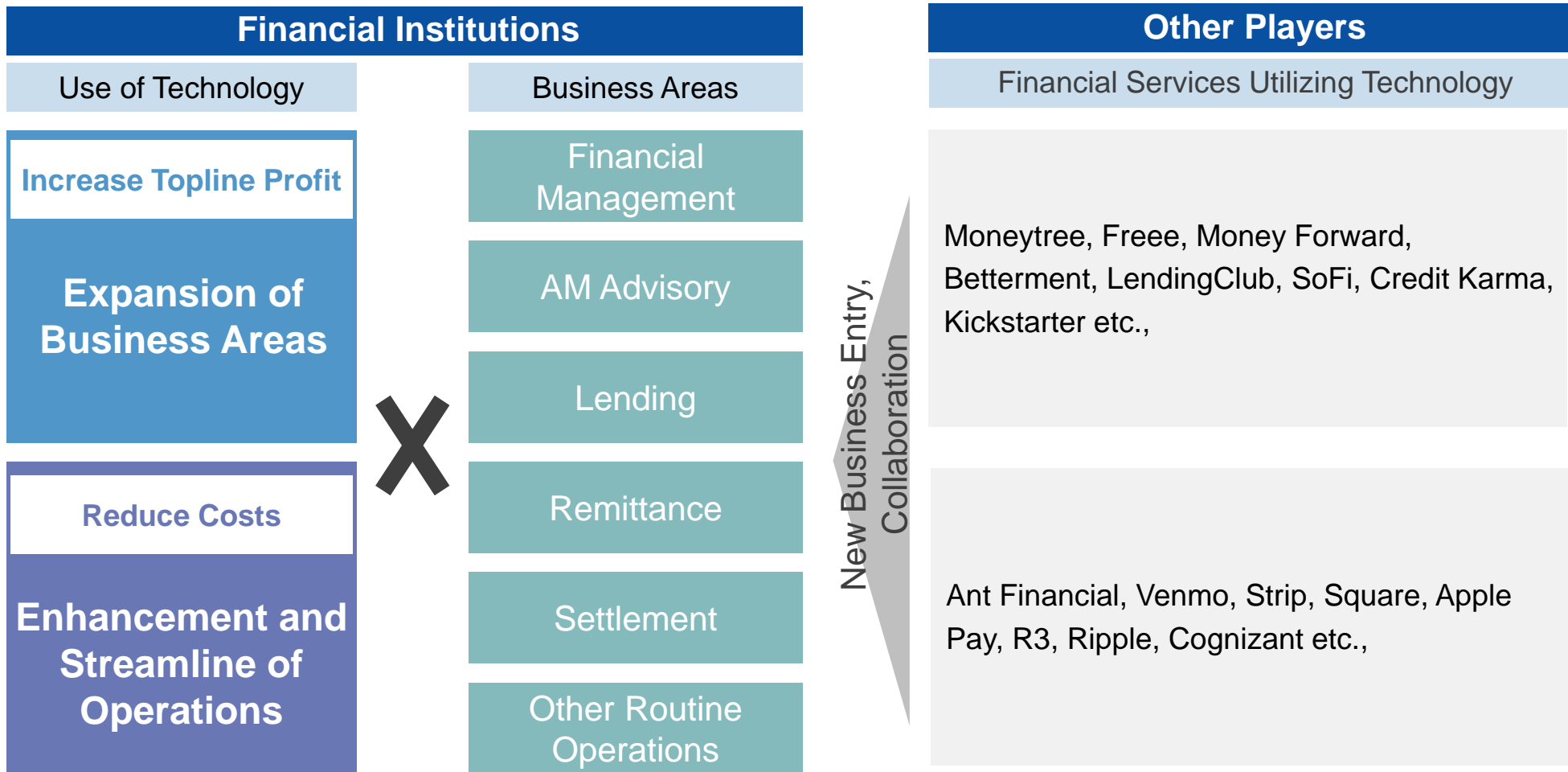
Meeting financial new needs created through changes in industry structure

- Technology development will accelerate changes in industry structure through the creation of new business by venture firms, M&A or the restructuring of business portfolios, and corporate growth driven by improved productivity
- It is possible for financial institutions to seize upon and monetize such newly created profit opportunities



Adapting to changes in financial services

- Through application of technology, financial institutions are able to provide high value-added services and lower operational costs
 - Simultaneously, it will be strategically important to choose how to deal (i.e. collaborate, acquire, or compete etc.,) with these new player from other fields



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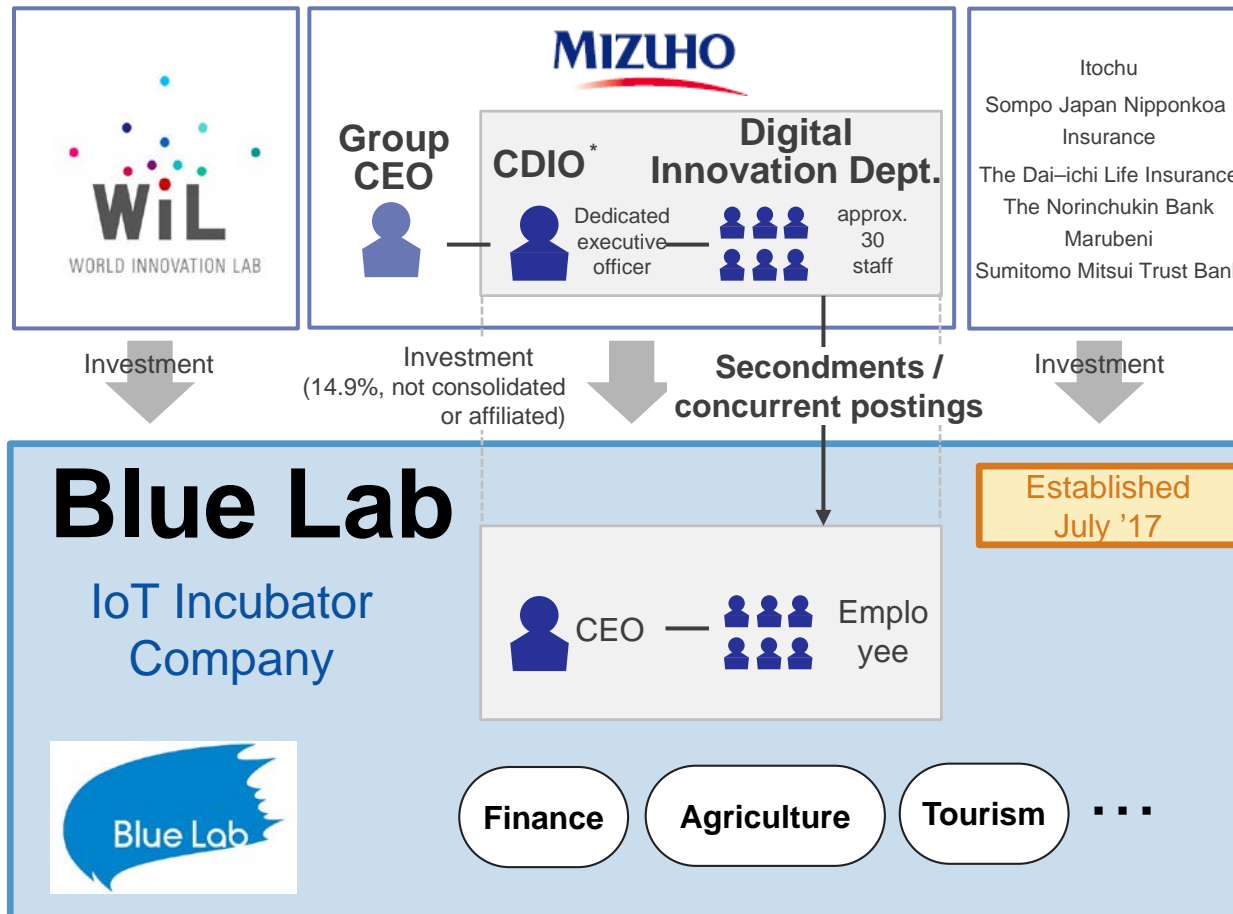
4. Potential Challenges Posed by Technology Development

Incubation: Establishment of Blue Lab Co., Ltd.

Responding to structural changes in industry

- Blue Lab will act as an incubator to develop a next-generation business model utilizing new technologies, operating on a broad perspective that encompasses all industries and business areas, not just finance

Establishment of Blue Lab



Expected Role for Blue Lab

Open Innovation

Collaborate flexibly with other industries, etc.

Create Platform

Create a platform that is beneficial for all participants

Pursue Actual Business

Materialize added value at an early stage

Global Expansion

Co-creation and information gathering on a global basis

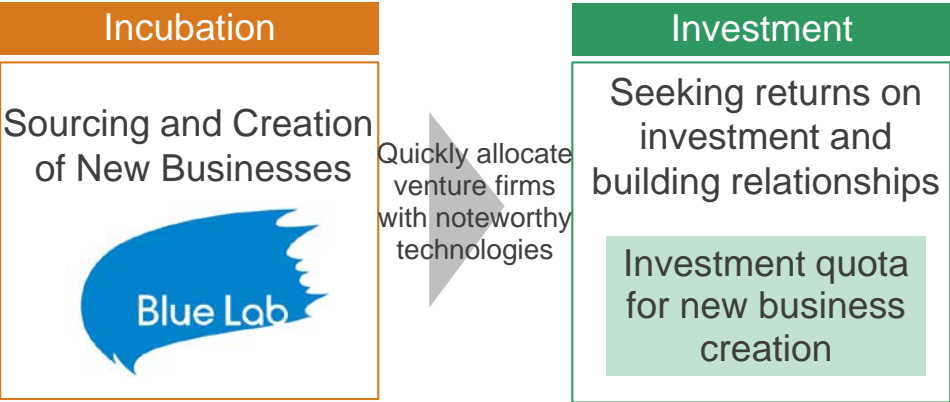
* Chief Digital Innovation Officer

Investment: Utilizing FinTech Fund, etc.

Responding to structural changes in industry


- In addition to conducting incubation projects, Mizuho will collaborate through investment in venture firms with noteworthy technologies while seeking returns on investment

Incubation and Investment



Investment quota for new business creation


Limited to FinTech



Mizuho FinTech Fund

Established Mar. '16

Not Limited to FinTech



FinTech Fund

Invested in Jun. '16

VC

Investment in 3 venture capitals

Investments through Mizuho FinTech Fund

| Name | Region | Area |
|---------------|---------------|--------------------------|
| IT Realize | Japan | Financial Information |
| Money Forward | Japan | Financial Management |
| Liquid | Japan | Biometrics |
| Company A | United States | Financial Infrastructure |
| Company B | Japan | Financial Infrastructure |
| Company C | United States | Financial Infrastructure |
| Company D | United States | Settlement |
| Company E | Japan | Financial Management |

■ Create a new financial service through utilization of big data and A.I.

Overview

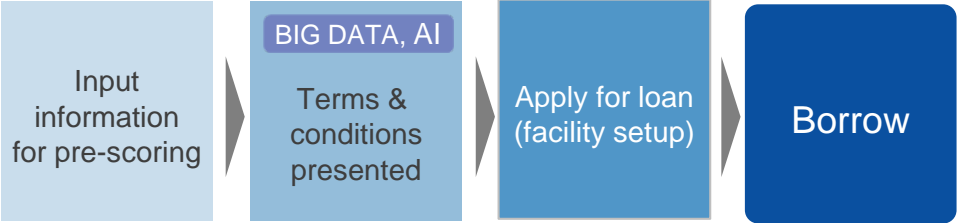


Equity: JPY5B
(Mizuho and Softbank 50/50)

| Characteristics |
|--------------------------------|
| New Brand |
| 1st score-based lending in JPN |
| Extremely competitive product |
| Very convenient |
| Low cost |

Score-Based Lending

Able to see your credit score and terms and conditions for borrowing at any time



Business Model

Big Data

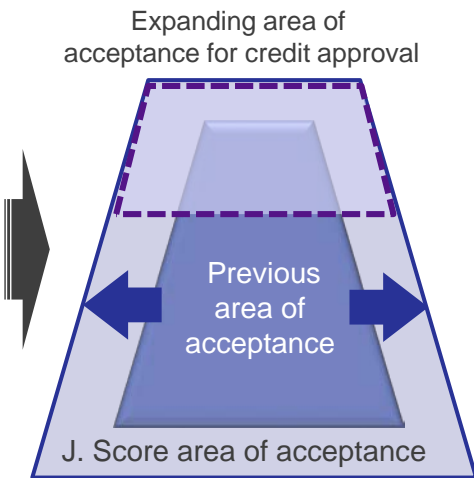
+

A.I.

FinTech Lending

- Combining both companies' customer information*
- Utilize thought / behavioral patterns in addition to basic attributable information

Synthesizes various models in multiple patterns



Timeline

| | | |
|----------------------------------|---|--|
| May '17 | Late Sep. '17 (expected) | Jan. '18 (expected) |
| Launch of Brand | Launch of Service | Launch of Application |
| Brand advertising campaign start | Initiation of score-based lending; website launch | Launch of application & full-scale service |
| | Develop service and achieve borrowing pre-score process of under 30min (shortest) | |

* Information use will be based on customer consent Expanding high-quality customer base

- Create new financial services through utilization of robotics, big data, and A.I.

Smart Folio (robo-advisor)

Started service in Oct. '15

Proposes optimal investment trust portfolio through robotic asset management provided on the internet

Characteristics

- Methodology used by professionals
- Proposes tailor-made portfolio for each customer
- Offers advice from a neutral point of view
- High-quality but low-cost investment advice
- Simple diagnostic for free



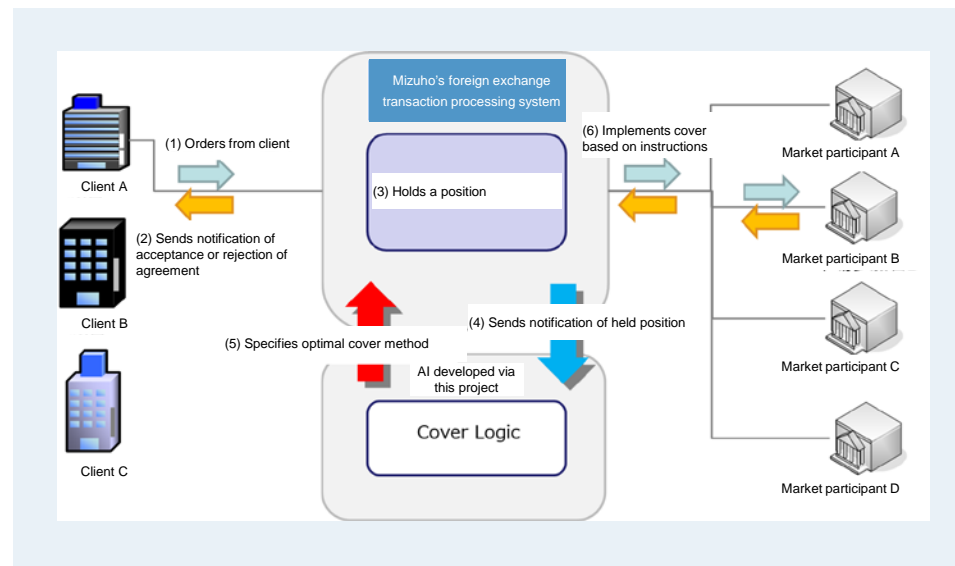
Algorithm Trading

Started research in Jun. '17

Collaborative research project utilizing A.I. to optimize foreign exchange transactions

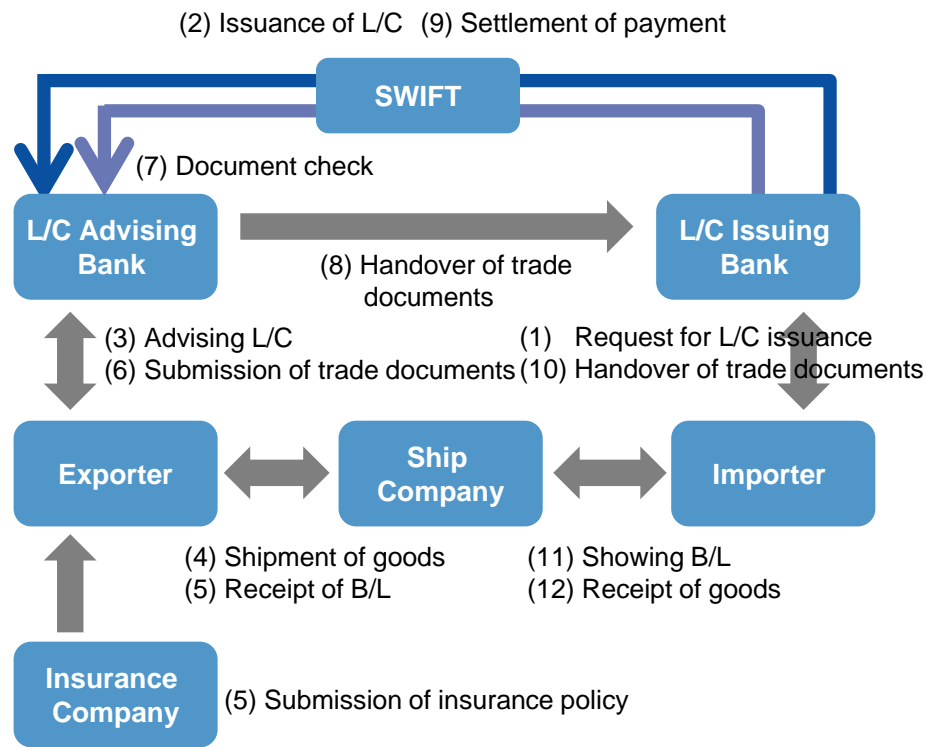
Characteristics

- Increases transaction processing speed
- Expands transaction volume
- Mitigates foreign exchange risk and maximizes profit
- Provides clients with competitive rates
- Effective cover transactions

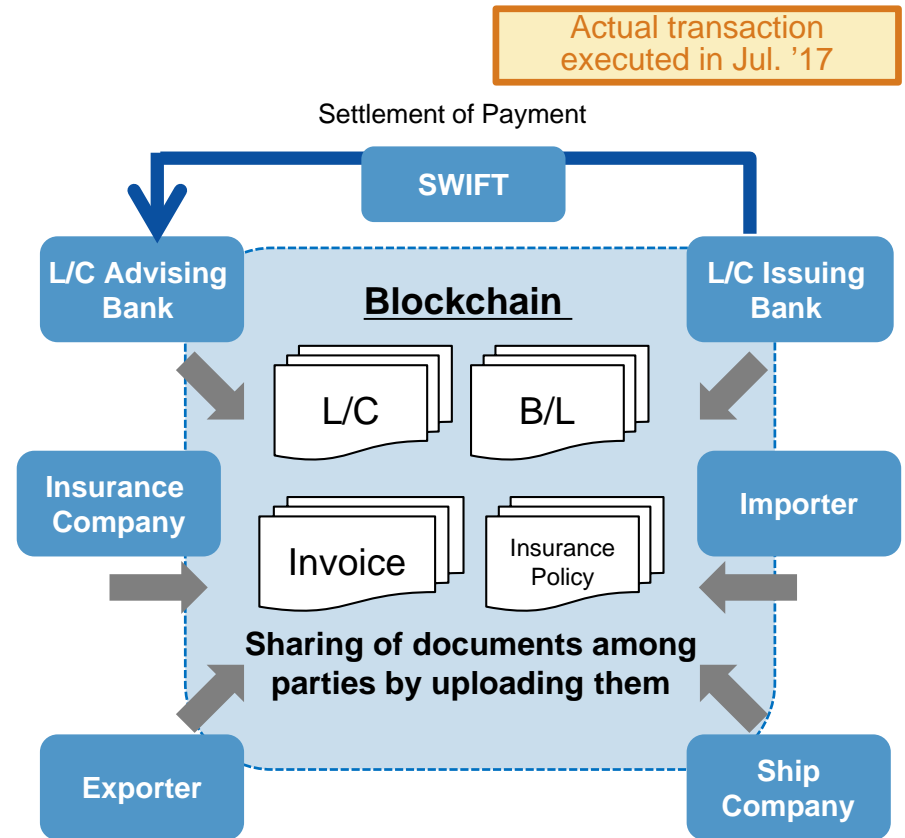


- Mizuho executed the world’s first actual trade finance transaction using blockchain
- In addition to shortening transaction time, also has the possibility to optimize administration and reduce fixed costs

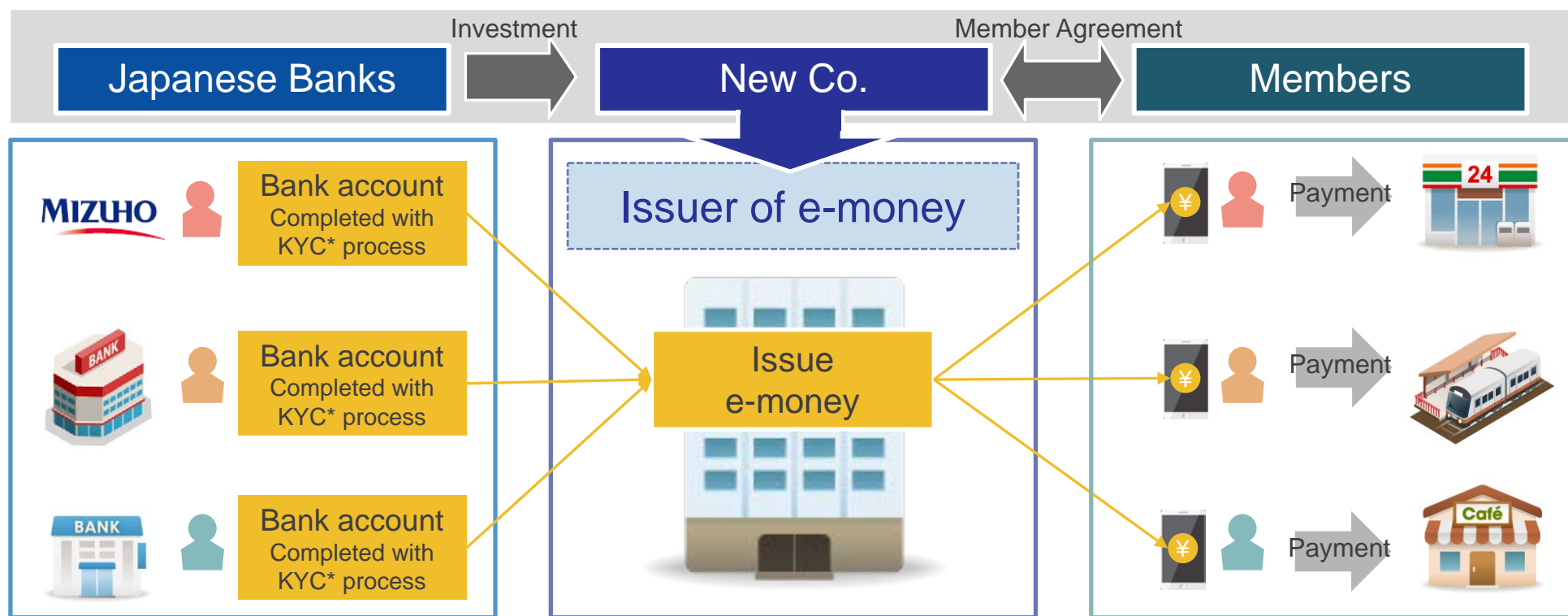
Current Scheme



Scheme Using Blockchain

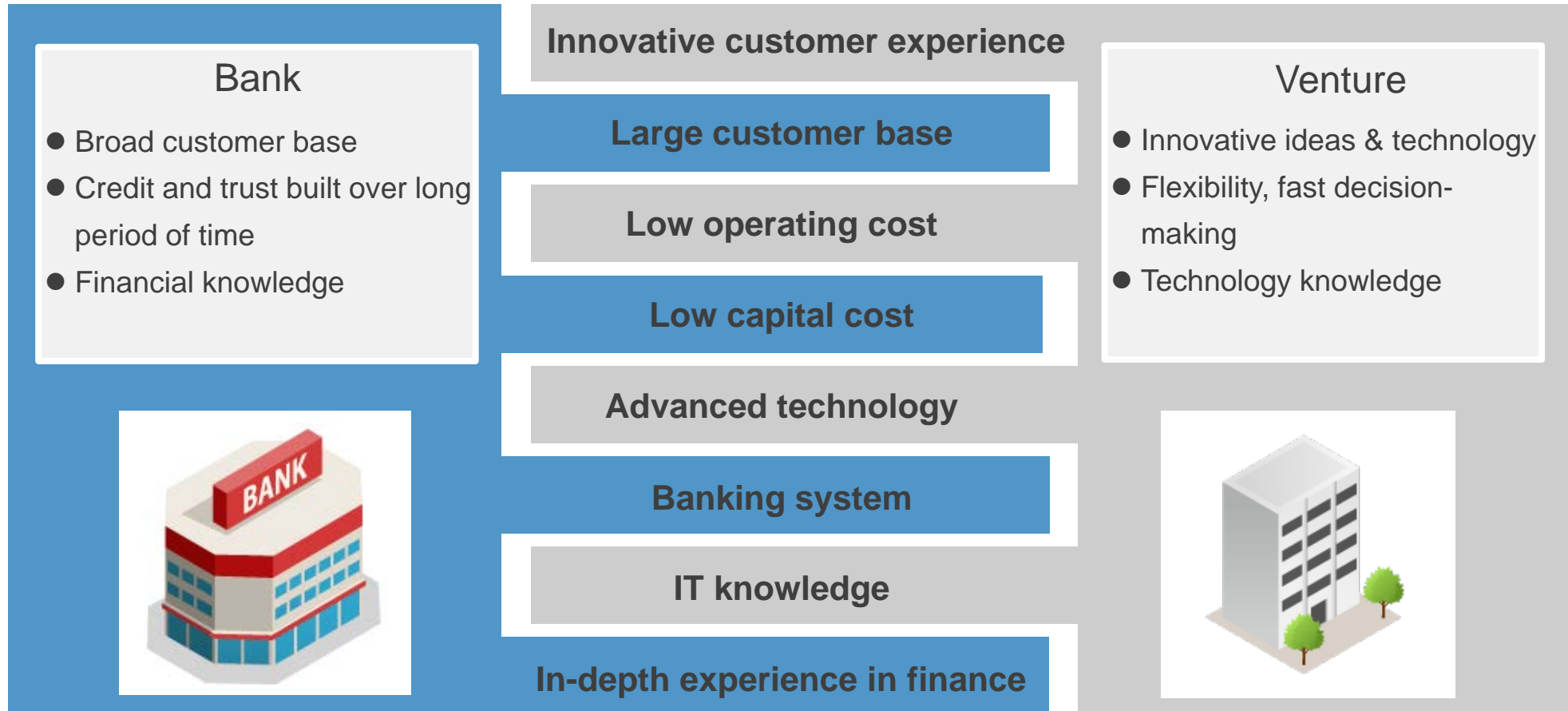


- Envision the realization of a “cashless society” and the transformation of Japanese B2C settlement (70% of which is conducted in cash) through development of e-money systems
 - Using technology, develop an e-money of equivalent value to JPY and convenient enough to compete with services by new industry entrants or foreign companies
 - Gain strategic options regarding the branch network, as well as cost savings related to cash businesses such as ATMs
 - Settlement information accumulated through e-money will not be dominated by a specific platform provider, but shared and utilized by all participants, including Fis and member stores



Thoughts on how to collaborate with venture firms

The key for technology development and next generation's financial services is **open innovation**



Government Support in Japan

Revision of Banking Act
(Investment)

Revision of Banking Act
(API)

FinTech
Support Desk

FinTech
Hub for proof of concept

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4. Potential Challenges Posed by Technology Development

Potential challenges posed by technology development

Unintended consequences for the macro economy and credit risk market triggered by new financial services

- New lending models such as peer-to-peer lending could trigger pro-cyclicality
- The expansion of virtual currency could make monetary policy less effective
- Economic conditions could become more difficult to understand, making government policies less effective

Increased volatility in financial markets

- Diffusion and expansion of algorithm trading or robo-advisors using AI could increase volatility in financial markets

Increased risk of cyberattack

- Increasing digitization of financial services raises the risk of cyberattacks and could lead to illegal remittance or information leakage
- Development and diffusion of IoT could expand previously restricted risks to the entire society

Ineffectiveness of laws and regulations for new technologies

- New settlement services such as virtual currency and new industry entrants who are not regulated by Japan's Banking Act may not comply with existing laws and regulations
- New legal frameworks may become necessary as technologies such as self-driving cars become accepted and widespread because current laws do not allow for the parameters of the technology

Contradiction between usage and application of big data and protection of privacy

- In promoting the use and application of big data, it is necessary to develop a new framework for privacy protection

Poverty and inequality

- Some people may not be able to adapt to new technologies and businesses, creating mismatches between demand and supply in the labor market