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# MIZUHO IR Day 2017

June 19<sup>th</sup> 2017  
Mizuho Financial Group

## Forward-looking Statements

This presentation contains statements that constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including estimates, forecasts, targets and plans. Such forward-looking statements do not represent any guarantee by management of future performance.

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## Definitions

FG: Mizuho Financial Group, Inc.

TB: Mizuho Trust & Banking Co., Ltd.

RBC: Retail & Business Banking Company

GCC: Global Corporate Company

AMC: Asset Management Company

BK: Mizuho Bank, Ltd.

SC: Mizuho Securities Co., Ltd.

CIC: Corporate & Institutional Company

GMC: Global Markets Company

Consolidated Net Business Profits = Consolidated Gross Profits - G&A Expenses (excl. Non-Recurring Losses) + Equity in income from investments in Affiliates and certain other consolidation adjustments

Net Income Attributable to FG: Profit Attributable to Owners of Parent

2 Banks: Aggregate figures for BK and TB on a non-consolidated basis

(Figures of BK up to 1Q FY2013 are simple aggregate figures of Mizuho Bank and Mizuho Corporate Bank before the merger in Jul. 2013)

Group aggregated: Aggregate figures for BK, TB, SC, Asset Management One and other major subsidiaries on a non-consolidated basis

Company managerial basis: Managerial figure of the respective in-house company (managerial figures based on results of former business units up to FY2015)

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# Independent Outside Director

**Chairman of the Board of Directors**  
**Hiroko Ota**

➤ Complete implementation of in-house company system

➤ Reformation of cost structure

A discontinuous approach to cost structure, reformation of business process

➤ Clarification of business portfolio

Clarify areas of streamline, and invest resources in focus areas

➤ Fundamental Reformation of HR management

End the points-off evaluation system and the seniority system,  
and eliminate “failure to act” behaviors

# Effects of In-house company system

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- Clarification of profit responsibility
- Employ strategies between banking, trust and securities
- Speed up decision making

(Points to address: Strengthening company functions together with the reformation of head office)

*Has profitability improved?*

- Shift from streamline to focus areas
- Reformation of cost structure

## ➤ Progress of methods

1. Product analysis (Qualitative+Quantitative)
2. Customer segment analysis (Qualitative+Quantitative)
3. Mapping 1 and 2 - Verifying correlation

⇒ Reflect in FY17 Business Plan

## ➤ More clarification required

- Responding to the challenging business environment
- Manage energy to create new business (ex. digital innovation)

# Fundamental Reformation of HR and expenses

## ➤ Mid-term Reformation Program aiming the next 10 years

- Business process after transition to the Next-Generation IT Systems, personnel structure
- Business process making use of ICT, personnel structure
- Reform of branches (organization・personnel, operations, face-to-face channel/digital channel etc.)
- Long-term IT investment
- Long-term personnel plan, personnel system, etc.

## ➤ Schedule

- Discussion of each topic by BOD from summer onwards and actual basic plan in autumn
- Start implementation from FY18 business plan, aim for realization in next mid-term business plan



# Challenges for FY2017

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## 1. Strengthening profitability

Achievement of mid-term business plan results, effects of in-house company system, growth strategy (investment in growth through strengthening business portfolio)

## 2. Reformation of Cost Structure

Operational Excellence

Formulate plan for Fundamental Reformation of HR and expenses

## 3. Continue accelerating HR reformation

## 4. Revision of performance evaluation

<C> of PDCA (based on improvement of management accounting)

# Initiatives towards strengthening governance

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- Evaluation of BOD effectiveness (self-evaluation, third party evaluation)
  - Off-site meeting. Increasing visits to front-line
  - Enhance quality of BOD
- Engaging with investors
  - On authority to determine dividends

*What is Mizuho's Vision?*

# The Retail and Business Banking Company

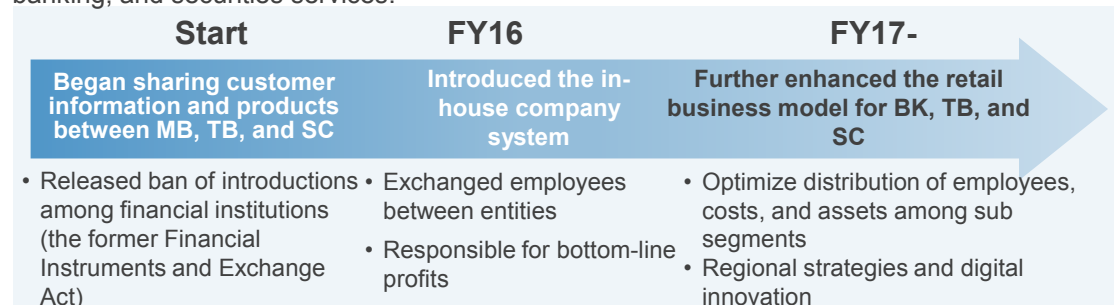
1. FY2016 Review and the FY2017 Management Policy
2. Results of the “One Mizuho” Strategy
3. Revisiting Branch Strategy
4. Mizuho’s Retail Business Model

# FY2016 Review and the FY2017 Management Policy

## Basic Policy

Mizuho is a financial services consulting group that combines banking (BK), trust banking (TB), and securities (SC) services.  
We are committed to providing tailored solutions to meet out customers' needs by maintaining a customer-focused perspective.

We are taking steps to further enhance our retail business as a leader in providing banking, trust banking, and securities services.



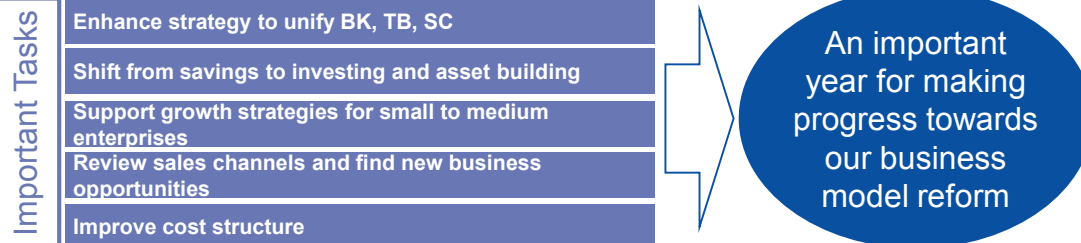
## FY16 Review and FY17 Business Policy

### FY2016 Review

Despite the harsh business climate including factors such as negative interest rates, we made some progress related to increasing profits from non-interest income.

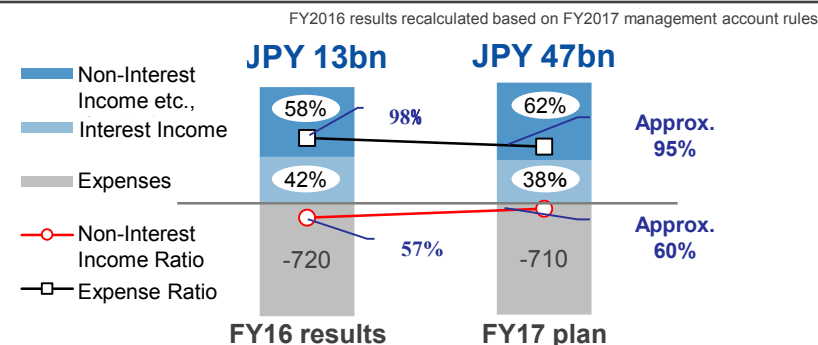
### FY2017 Policy

In order to achieve our new medium-term business plan, we are promoting a fundamental structural reform to enhance the unification of BK, TB, and SC, and complete our retail business model.



## Net Business Profits

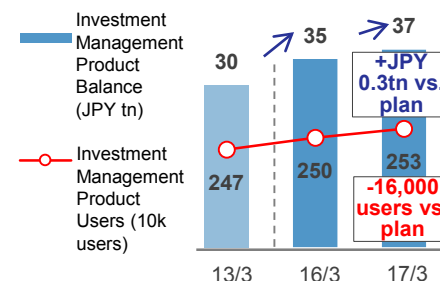
Group aggregate, after HO expenses



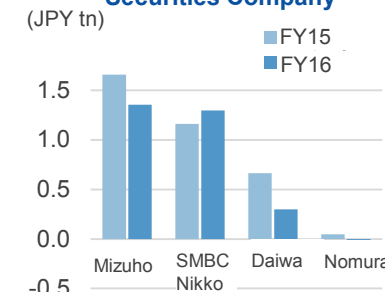
## KPI

Rounded numbers, group aggregate, based on internal management

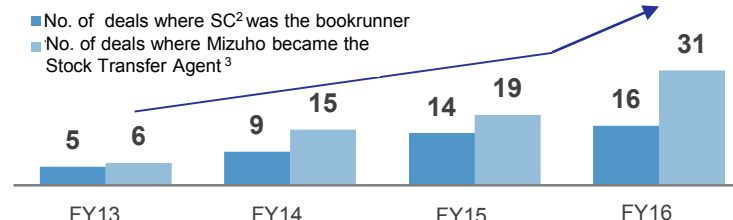
### Balance of Managed Investment Products and Number of Users



### Inflow of client assets at each Securities Company



## IPO-related Business



# One Mizuho Strategy (1) Shift from Savings to Investment and Asset Building

## Reviewing FY16

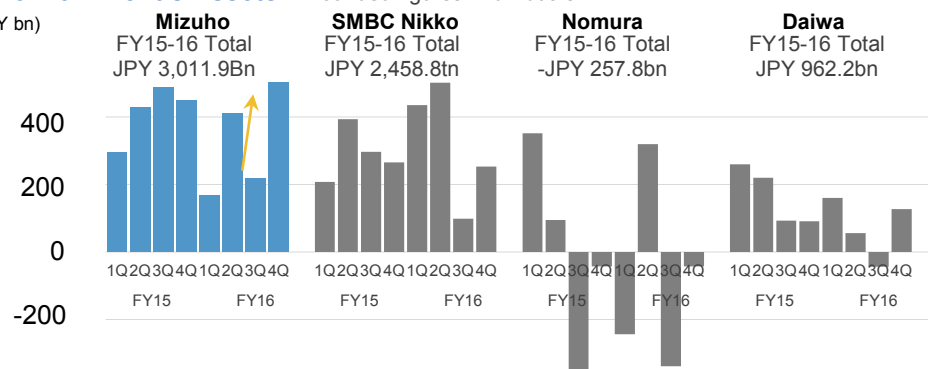
It was a difficult year due to the market environment, but we saw positive effects from our strategy of providing consulting services by unifying BK, TB, and SC.

## Synergies between Banking and Securities Entities

- We are differentiating ourselves from other large independent securities companies by increasing collaboration between our banking and securities entities.
- Meanwhile, there is a lot of opportunity to encourage clients to make investments with the large amount of accumulated bank deposits.

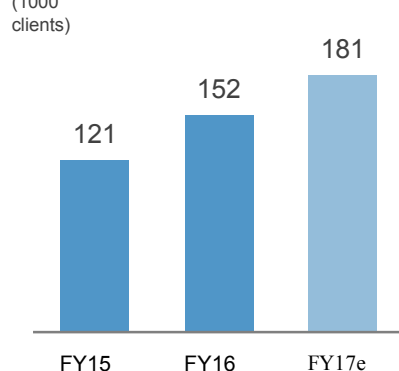
### Inflow of Client's Assets<sup>1</sup>

(JPY bn) rounded figures. Individuals



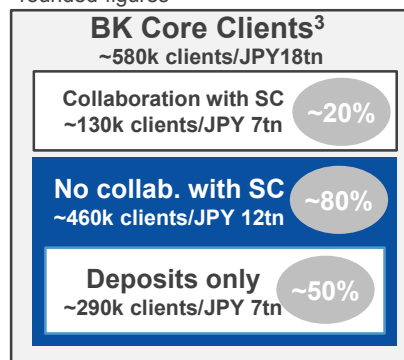
### Group-wide Clients<sup>2</sup>

(1000 clients) rounded figures, Individuals



### Collaboration between BK and SC

rounded figures

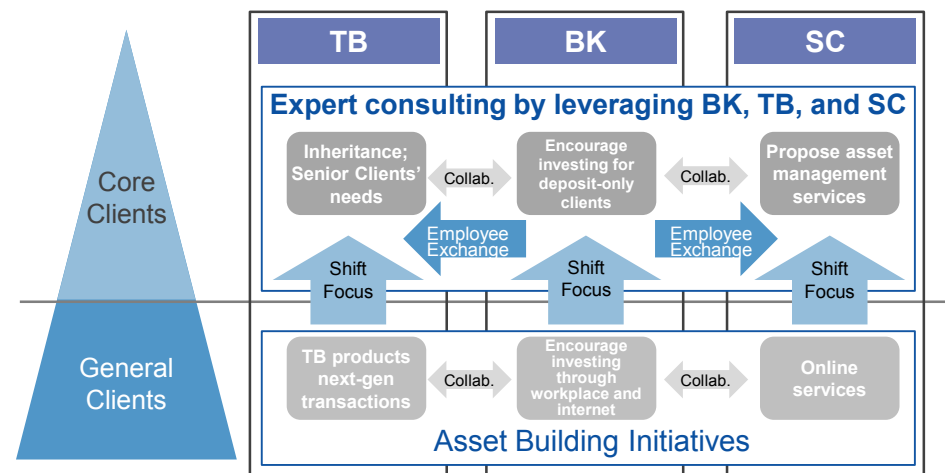


## FY17 Business Policy

To improve our consulting services, we will leverage the strengths of BK, TB, and SC entities and improve our initiatives geared towards clients who are new to investing.

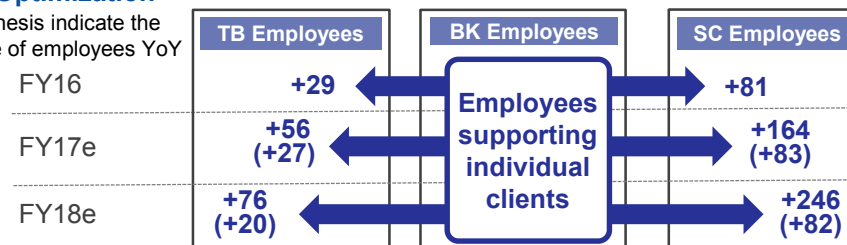
## Consulting Services Leveraging BK, TB, and SC Entities

- Improve collaboration between entities by exchanging employees.
- Continue to promote the "client-first" initiative.



### Employee Exchange and Optimization

\*Parenthesis indicate the increase of employees YoY



Use a one-to-one marketing approach to meet individual client needs and prioritize what is best for the client.

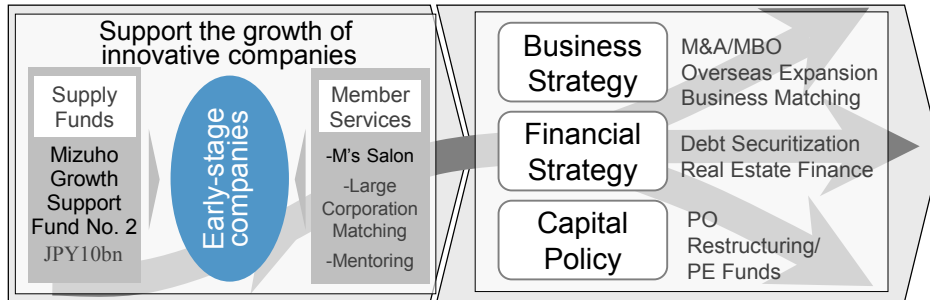
# One Mizuho Strategy (2) Supporting Corporate Client's Growth Strategies/Area One Mizuho Project

## Providing Solutions in Line with Corporation Growth Phases

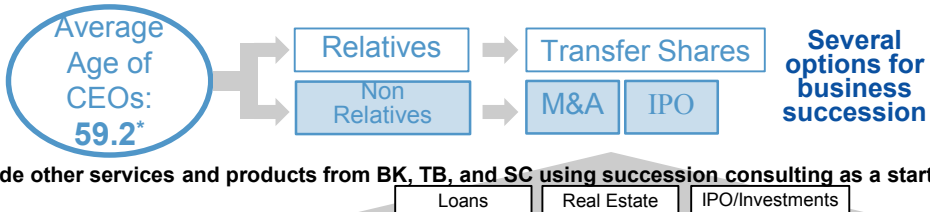
Support growth strategies using BK, TB, and SC expertise

### Establishment and Growth Phase

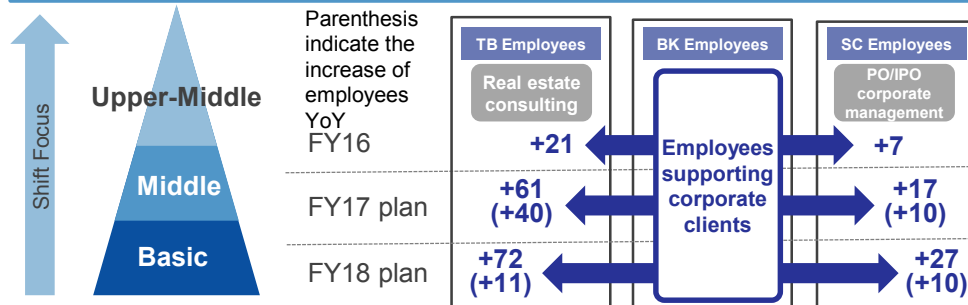
### Maturity and Transition Phases



Differentiating ourselves through our Business Succession Consulting Services

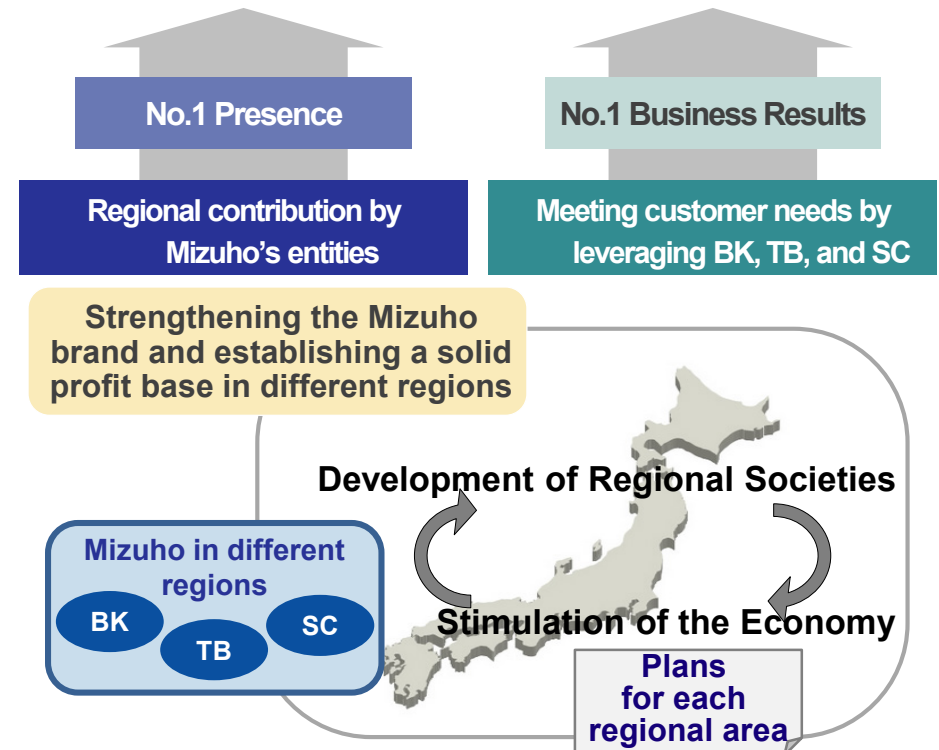


Shift Resources to Specific Segments and TB/SC



## Area One Mizuho Project

Becoming an invaluable partner to our customers, the economy, and society



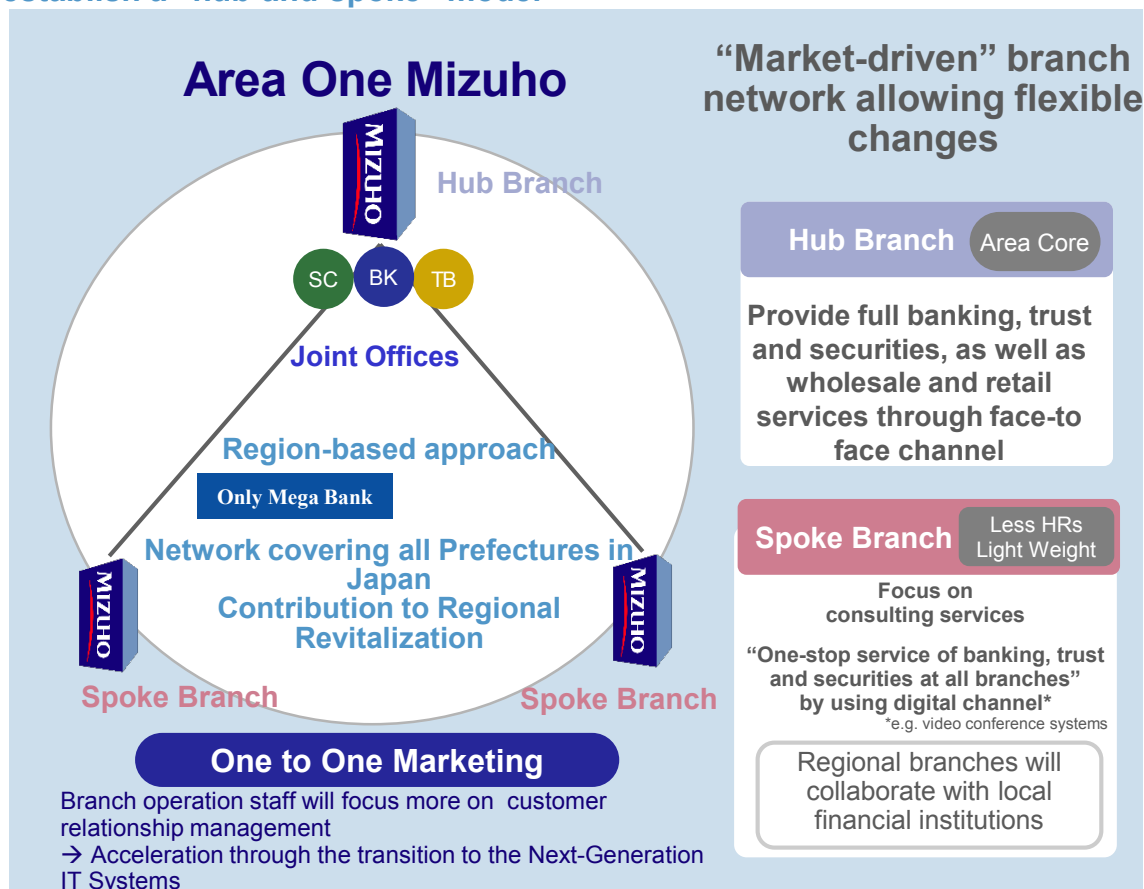
### Implement a system to manage ROE by area

- Implement benchmarks to monitor regional area strategies for each entity.
- Maximize profits by identifying specific area characteristics.

# Revisiting Branch Strategies

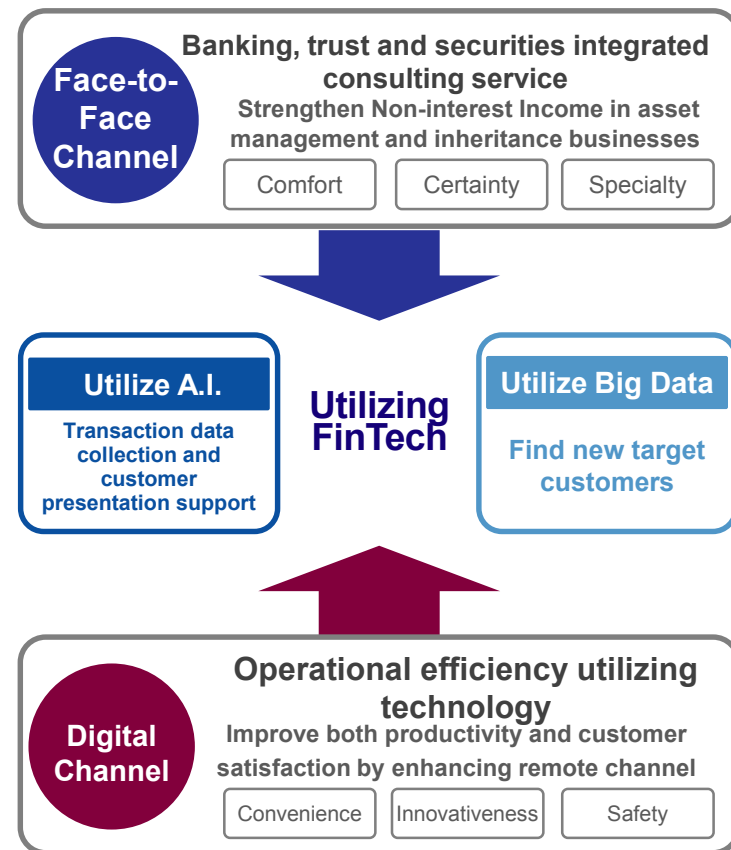
## Hub-and-Spoke Model on a Banking, Trust and Securities Integrated Basis

Integrate approx. 800 BK/TB/SC branches\* into approx. 120 areas and establish a “hub-and-spoke” model



## Harmonized Omni-channel

Promote differentiation strategies utilizing Fin-Tech

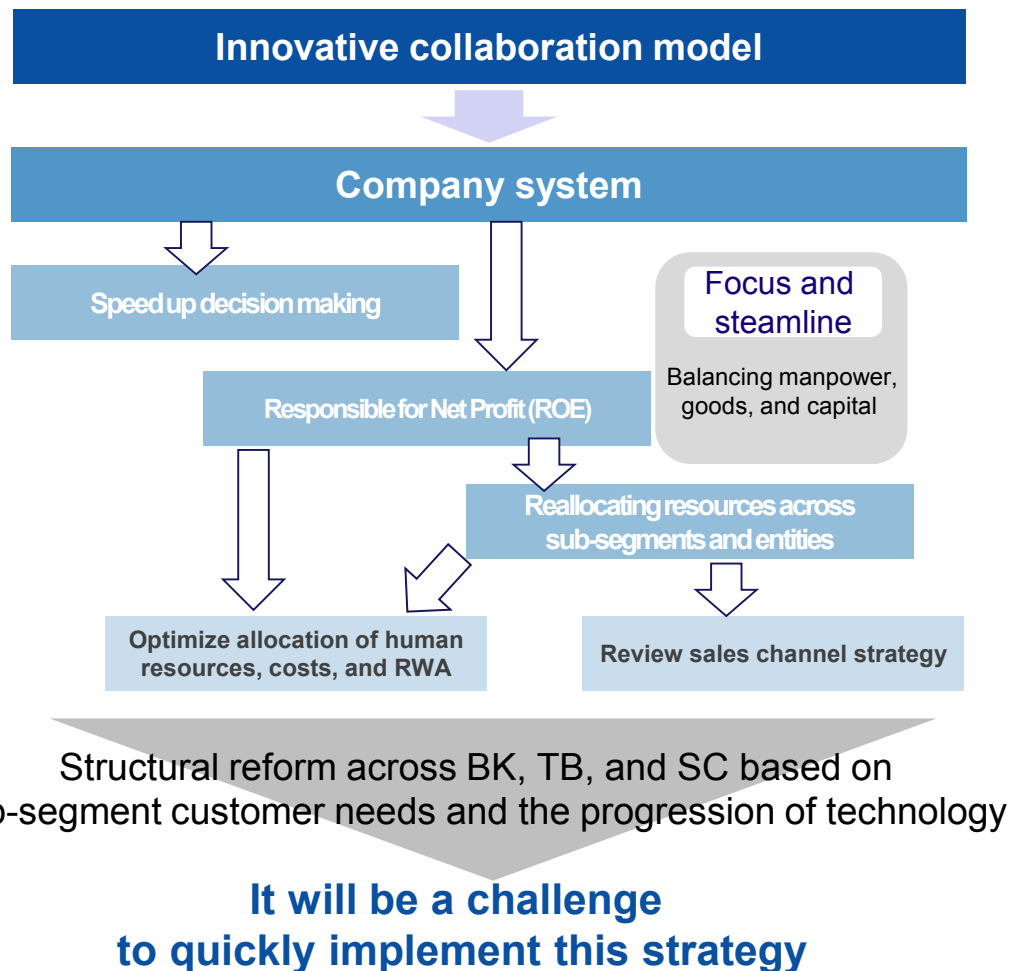


Improve Customer Service and Reduce Costs

# Mizuho's Retail Business Model

- We will improve our retail business model for BK, TB, and SC through reorganization based on our company system.
- We will fine-tune our strategy in light of future environmental changes and then implement this strategy within the entities.

## Strategy Unifying BK, TB, and SC



## The Future of Mizuho's Retail Business





## **Corporate & Institutional Company**

- 1. FY2016 Review and the FY2017 Management Policy**
- 2. Response to the Impact of Negative Interest Rates**
- 3. Initiatives for Business Model Transformation**
- 4. Selection & Concentration and Initiatives for Operational Excellence**
- 5. Initiatives to Reduce Cross-Shareholding**
- 6. FY2017 Key Strategies and the Prospects for the FY2018 Plan**

# FY2016 Review and the FY2017 Management Policy

## FY2016 review and the FY2017 management policy

### FY2016 Review

#### Summary

- **Both top- and bottom-line profits achieved the plan.**
  - The impact of negative interest rates was offset by non-interest income, primarily large-amount M&A deals, leading to a year-on-year profit increase.
- **Cross-shareholding has been steadily decreasing.**
  - A reduction plan until the end of FY2016 was achieved ahead of schedule.

#### Issues

- **Further reinforcement of SC and TB businesses that serve as drivers for increasing top-line profits**
- **Efficient use of asset capital**

### FY2017 Policy

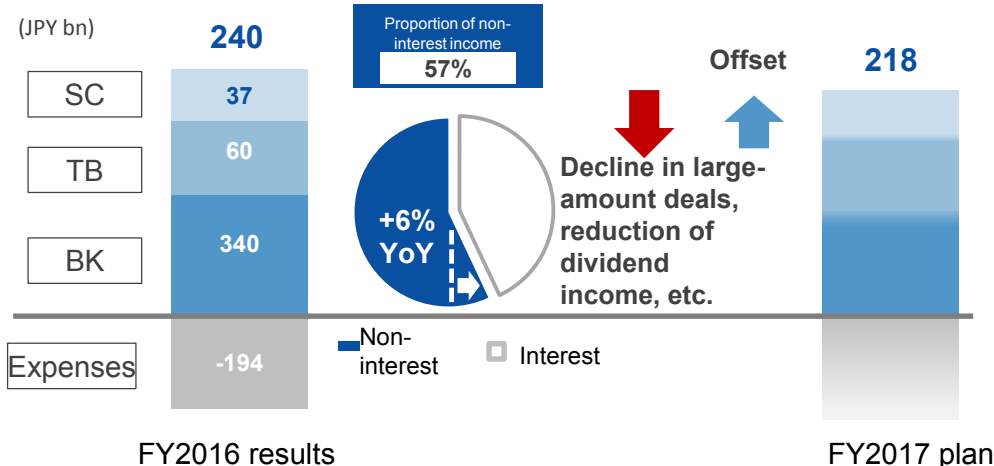
**Establish a management base that enables the “establishment of an overwhelming advantage in the corporate and institutional sector”**

- **Clarify areas for streamlining and efficiency-increasing and flexibly allocate management resources in focus areas based on a business portfolio analysis.**
- **Strengthen asset control with a focus on large-amount borrowers.**

## Net Business Profits

Group aggregate, after HO expenses  
FY2016 results recalculated based on FY2017 management account rules

**Record profits were achieved in FY2016. Non-interest income also increased significantly.**



## KPI

		FY2016			FY2017
		Plan	Result		Plan
1	DCM <sup>1</sup> (Domestic straight bonds)	1st	1st	👑 No.1	1st
2	ECM <sup>2</sup> (Total equity underwriting worldwide)	3rd	4th	↓	3rd
3	M&A <sup>3</sup> (Domestic and foreign/no. of deals)	1st	1st	👑 No.1	1st
4	M&A <sup>3</sup> (Domestic and foreign/amount)	5th	1st	👑 No.1	5th

1. Underwriting amount basis, condition determination date basis, aggregate of wholesale commercial bills, electric company bonds, and bonds for individual investors (excluding bank bonds and self-offerings) (Source: Prepared by MHSC based on the data of I-N Information Systems)

2. Domestic/foreign equity underwriting amount basis, condition determination date basis (Source: Prepared by MHSC based on the data of Thomson Reuters and I-N Information Systems)

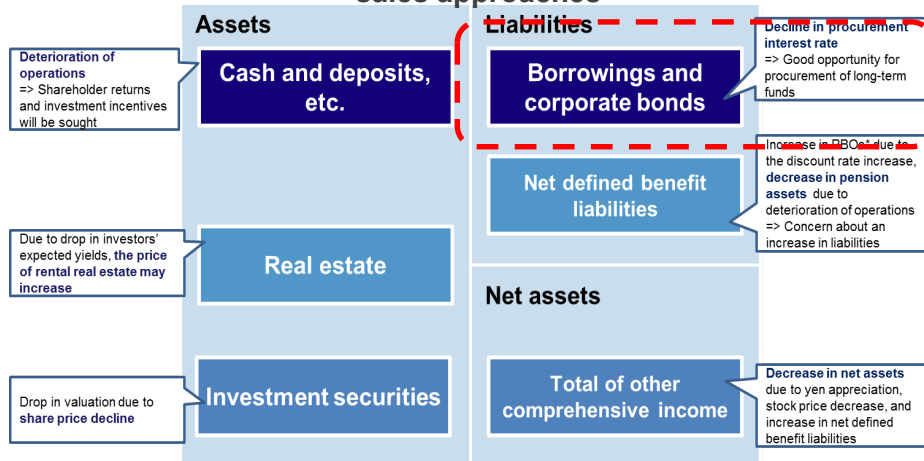
3. Including announced deals related to Japanese companies and deals in which the nationality of the parent company is Japan, excluding real estate deals (Source: Thomson Reuters)

# Response to the Impact of Negative Interest Rates

Mizuho successfully offset the impact of negative interest rates through “flexible strategy development” adapting to environmental changes.

## Excerpt from 2016 Mizuho IR Day CIC explanatory materials

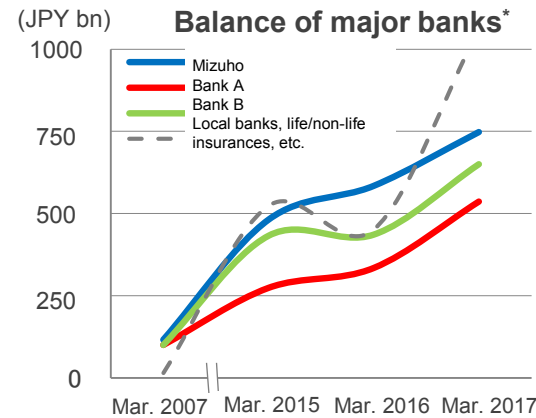
### Impact of negative interest rates on customer B/S and Mizuho's sales approaches



Assumed impact on customers	Sales approach	Major corresponding strategy	Specific initiatives/measures
Decline in procurement interest rates	1 Review of fund procurement methods	Asset rebalancing BK-TB-SC/borderless	• Hybrid finance • Ultra-long-term corporate bonds
Deterioration of operations due to the decline in interest rates	2 Active investment	Asset rebalancing BK-TB-SC/borderless	• M&As, group reorganization • Real estate acquisition, capital/IT investment
Increase in PBOs and the deterioration of operations due to the decline in discount rates	3 Shareholder returns considering the Corporate Governance Code	BK-TB-SC/borderless	• Stock buybacks, recaps • Considering stock-based compensation
Decrease in net assets due to the fluctuation in the stock, currency, and other markets	4 Review of pension strategies	Partnership and collaboration BK-TB-SC/borderless	• Reviewing financial products • Changing the pension scheme (introducing a third corporate pension/DC)
	5 Considering measures to increase net assets	BK-TB-SC/borderless	• Selling assets (real estate, securities) • Selling non-core businesses (carve-outs)
	6	⋮	⋮
	7	⋮	⋮

## Hybrid finance of business corporations

### Leading market expansion as the top runner since initial days



### Recent trends

- Increasing recognition as a **strategic financial product**
- Increasing **demand for underwriting among institutional investors**

In FY2016, the market **rapidly expanded** and the balance **increased by approx. JPY 1.4tn.**  
- Mizuho's increase: Approx. JPY 160bn

## Subordinated bond financing by leading insurance

### MHSC was involved in major bond-issuing in FY2016 as the lead manager.

Customer	Form of bond-issuing	Total amount	Status
Company A	Privately placed domestic subordinated bond	JPY 100bn	Lead manager
Company B	Privately placed domestic subordinated bond	JPY 100bn	Lead manager
Company C	USD-based publicly offered subordinated bond	USD 2,500mm	Active book runner
Company D	Privately placed domestic subordinated bond	JPY 200bn	Lead manager
Company E	Life insurance company bond	JPY 100bn	Lead manager

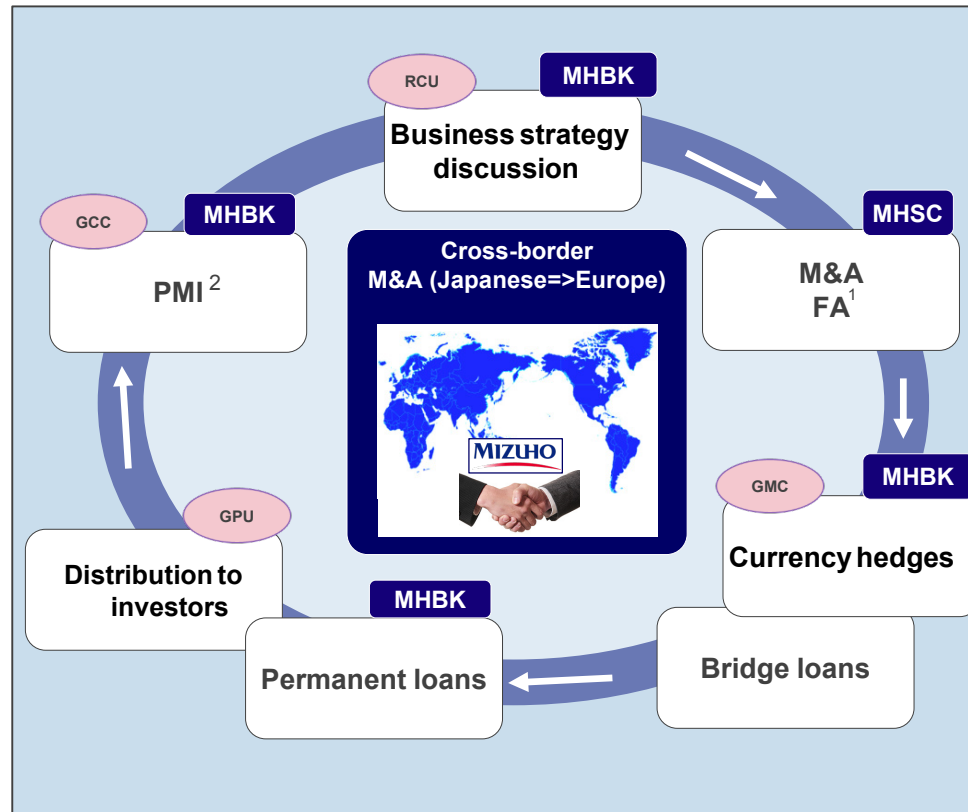
# Initiatives for Business Model Transformation

With the introduction of the company structure, initiatives for business model transformation were accelerated.

- Examples of value chain business deals

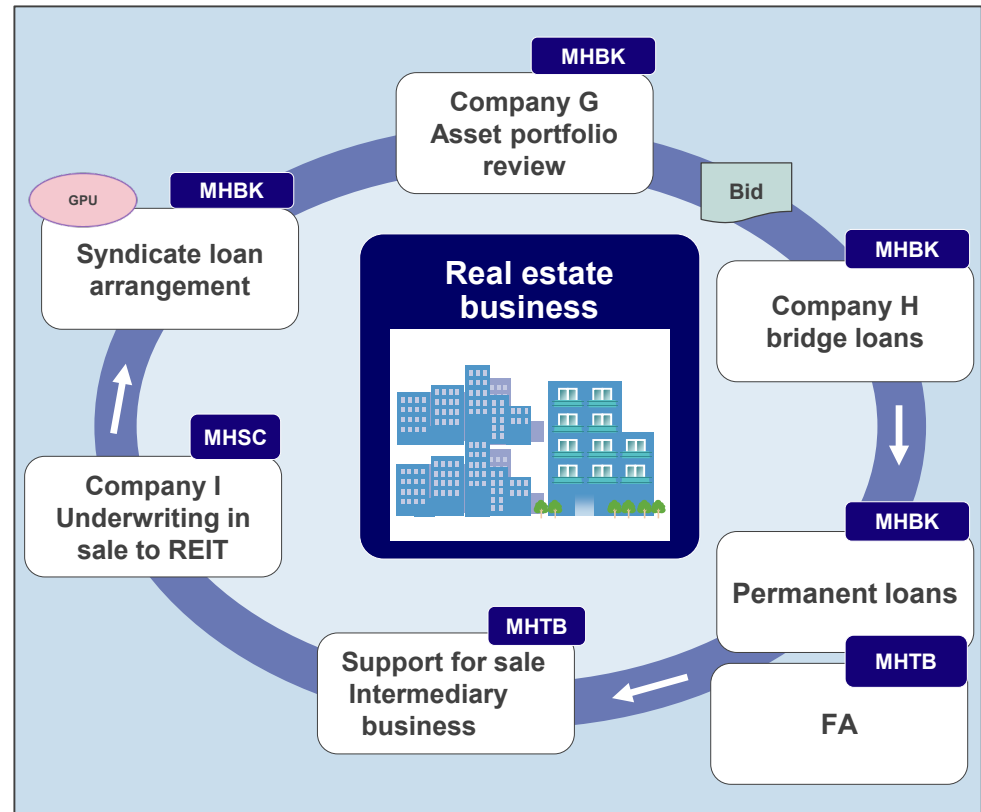
## Cross-border M&As

- Company F's acquisition of an overseas company in the same industry (realized five years after starting consideration)
- Collaboration and continuous discussion on growth strategy between Company F's business division and BK's Industry Research Department, resulting in an origination led by Mizuho



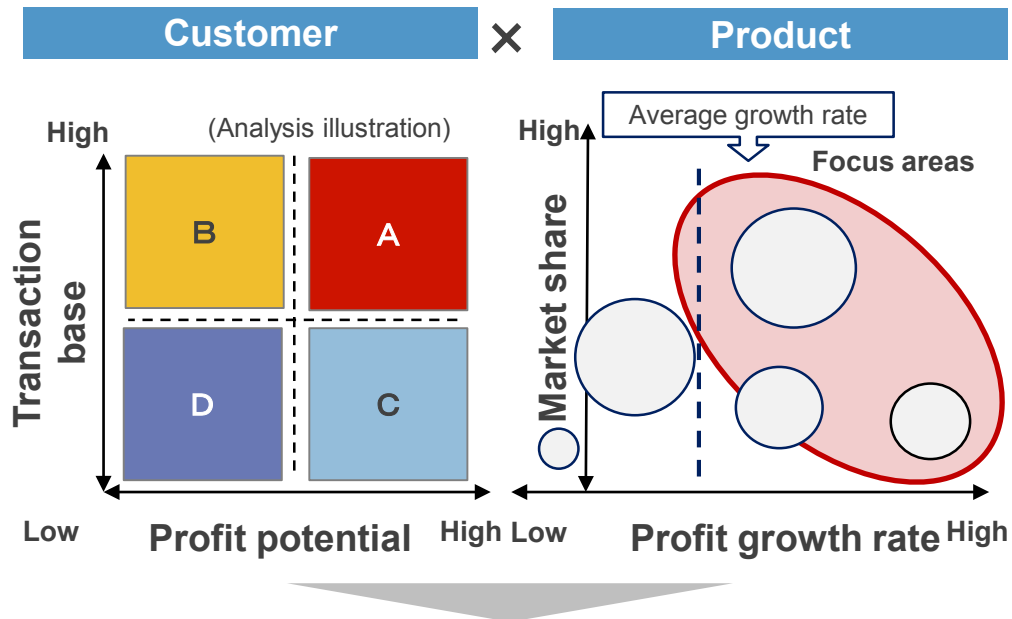
## Real estate business

- Company G's asset portfolio review generated various businesses for BK, TB, and SC.
- Mizuho demonstrated group-wide collaborative strength, including Company I's sale to REIT.



# Selection & Concentration and Initiatives for Operational Excellence

## Selection and concentration through business portfolio analysis



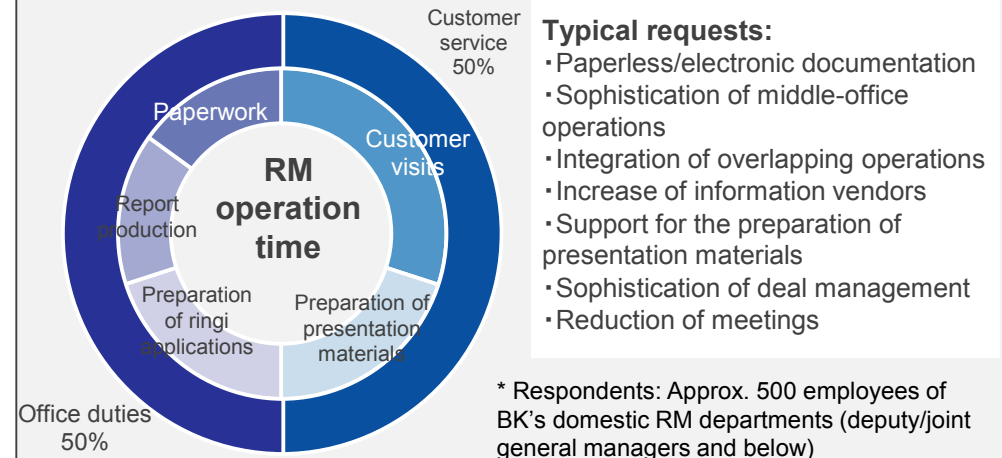
Customer segment	Resource allocation	Focus and streamlining in business fields	
A	Focus↑	<b>Focus areas</b> <div>M&amp;A</div> <div>ECM DCM</div> <div>Real estate</div> <div>PPP/ PFI<sup>1</sup></div> <div>Overseas transaction</div>	<b>Areas for streamlining and efficiency-increasing</b> <div>Cross-shareholding</div> <div>Low-profitability deals</div> <div>Sales structure</div> <div>Operational structure</div>
B	Maintain →		
C	Select ↑↓		
D	Increase efficiency↓		

## CIC's Operational Excellence

**CIC's definition** Enhancement of the "ability to execute" to implement strategies

**Example** Work-style reforms and operational efficiency-raising by BK's RM departments

### Results of a work-style questionnaire survey



### Direction of initiatives

- 1. Increase business efficiency/speed.**
  - Systematize operations and conduct behavior analyses using big data
- 2. Increase the efficiency and productivity of middle-office operations.**
  - Promote outsourcing and utilize RPA<sup>2</sup> and other technologies
- 3. Comprehend the actual conditions of FG companies.**

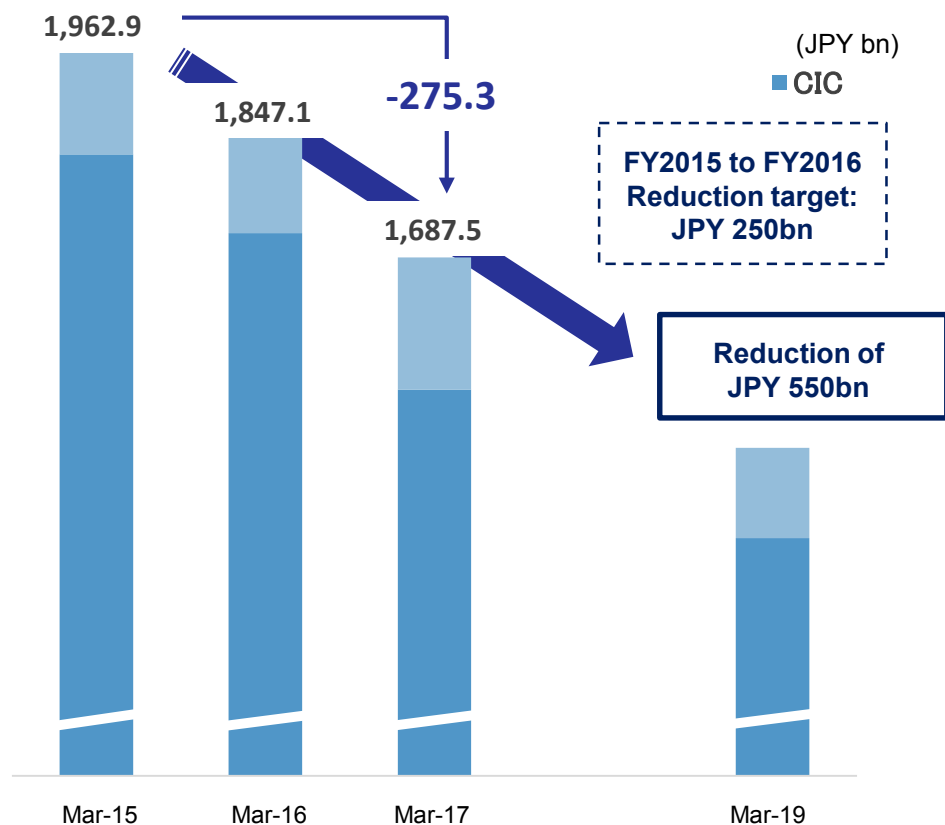
Utilize technology

# Initiatives to Reduce Cross-Shareholding

As a result of top management-level negotiations, the externally announced plan was achieved ahead of schedule.

## Progress of the book-value reduction plan <sup>1, 2</sup>

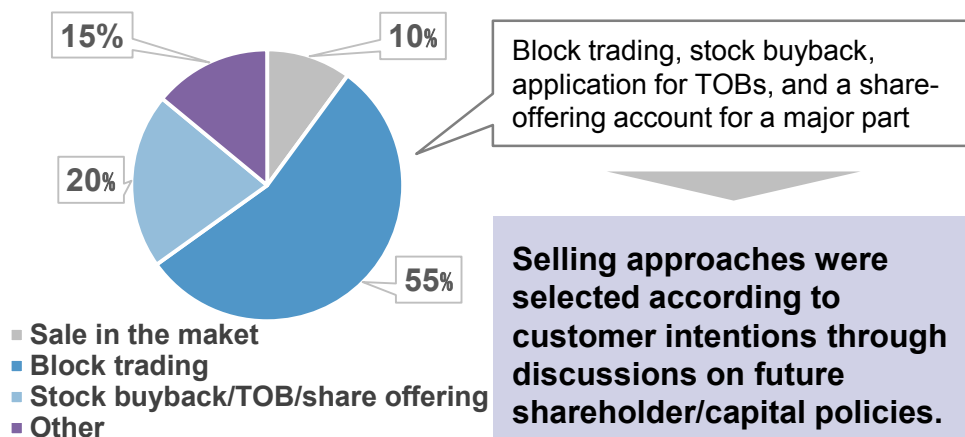
- The CIC is in charge of approx. 90% of FG's total book value.
- The reduction target until FY2016 was achieved ahead of schedule by around JPY 25bn.
- Mizuho steadily reduces the book value as one of its important management issues.



## Customer reactions and sale examples <sup>3</sup>

- The flow of corporate governance reinforcement is steadily penetrating, and manager sentiment for cross-shareholding is changing.
- Meanwhile, this theme is directly linked to customer capital policies, making it difficult to obtain approval for sale. Careful and patient negotiations at the management level are required.

### Percentage of FY2016 cross-shareholding sales by method <sup>3</sup>



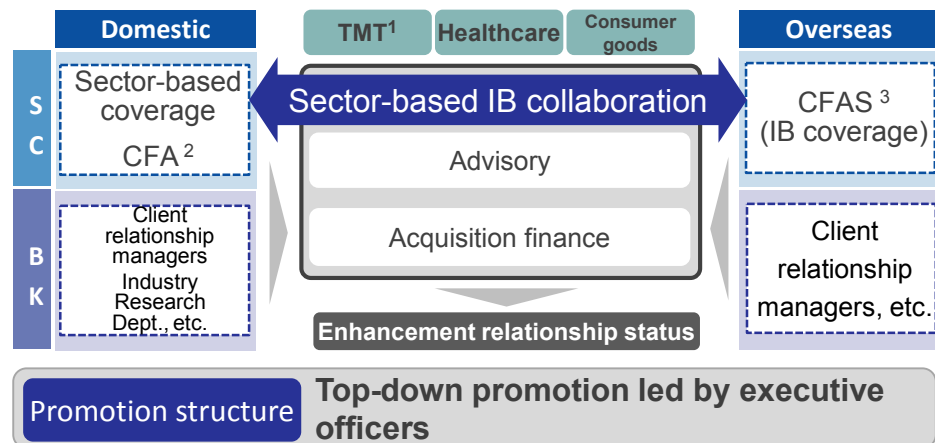
### Examples of sales

Company J	Block trading	Increasing individual shareholders
Company K	Share offering	Rebuilding shareholder structure
Company L	Stock buyback	Utilizing surplus funds and increasing ROE

# FY2017 Key Strategies and the Prospects for the FY2018 Plan

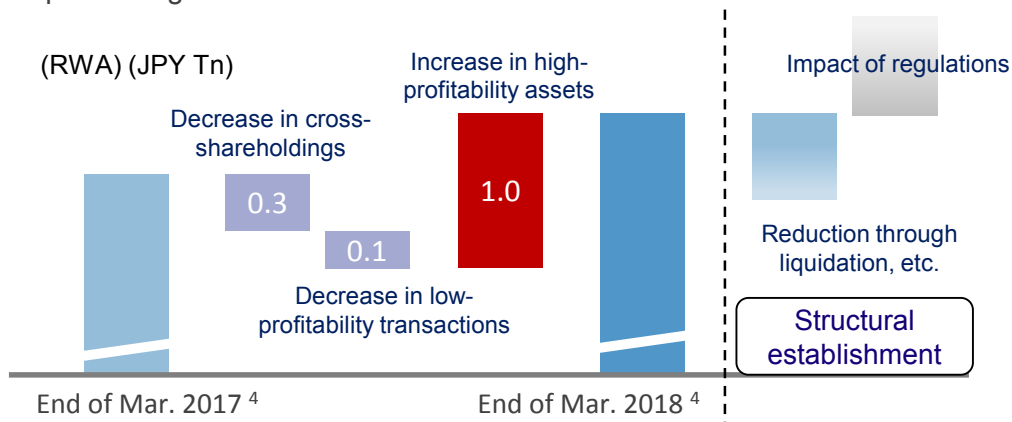
## Establishing a sector-based global sales structure

Capture the dynamism of global industry activities on a top-down basis.



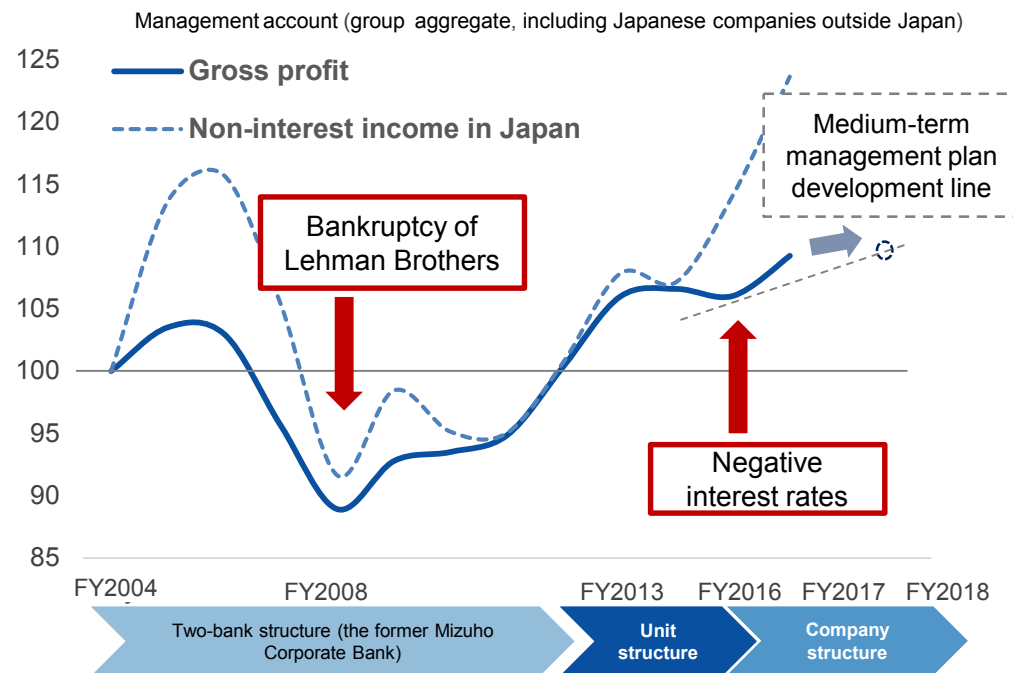
## Initiatives for asset control

Implement asset control considering asset efficiency.  
Establish a reduction framework through liquidation, etc., considering the impact of regulations.



## Roadmap to achieve the FY2018 plan<sup>5</sup>

Top-line profit and non-interest income are increasing on a long-term basis. Particularly, FY2016 growth was outstanding, considering environmental factors such as negative interest rates.



- FY2017 top-line profit is expected to decrease year-on-year due to a decrease in large-amount deals and dividend income. However, the FY2018 plan is achievable.
- Bottom-line profit and ROE plans are also achievable by reducing cross-shareholdings, in addition to initiatives for Operational Excellence and asset control.

# Global Corporate Company

1. **FY2016 Review and the FY2017 Management Policy**
2. **Key Strategy 1: Restructuring the Business Portfolio**
3. **Key Strategy 2: Cross-sales (1) Securities Products**
4. **Key Strategy 2: Cross-sales (2) Transaction Banking**
5. **Key Strategy 3: Strengthening the Business and Management Base**



# FY2016 Review and the FY2017 Management Policy

## FY2016 Review and FY2017 Policy

### FY2016 Review

- In the first year of the medium-term business plan, started reshuffling business portfolio and categorizing assets in terms of profitability
- Securities business achieved good performance due to the expansion of the customer base and increased market presence of Mizuho, which resulted from the strong US economy and robust bond markets anticipating interest rate hikes
- Enhanced business infrastructure of transaction banking

### FY2017 Policy

- Need to **accelerate shift to high-profitability assets** and maximize asset efficiency through cross-sales with **securities and transaction banking products**, given the tighter restrictions on RWA and non-JPY liquidity
- In order to **sustain growth amid the difficult environment**, we will continue to make efforts to enhance cost control, pursue operational excellence, secure non-JPY liquidity, etc., which are essential for strengthening our business and management base

**1. Restructuring business portfolio**

**2. Promoting products cross-sales**

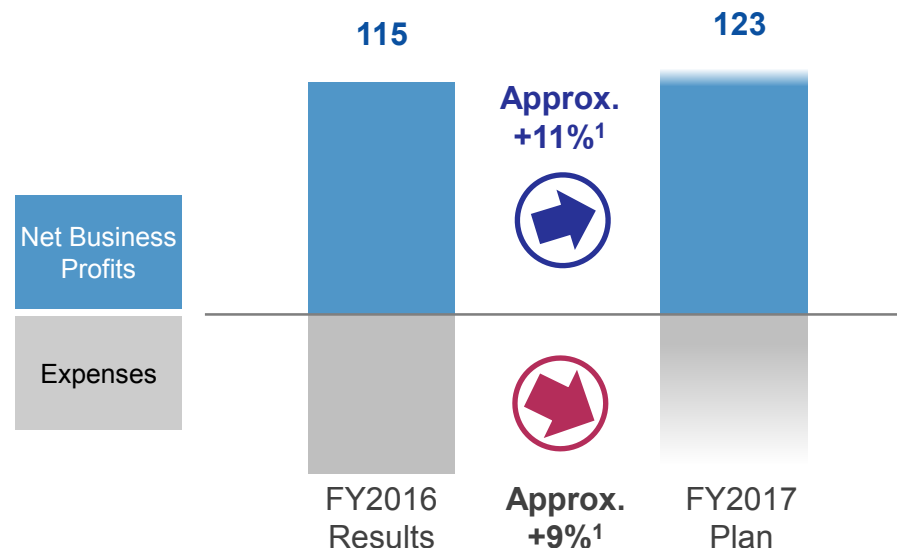
**3. Strengthening business and management base**

## Net Business Profits

Group aggregate, after HO expenses

(JPY bn)

FY2016 results recalculated based on FY2017 management account rules



## KPI

		Results	Plan
		Change from FY15 to FY16	Change from FY15 to FY18
1	Non-interest Income outside Japan* <sup>2</sup>	- 3.8%	+ 30%
2	US DCM League Table* <sup>3</sup>	9th	Top 10
3	Non-JPY Deposits* <sup>4</sup>	+ 18%	+ 10%

# Key Strategy 1: Restructuring the Business Portfolio

## Shift to High Profitability Assets

- Downsize low-profitability assets and low-liquidity assets, such as super long-term debts
- Shift assets to Global 300 and other high-profitability segments

### FY2016 Results

RWA

Rounded figures, GCC management basis

	Low-profitability Assets	High-profitability Assets
Non-Japanese	- JPY 300bn	+ JPY 380bn
Japanese	- JPY 130bn	+ JPY 85bn
Project Finance	- JPY 100bn	+ JPY 50bn

### FY2017 Plan

RWA

Rounded figures, GCC management basis

	Low-profitability Assets	High-profitability Assets
Non-Japanese	- JPY 120bn	+ JPY 350bn
Japanese	- JPY 130bn	+ JPY 70bn
Project Finance	- JPY 60bn	-

## Focus Strategy for NJP Business

- Achieve high profitability by exploring business opportunities beyond lending, such as DCM, ECM and M&A

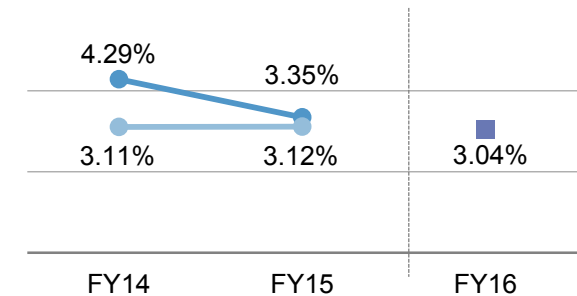
### Global 300 Profitability\*

#### RORA

Super 30

Super 50

Global 300



#### Net Business Profits

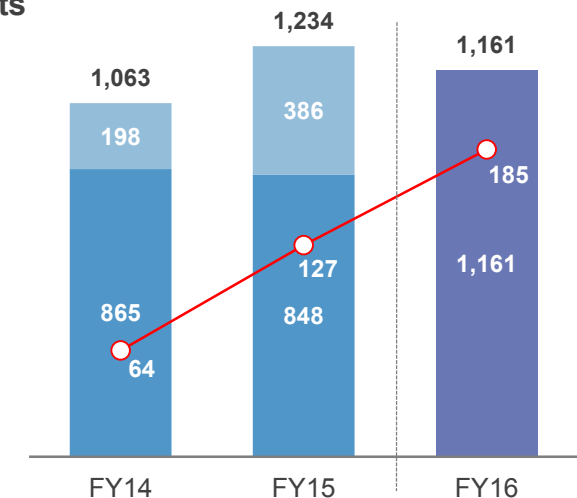
(USD mm)

Super 30

Super 50

Global 300

○ Securities-related



# Key Strategy 2: Cross-sell (1) Securities Products

## Securities Products

- Enhance sector-based approach leveraging Corporate Finance Advisory and Solutions (CFAS) team in the Americas, EMEA and Asia, addressing customer needs in terms of both business and financial strategies
- Maintain and further improve presence in DCM in the Americas, especially in USD-denominated bonds, leveraging it as we seek to strengthen DCM business in Europe, and accommodate the DCM needs in developing Asian capital markets

### Role in Major M&A Deals in 2016

	Buyer	Industry	Size*	Mizuho Status
1	AT&T	TMT	85	Bookrunner
2	Bayer	Industrial	57	Bookrunner
3	BAT	Consumer	49	Bookrunner
4	ChemChina	Industrial	44	-
5	Qualcomm	TMT	39	Participant
6	SoftBank	TMT	32	Bookrunner
7	CenturyLink	TMT	25	Participant
8	Abbott Lab.	Healthcare	25	Participant
9	21st Century Fox	TMT	15	-
10	Analog Devices	Industrial	14	-

\*USD bn

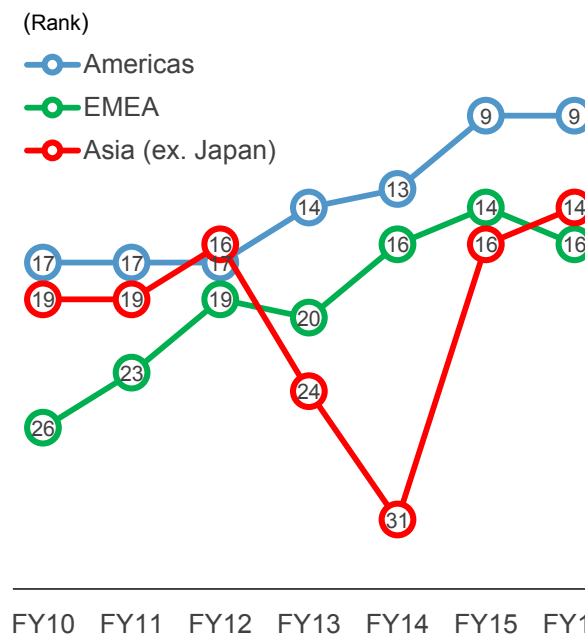
Source: Prepared by GCC based on data from Thomson One (January-December 2016, data as of December 31, 2016). Top-10 deals involving financing.

### US Investment-grade Bonds Ranking

	Rank	Bookrunner	Share (%)
1	(2)	BoA Merrill Lynch	11.6
2	(1)	JPMorgan	10.4
3	(4)	Citi	8.6
4	(3)	Goldman Sachs	7.3
5	(5)	Wells Fargo Securities	6.8
6	(6)	Morgan Stanley	6.7
7	(8)	Barclays	6.3
8	(7)	Deutsche Bank	6.2
9	(9)	Mizuho	4.8
10	(12)	MUFG	3.6

Source: Prepared by GCC based on data from Dealogic (April 2016-March 2017). Bookrunner basis. Bonds worth USD 250mm or more, excluding off-shore issuance.

### Investment-grade Bond Ranking



Source: Created by GCC based on data from Dealogic. Bookrunner basis. Bonds worth USD 250 million or more, excluding off-shore issuance (ex-Japan for Asia). USD bonds for the Americas and Asia, USD, EUR and GBP bonds for EMEA.

# Key Strategy 2: Cross-sell (2) Transaction Banking

## Transaction Banking

- Strengthen transaction banking by reinforcing products, sales teams and marketing approaches
- Capture Asia-bound trade flows of US or European multinational companies and transaction banking needs of local companies in Asia

### Developing Global Transaction Banking (GTB) Network (HQ: Singapore)

Enhance products by developing forex and supply chain finance platforms

Assign treasury and trade finance experts in each location

Capture trade needs in Asia through collaboration between products specialists and local RMs

GTB  
(London) 40

10 GTB  
(China)

50 GTB  
(Tokyo)

50 GTB  
(New York)

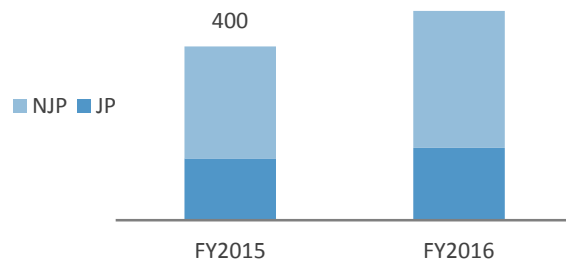
Headcount  
(rounded figures)

110 GTB  
(Singapore)  
(HQ)

20 GTB  
(Hong Kong)

### Forex Transaction Volume

(USD bn, rounded figures)

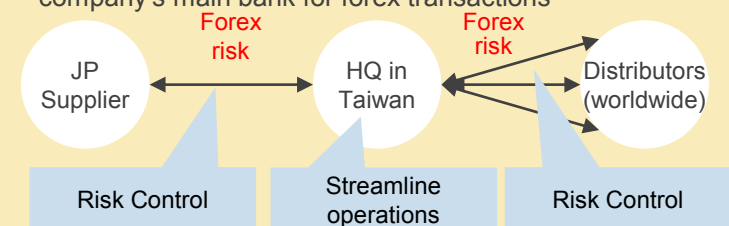


Example: NJP company in Taiwan

Global 300

### Improved Forex Risk Management and Operations for the Entire Group

- ✓ Evaluated forex risk on a group-wide basis through risk consulting
- ✓ After providing solutions for improved group-wide forex risk management and operations, Mizuho became the company's main bank for forex transactions



# Key Strategy 3: Strengthening the Business and Management Base

## Strengthening Cost Control

- Mitigate cost increase due to business expansion seen in past years, through fundamental cost control
- Although costs for responding to tightening regulations are inevitable, rework on the cost structure cutting into ordinary costs is needed

### Fundamental Cost Control

(Conceptual illustration)

#### Enhance cost control

- Minimize headcount increase
- Control non-personnel costs, etc.

#### Improve cost structure

- Consolidate corporate functions, centralize back-office operations
- Joint purchase ... etc.

FY2017  
Growth Rate  
**+9%\***

**+3%**, excl.  
regulatory costs

\* Excl. the effect of  
foreign exchange  
fluctuations

FY12-16 Ave.  
Growth Rate  
**+14%**

## Promoting Operational Excellence

### Integrating Administrative Functions across Entities

- Integrating management in US through newly established BHC **Started**
- Planning to integrate management in London and Hong Kong as well

### Consolidating/Relocating Back Offices

- Considering consolidating or relocating back-office functions
- Streamlining operations, utilizing new technology

### Improve Business Processes through Implementation of the New System

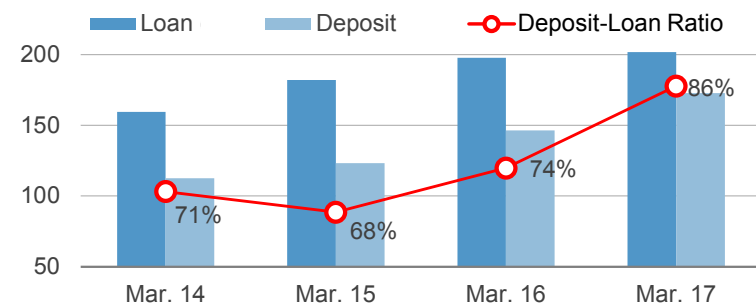
- Cross-regional sharing of information, knowledge and ideas across different regions through intranet system
- Replacing paper-based operations with digitalized workflows **Started**

## Securing Non-JPY Liquidity

- Attracting deposits outside Japan as reliable source of non-JPY liquidity amid rising funding costs

### Non-JPY Loan and Deposit Balance Outside Japan <sup>1, 2</sup>

(USD mm)



1. BK including MHBK subsidiaries in China, US, Netherlands and Indonesia. GCC management basis.

2. Including deposits of central banks, etc.

## **Global Markets Company**

- 1. FY2016 Review and the FY2017 Management Policy**
- 2. Governance structure in the GMC**
- 3. FY2017 key strategies (Sales & Trading)**
- 4. FY2017 key strategies (ALM & Investments)**
- 5. Enhancing Mizuho's presence in the global financial market**

# FY2016 Review and the FY2017 Management Policy

## FY2016 Overview & FY2017 Operation Policies

### FY2016 Overview

- Earnings of Sales & Trading business exceeded the target because of high performance of businesses with Japanese customers, and high achievements in Securities business
- ALM & Investments business also earned good return and kept sound portfolio, mainly due to efficient operations based on early warning control and portfolio diversification

### FY2017 Operation Policies

Achieve Mizuho's market business model, "Mizuho Way", by pursuing "Customer-Focused" Policy

Key Strategies

- Evolution of Sales & Trading business
- Strengthening business with investors
- Sophisticating portfolio management
- Further utilization of advanced technologies
- Cultivation of market professionals



Operational Excellence

### Direction for Global Markets Company

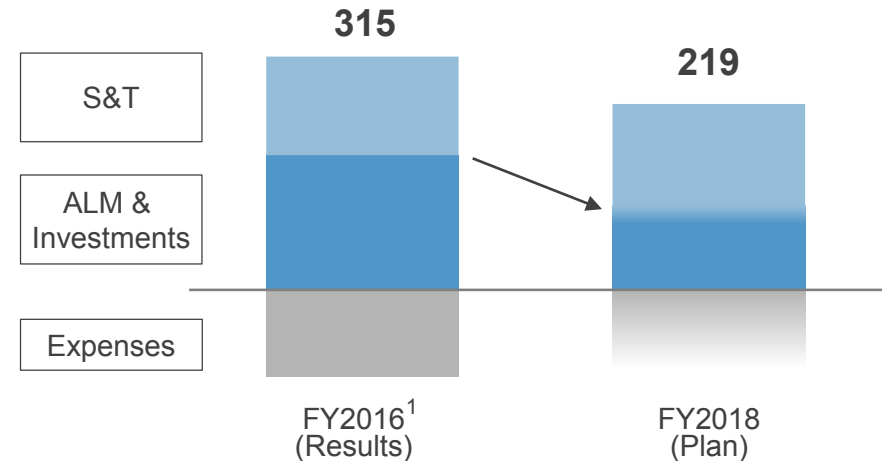
Top-class Global Market Player in Asia

## Net Business Profits

Group aggregate, after HO expenses

(JPY bn)

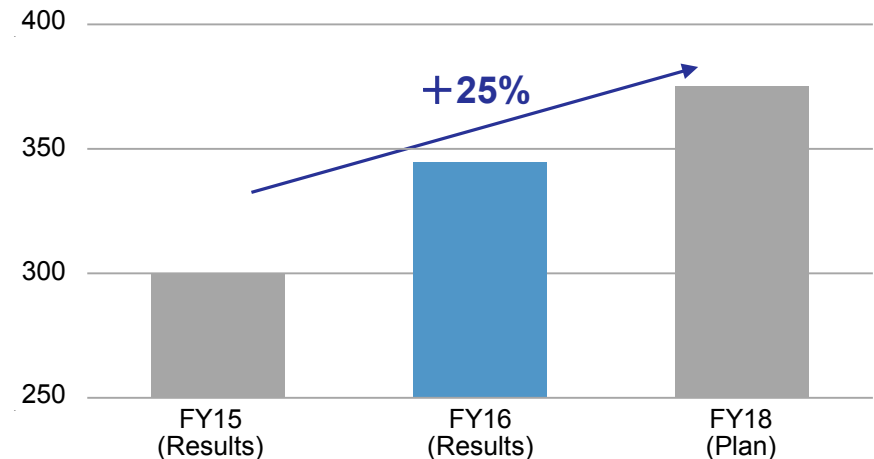
FY2016 results recalculated based on FY2017 management account rules



## KPI

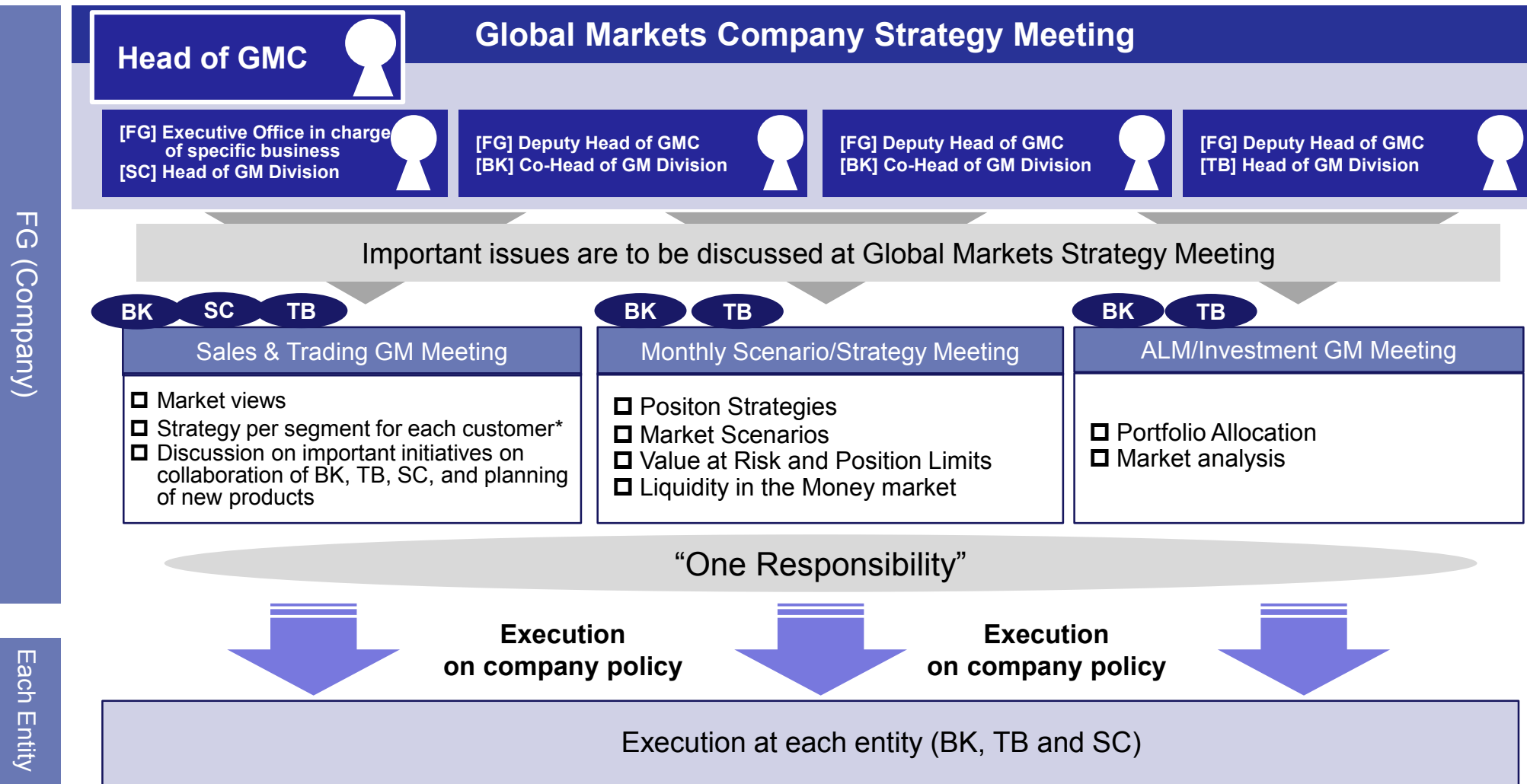
(JPY bn)

### Sales & Trading related revenue<sup>2</sup>



# Governance structure in the Global Markets Company

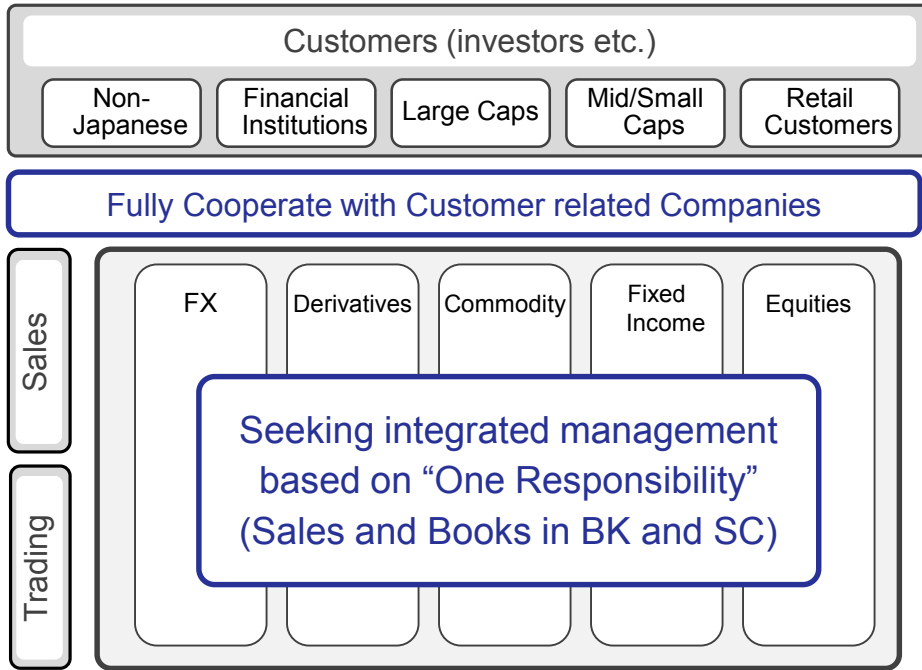
**Strength: Fully implement “One Responsibility” Policy among Banking, Securities and Trust Functions under Head of Global Markets**





# FY2017 Key Strategies (Sales & Trading)

## Mizuho's Strength



**Optimal Sales & Trading business structures to meet each customer segment / individual customer's needs**



**Sophisticated ability to provide products & solutions based on experience and expertise**

## Case1 Global derivatives business structures

Virtually integrated management based on "One Responsibility"

- **Adopted optimal Sales & Trading business structures in each region** to adjust to financial regulations and respond to supervisory authorities' requirements.



## Case 2 Deepening integration between BK and SC

Integrated sales forces in BK and SC for financial institutions

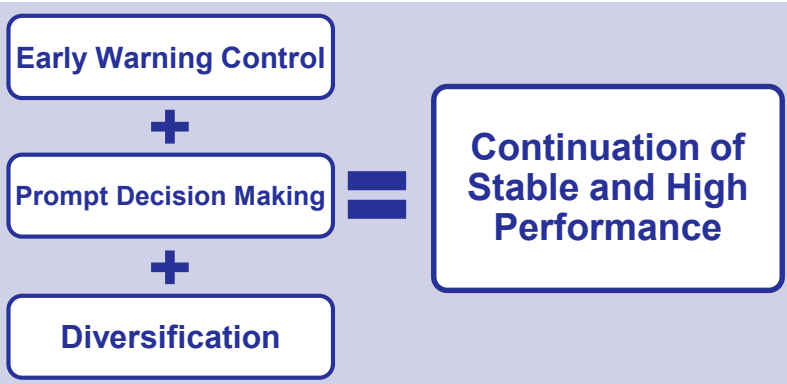
**Financial Institutions in Japan**  
(those agreed on their information to be shared between BK & SC)



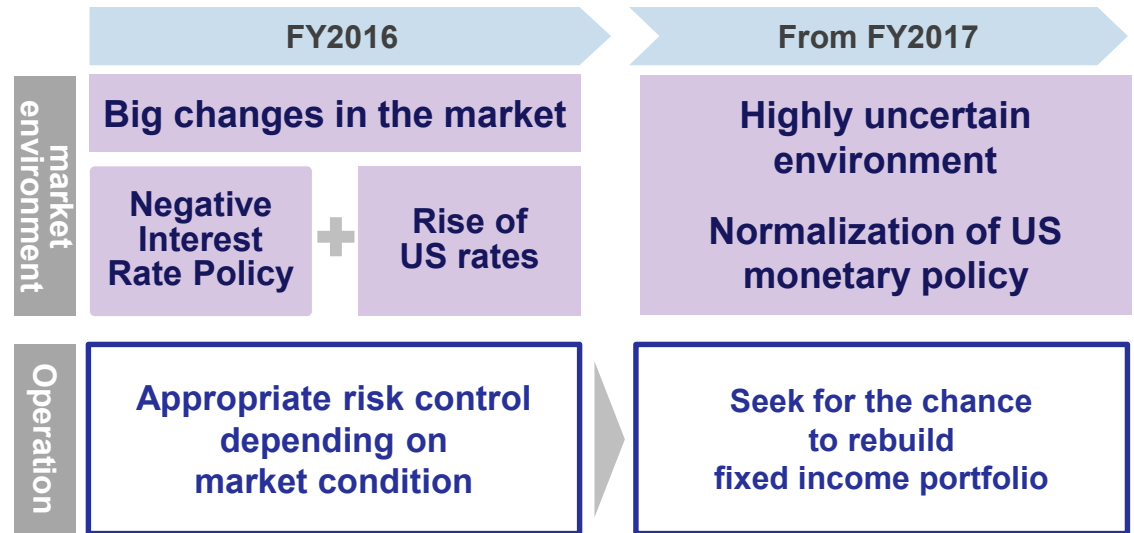
# FY2017 Key Strategies (ALM & Investments)

## Mizuho's Strength

Optimizing allocation and risk by diversifying portfolio, depending on market environment and view

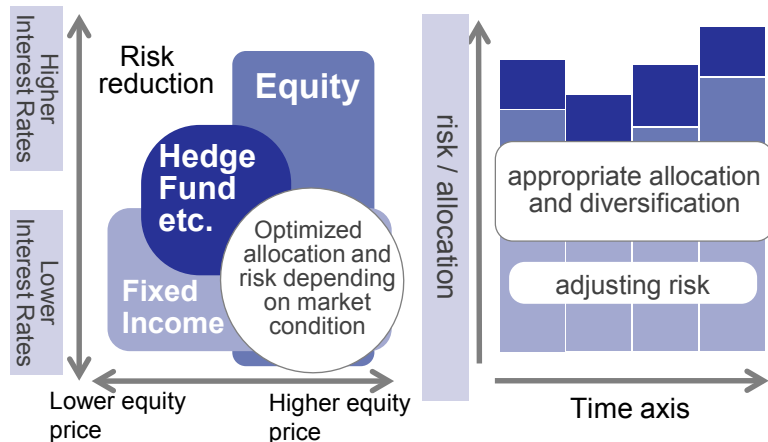


## Portfolio Operation Policy



Asset class analysis at each market scenario

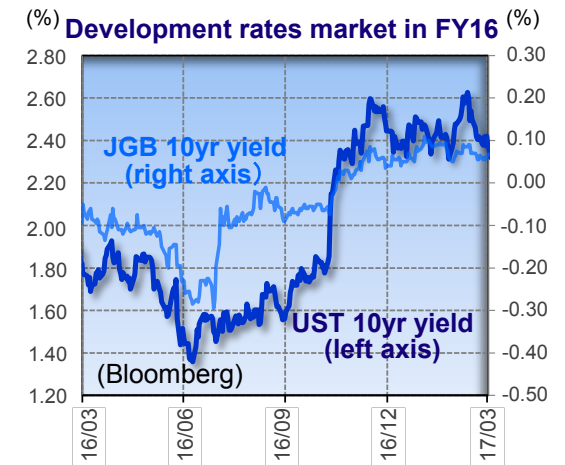
Effective Portfolio



## Case: Risk adjustment in FY16

Max/Min position size to FY16 average position

	JGB	Non-Japanese Bonds	Japanese Equity
Max	125%	140%	120%
	↕	↕	↕
Min	75%	50%	75%



# Enhancing Mizuho's presence in the global financial market

## First CVA office in Japan

- CVA (Credit Valuation Adjustment):  
Adjustment made to the value derivative transactions to reflect the change in counterparties' credit risk
- Critical for sound development of derivatives market, thus the Basel Committee on Banking Supervision required banks to sophisticate management of CVA
- Mizuho established the CVA office ahead of other Japanese banks. As a frontrunner, we will continue to contribute to sound development of derivatives market



## Expansion of share of electronic trades in EUR IG market

- Mizuho International (MHI), MHSC's UK based affiliate, constructed the electronic trade platform for corporate bonds
- MHI gained top-class market share in euro-denominated investment grade corporate bonds in 2016

## GMC's Operational Excellence

### Case

### Unification of customer interface systems for IRS

- Amid increasing shares of electronic trades in the interest rate swap (IRS) market, MHSC unified several customer interface systems for IRS
- Brought further convenience to customers and made operations more efficient because of better customer interface and "automated quote feature" to make execution of trade possible within tenths of a second

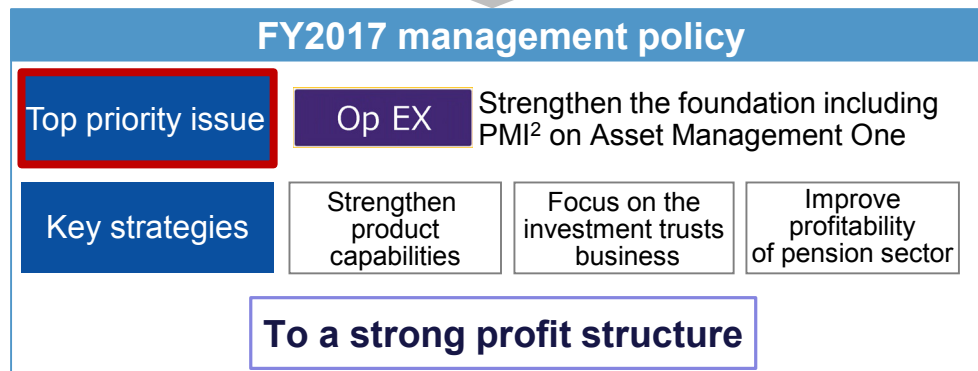
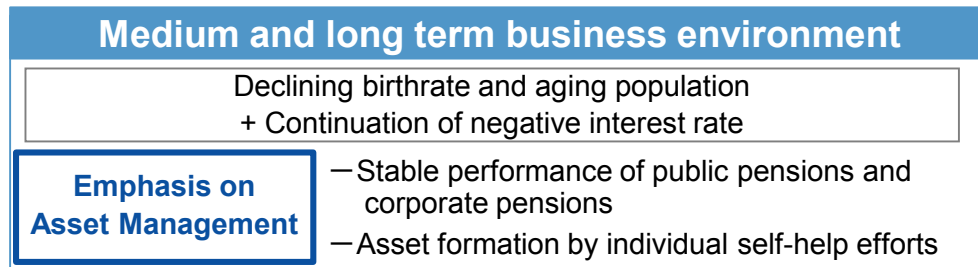
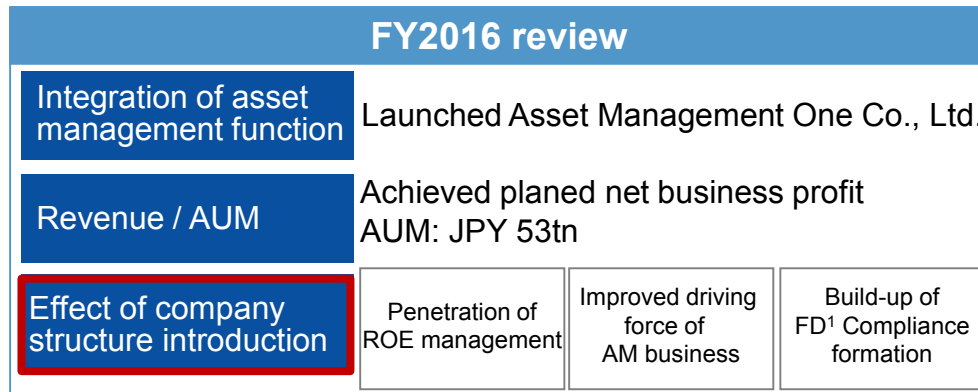
**GMC is now accelerating Operational Excellence through eliminating redundant operations, going paperless in back office operations, etc.**

## **Asset Management Company**

- 1. FY2016 Review and the FY2017 Management Policy**
- 2. Growth strategy of Asset Management One**
- 3. Achievement after launching Asset Management One**
- 4. Revitalizing the flows of financial assets through DC plan**
- 5. Key Strategy**

# FY2016 Review and the FY2017 Management Policy

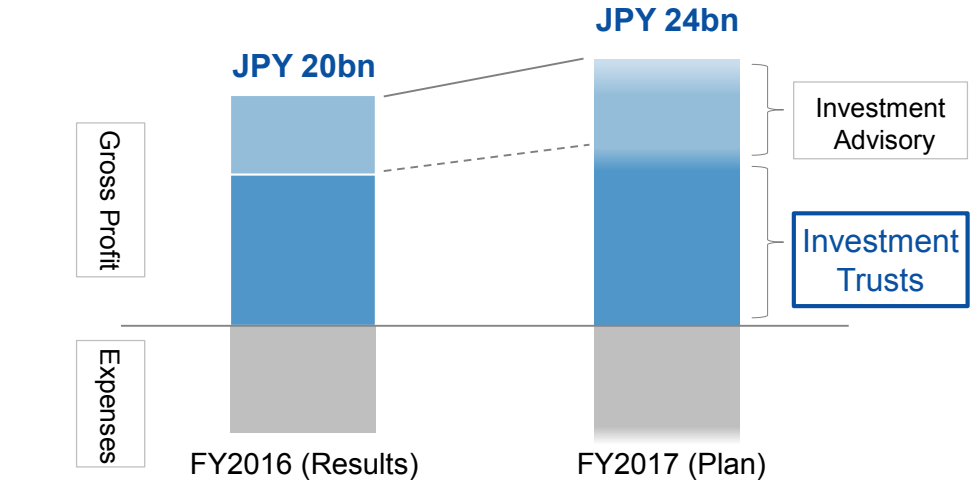
## FY2016 review and FY2017 management policy



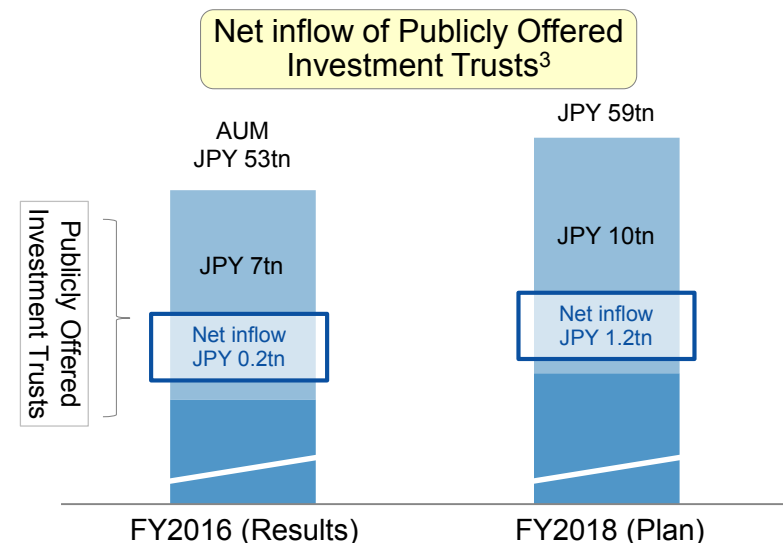
## Net business profit

Group aggregate, after HO expenses

FY2016 results recalculated based on FY2017 management account rules

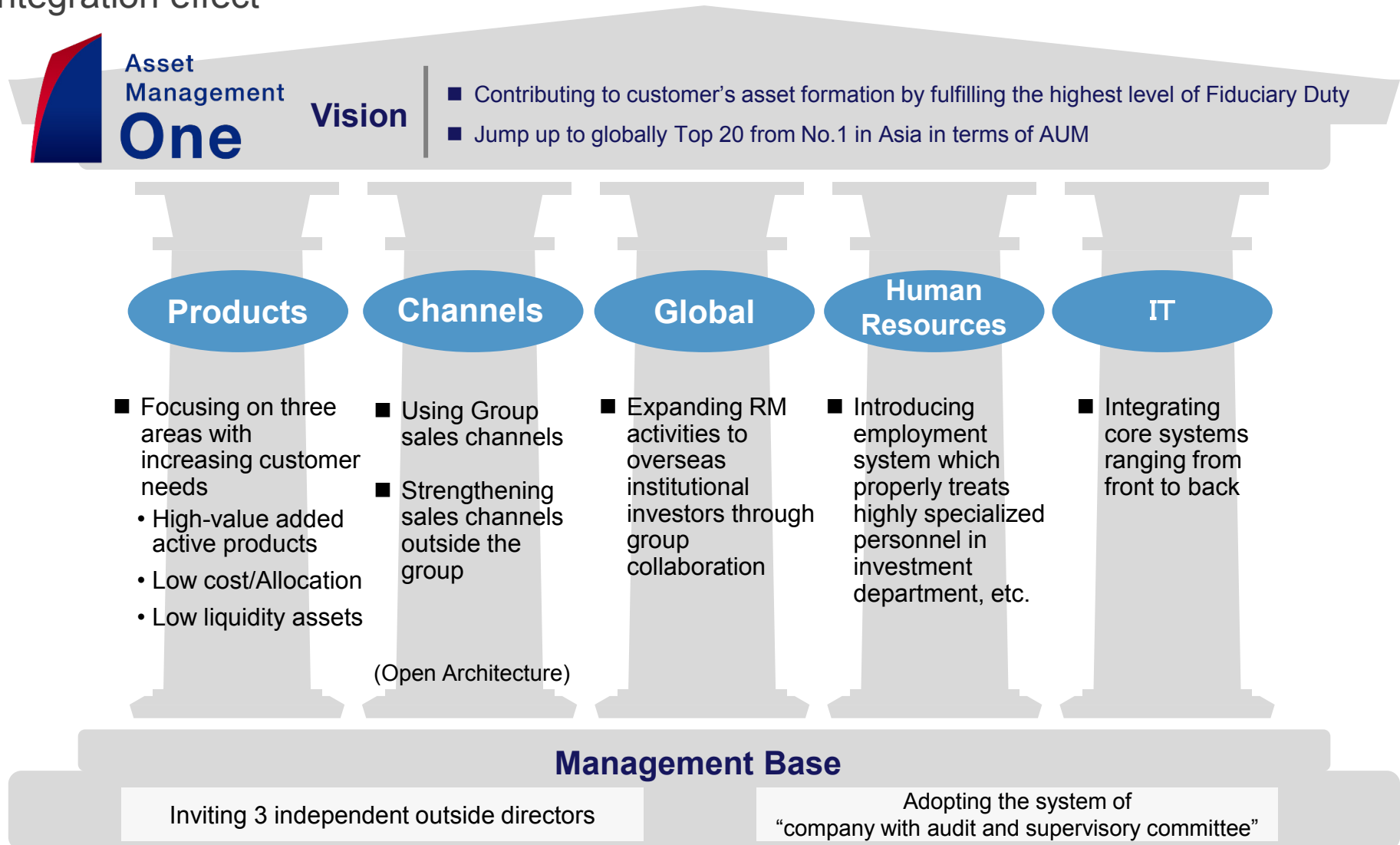


## KPI



# Growth strategy of Asset Management One

Enhance initiatives, primarily "products" and "channels", in order to realize the integration effect





# Achievement after launching of Asset Management One



## Providing asset management capabilities

Providing products making full use of pension management knowhow



Providing products that contribute to medium and long term asset formation



Know-how of investment advisory business



Know-how of Investment trusts business

Providing ETF with reduced trust fee

「One ETF」はじまる。

**OneETF**

Providing new investment method by machine learning

Machine learning method utilization type fund (private placement investment trust)

Actual returns and market data

Simulate numerous virtual market conditions

## AUM ranking from GPIF (JPY tn)

1	Asset Management One	22
2	Sumitomo Mitsui Trust Bank	17
3	BlackRock Japan Co., Ltd.	12

(As of Mar. 2016)

Source: Prepared by AMC based on website of Government Pension Investment Fund (GPIF), Japan

## Awards from external institution



Achieved highest number of R&I Fund Grand Award 2017

- Total of 14 funds including 2 Best Fund Awards

Achieved several other awards from other organizations as well

## Focusing on investment trusts business

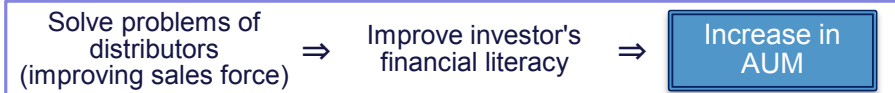
### Largest number of distributors and sales staff

		(no. of people)
<div> Distributors (bank/securities, etc.) 250 companies </div>	Investment Trust Marketing Division	190 people
	Distributor Sales	55
	Supporting distributors/ providing sales materials	110
	Marketing planning	25

### Training program "Seminar One"

Lineup of 96 seminars including human resources development

Knowledge	Economics, Finance, Sales knowledge
Skill	Logical thinking, Leadership
Products	Features of individual products, etc.

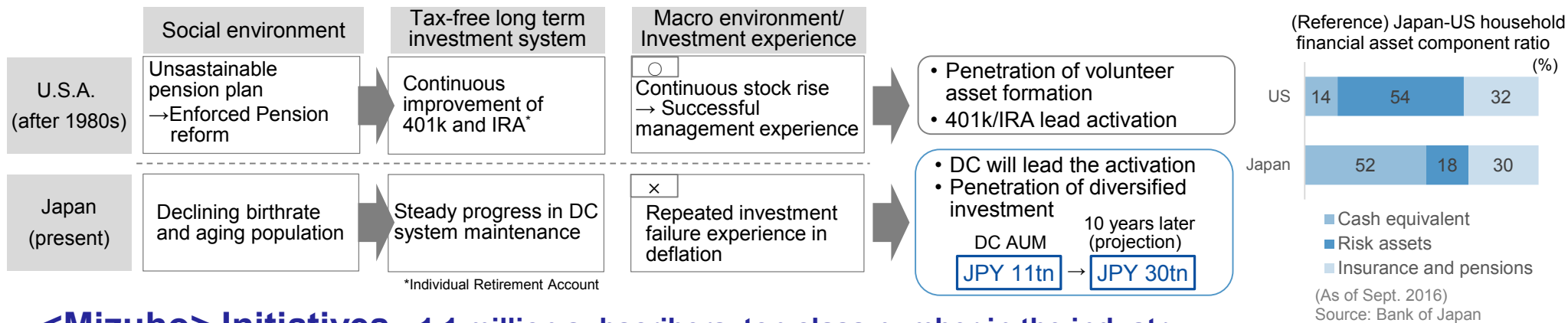


### Rolling out funds contributing to "Savings to asset formation" (products for DC)

- "Tawara" Series: Low cost fund
- "Investment Sommelier": Fund pursuing thorough diversification and long-term stable earnings, etc.

# Revitalizing flow of financial assets through DC plan

## Positioning of the DC plan - key to activate financial assets



## <Mizuho> Initiatives - 1.1 million subscribers, top class number in the industry (Corporate and individual-types, including investment instruction)

	Corporate-type DC	Individual-type DC iDeCo
Sales	<ul style="list-style-type: none"> <li>Large corporations: DB / DC sales through partnership between banking and trust banking</li> <li>SMEs: developed marketing plan jointly with Sampo Japan</li> </ul>	<ul style="list-style-type: none"> <li>Acquire subscribers by using bank channels</li> <li>Start tie-up with regional bank</li> <li>Lowest commission in the Industry</li> </ul>
Investment trusts lineup	<ul style="list-style-type: none"> <li>Expand lineup according to customer needs (low risk balance fund, target year funds by risk tolerance, etc.)</li> </ul>	
Investment support tool	<ul style="list-style-type: none"> <li>Navigate diversified investment with robot advisor "SMART FOLIO for DC"</li> </ul>	
Policy	<ul style="list-style-type: none"> <li>Step-by-step policy suggestions for better investment environment</li> </ul>	

**Expand future customer base along with investment base**



# Key Strategy

