

# **Direction of Mizuho's Business Transformation**

**September 2018**

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. 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.

We may not be successful in implementing our business strategies, and management may fail to achieve its targets, for a wide range of possible reasons, including, without limitation: incurrence of significant credit-related costs; declines in the value of our securities portfolio; changes in interest rates; foreign currency fluctuations; decrease in the market liquidity of our assets; revised assumptions or other changes related to our pension plans; a decline in our deferred tax assets; the effect of financial transactions entered into for hedging and other similar purposes; failure to maintain required capital adequacy ratio levels; downgrades in our credit ratings; our ability to avoid reputational harm; our ability to implement our Medium-term Business Plan, realize the synergy effects of "One MIZUHO," and implement other strategic initiatives and measures effectively; the effectiveness of our operational, legal and other risk management policies; the effect of changes in general economic conditions in Japan and elsewhere; and changes to applicable laws and regulations.

Further information regarding factors that could affect our financial condition and results of operations is included in “Item 3.D. Key Information—Risk Factors” and “Item 5. Operating and Financial Review and Prospects” in our most recent Form 20-F filed with the U.S. Securities and Exchange Commission (“SEC”), which is available in the Financial Information section of our web page at [www.mizuho-fg.com/index.html](http://www.mizuho-fg.com/index.html) and also at the SEC’s web site at [www.sec.gov](http://www.sec.gov).

We do not intend to update our forward-looking statements. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by the rules of the Tokyo Stock Exchange.

Unless otherwise specified, the financial figures used in this presentation are based on Japanese GAAP

This presentation does not constitute a solicitation of an offer for acquisition or an offer for sale of any securities

## Definitions

FG: Mizuho Financial Group, Inc.

SC: Mizuho Securities Co., Ltd.

RBC: Retail & Business Banking Company

GCC: Global Corporate Company

AMC: Asset Management Company

BK: Mizuho Bank, Ltd.

AM: Asset Management One Co., Ltd.

CIC: Corporate & Institutional Company

GMC: Global Markets Company

GPU: Global Products Unit

TB: Mizuho Trust & Banking Co., Ltd.

MHRI: Mizuho Research Institute Ltd.

MHCC: Mizuho Capital

RCU: Research & Consulting Unit

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

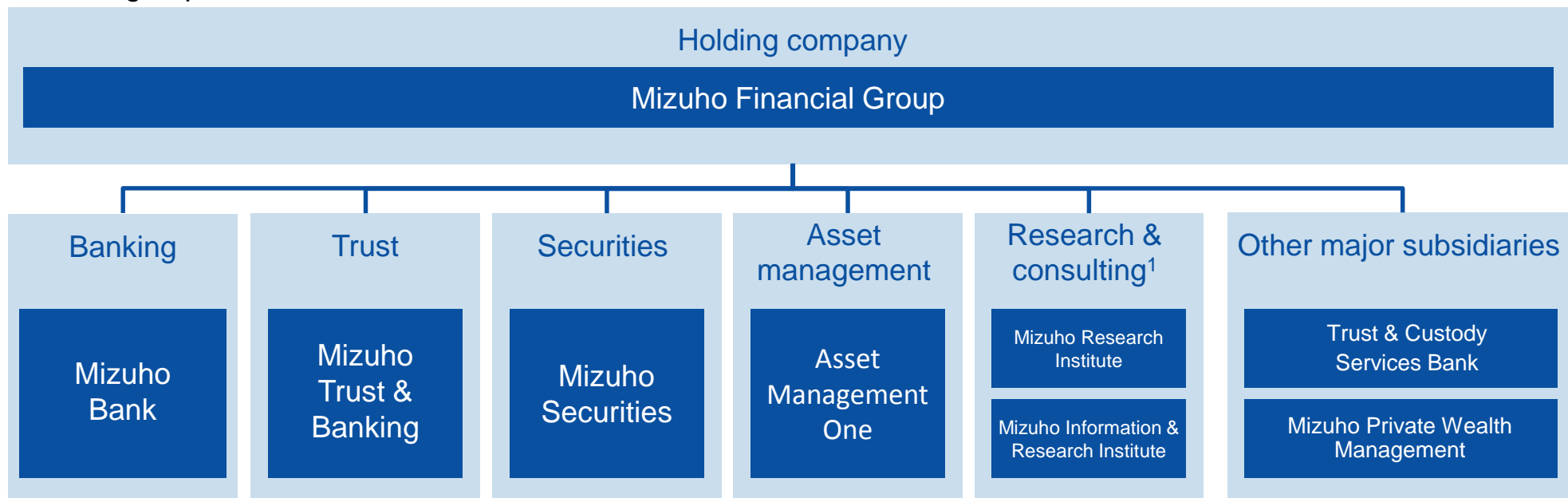
Net Income Attributable to FG: Profit Attributable to Owners of Parent

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

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

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

## Mizuho group



(rounded figures)

One of the broadest customer bases among Japanese financial institutions

Individual customers  
24mm

Securities accounts  
1.75mm

SME, middle market, and business owner borrowers  
100K

Coverage of listed companies in Japan  
70%

Forbes Global 200<sup>2</sup> (Non-Japanese corporate clients)  
80%

## Credit ratings

(As of September 5, 2018)

	S&P	Moody's	Fitch	R&I	JCR
FG	A-	A1	A-	A+	AA-
BK/TB	A	A1	A-	AA-	AA

1. Also comprised of other departments and subsidiaries such as BK Industry Research Dept., TB Consulting Dept. and Mizuho-DL Financial Technology 2. Top 200 corporations from Forbes Global 2000 (excl. financial institutions)

# Contents

## 1. Financial results – Executive Summary

- Executive summary of financial results P. 5
- Financial results by In-house Company P. 6
- Overview of loans P. 7
- Non-interest Income P. 8

## 2. Economic environment

- Economic developments in Japan P. 10

## 3. Direction of Mizuho's business transformation

- The business portfolio and business direction we are pursuing P. 13
- Retail segment  
Encouraging household asset reallocation and supporting business succession P. 14
- Channel Transformation and restructuring of our payments business P. 17
- Wholesale segment  
Enhance market business P. 19
- Address clients' globalization efforts P. 21

## 4. In Closing

- Our vision P. 24

# 1. Financial results – Executive Summary

2. Economic environment

3. Direction of Mizuho's business transformation

4. In closing

# Executive summary of financial results

(Consolidated, JPY bn)	1Q FY2018	Changes from 1Q FY2017	
Net Business Profits (+ETFs and others <sup>1</sup> ) (Net Business Profits)	142.9 (113.6)	44.6 (29.2)	<ul style="list-style-type: none"> <li>Income from loan and deposit related business outside Japan as well as Non-interest Income from both in and outside Japan grew, leading to a large increase in Customer Groups' profits compared to 1Q FY2017</li> </ul>
Credit-related Costs	22.5	3.3	<ul style="list-style-type: none"> <li>Reversal in Credit-related Costs mainly due to improvement in credit portfolios underpinned by a relatively sound macro environment</li> <li>NPL balances and ratio declined to the lowest levels in Mizuho's history</li> </ul>
Net Gains (Losses) related Stocks (-ETFs and others <sup>1</sup> ) (Net Gains (Losses) related to Stocks)	50.9 (80.3)	2.6 (18.0)	<ul style="list-style-type: none"> <li>Steady disposal of cross-shareholdings</li> </ul>
Net Income Attributable to FG	161.0	42.7	<ul style="list-style-type: none"> <li>28% progress against the earnings plan of JPY 570.0bn for FY2018 due to the recovery of Consolidated Net Business Profits as well as reversal of Credit-related Costs and Net Gains related to Stocks</li> </ul>
CET1 Capital Ratio (excl. Net Unrealized Gains on Other Securities)	June 2018 12.68% (10.27%)	Changes from Mar 2018 0.19% (0.12%)	<ul style="list-style-type: none"> <li>CET1 Capital Ratio increased due to the steady accumulation of Retained Earnings despite RWA increase mainly due to increase in loans outside Japan</li> </ul>

1. Net Gains (Losses) related to ETFs (2 Banks) + Net Gain on Operating Investment Securities (SC Consolidated)

# Financial results by In-house Company

Group aggregate, management accounting, rounded figures

(JPY bn)	Net Business Profits <sup>1, 2</sup>					Net Income <sup>3</sup>				
	Result			Plan		Result			Plan	
	1Q FY17 <sup>4</sup>	1Q FY18	YoY	FY18	YoY <sup>5</sup>	1Q FY17 <sup>4</sup>	1Q FY18	YoY	FY18	YoY <sup>5</sup>
RBC	-16.9	-14.8	2.1	31.0	17.0	-3.7	-8.5	-4.8	30.0	4.0
CIC	30.3	52.9	22.6	244.0	15.0	42.6	91.1	48.5	301.0	33.0
GCC	12.1	34.1	22.0	123.0	31.0	10.4	17.2	6.8	72.0	10.0
GMC	71.1	68.6	-2.5	285.0	99.0	49.3	47.8	-1.5	196.0	69.0
AMC	3.6	4.0	0.4	18.0	1.0	1.4	1.7	0.3	7.0	-0.0
In-house Company Total	100.2	144.8	44.6	701.0	163.0	100.0	149.3	49.3	606.0	116.0
FG Consolidated	98.3	142.9	44.6	700.0	161.9	118.2	161.0	42.7	570.0	-6.5

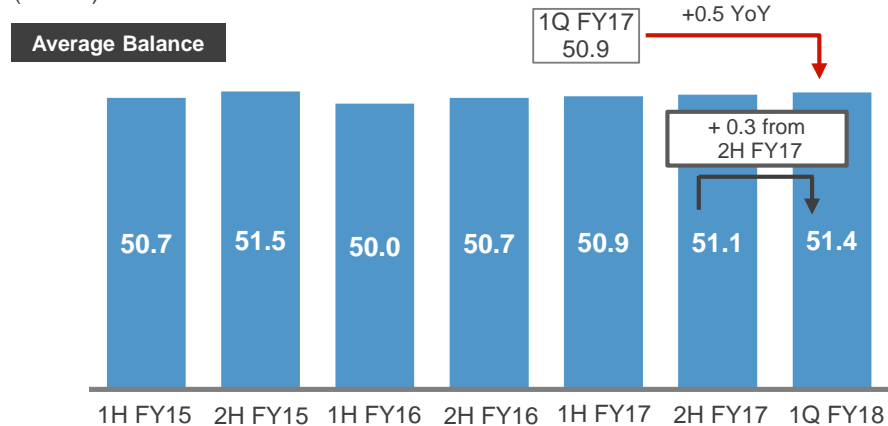
1. Net Gains (Losses) related to ETFs are included in GMC 2. FG Consolidated figures are Consolidated Net Business Profits + Net Gains (Losses) related to ETFs and others 3. FG Consolidated figures are Net Income Attributable to FG 4. Figures for 1Q FY17 are recalculated based on FY18 management accounting rules 5. Figures for FY17 are recalculated based on FY18 management accounting rules

# Overview of loans

## Loan Balance in Japan<sup>1</sup>

2 Banks

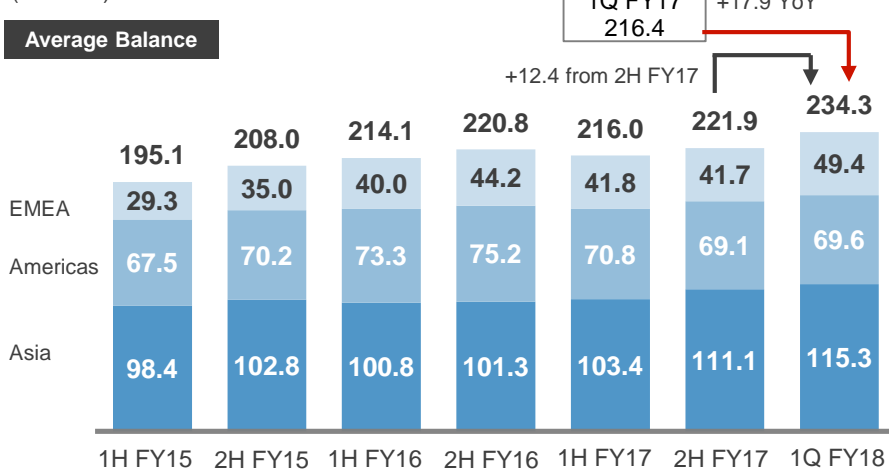
(JPY tn)



## Loan Balance outside Japan<sup>3, 4</sup>

BK, management accounting

(USD bn)

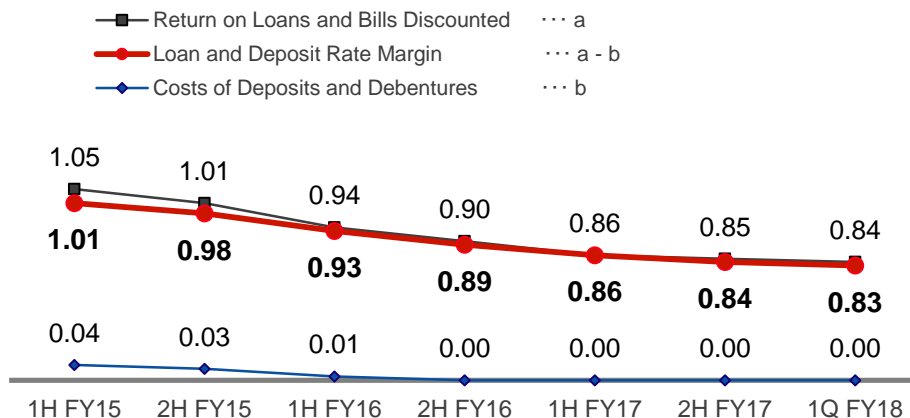


1. Excluding loans to FG, the Japanese Government, etc., Banking account
2. Domestic operations, excluding loans to financial institutions (including FG), the Japanese Government, etc.

## Loan and Deposit Rate Margin in Japan<sup>2</sup>

2 Banks

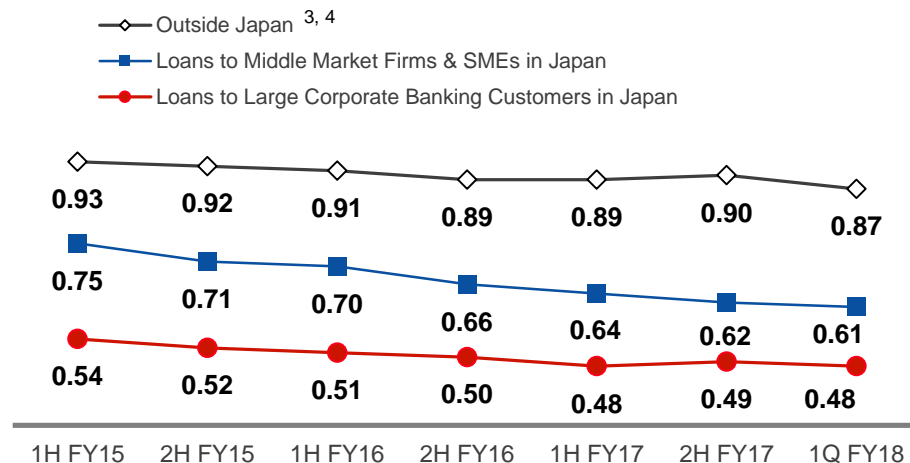
(%)



## Loan Spread

BK, management accounting

(%)



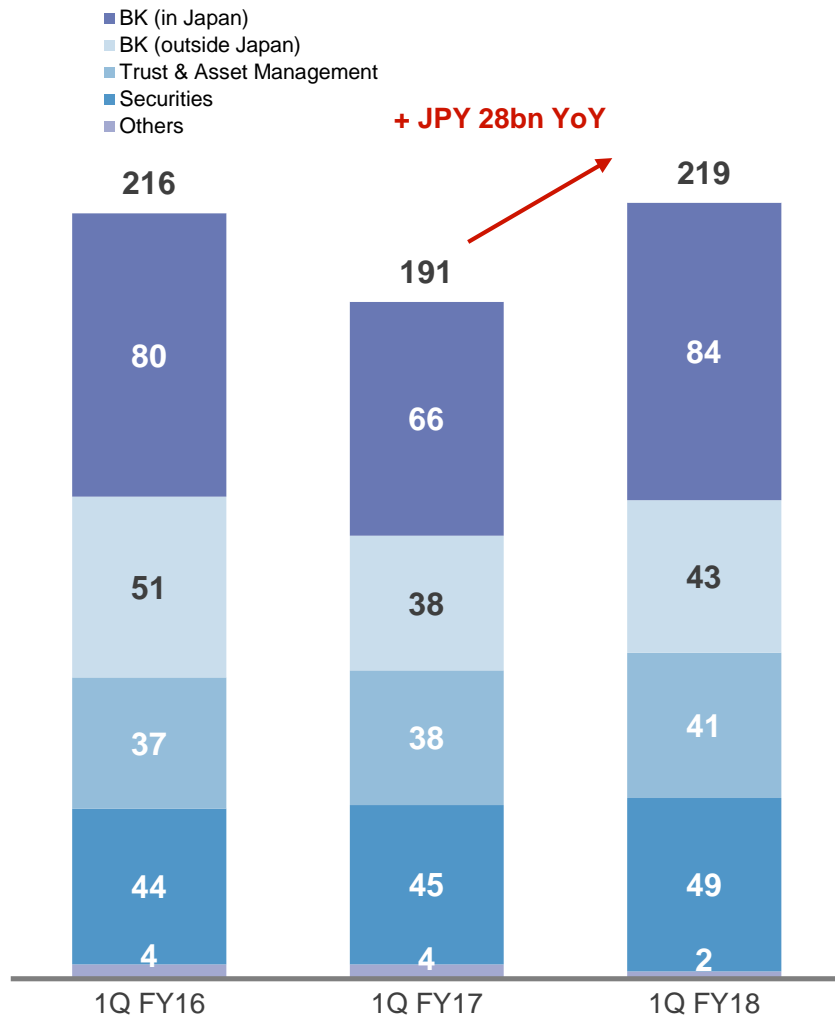
3. BK (including the subsidiaries in China, the US, the Netherlands, Indonesia, Malaysia, Russia, Brazil and Mexico)
4. Changed management accounting rules in FY18. Past figures are recalculated based on the new rules.



# Non-interest Income

## Non-interest Income from Customer Groups<sup>1</sup>

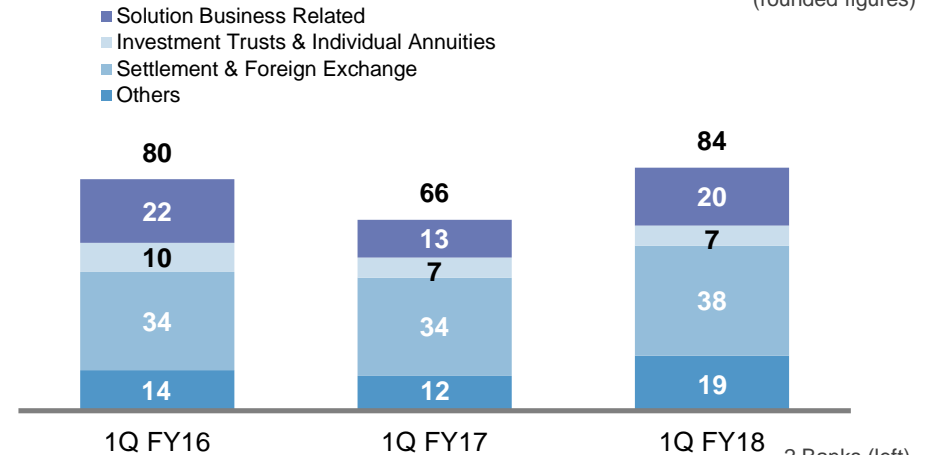
(JPY bn) Group aggregate, management accounting (rounded figures)



1. Changes in management accounting rules in FY18. The original figures before the recalculation were 1Q FY16: JPY 221 bn and 1Q FY17: JPY 192 bn

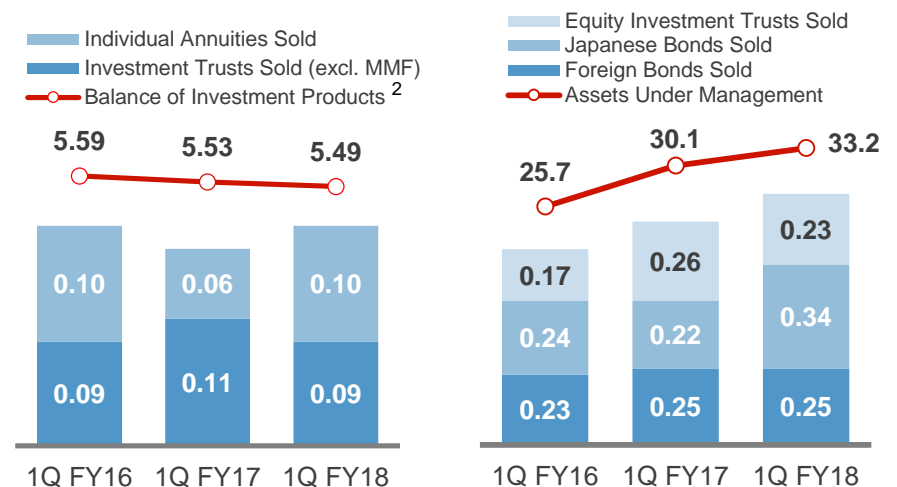
## Reference: Breakdown of BK (Japan) Non-Interest Income

(JPY bn) Group aggregate, management accounting (rounded figures)



## Reference: Investment Products

(JPY tn) SC Retail & Business Banking Division (right)



2. Total of Individual Annuities, Investment Trusts (excl. MMF) and non-JPY deposits

1. Financial results – Executive Summary

2. Economic environment

3. Direction of Mizuho's business transformation

4. In closing

# Economic developments in Japan

Although the economy is moderately expanding, the increase in prices is slow

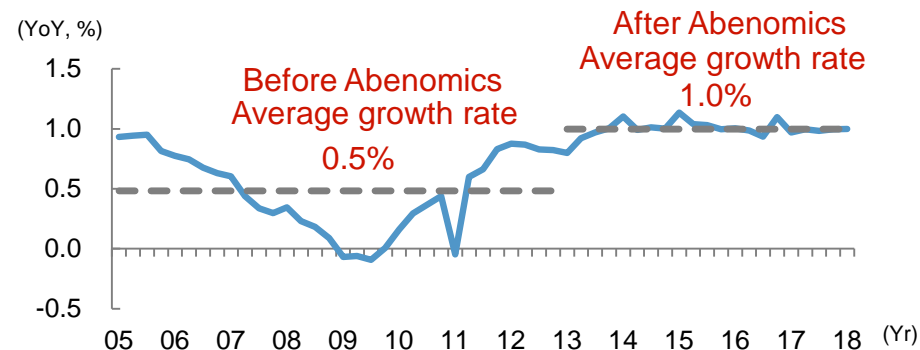
- The economic conditions have improved as a whole. Corporate profits are at historically high levels. The employment environment is also favorable.
- While the economic growth rate has recovered, the pace of price increases continue to be slow.

## Snapshot of the Japanese economy (before and after Abenomics)<sup>1</sup>

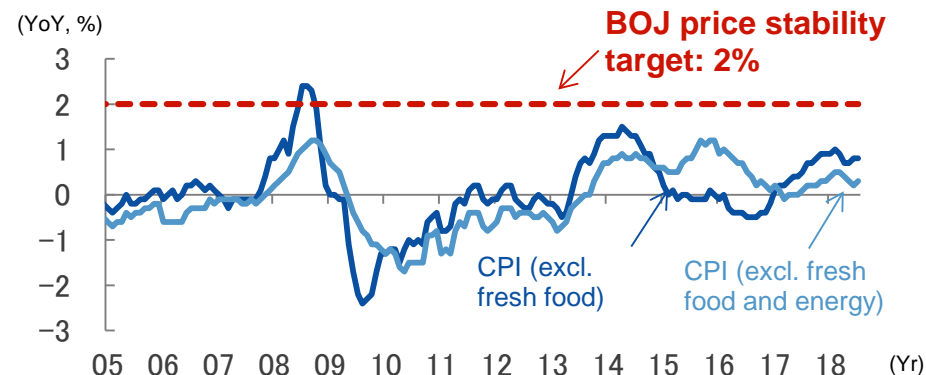
		2012 (Before Abenomics)	2018 (current data) Evaluation	
Corporations	Capital investment fiscal plans	JPY 34.5tn (Dec 2012 survey)	Highest in 10 yrs	JPY 42.2tn (Jun 2018 survey)
	Ordinary Income	JPY 49.4tn (Oct-Dec. 2012)	Highest Ever	JPY 97.1tn (Jan-Mar 2018)
Labor	Employed persons	62.63mm (Dec. 2012)	Highest Ever	66.36mm (Jun. 2018)
	Unemployment rate	4.3% (Dec. 2012)	Lowest in 25 yrs	2.5% (Jun. 2018)
	Job openings-to-applicants ratio	0.83 (Dec. 2012)	Highest in 44 yrs	1.63 (Jun. 2018)
Markets	Nikkei Average	JPY 8,661 (Nov. 13, 2012)	Highest in 27 yrs	JPY 22,870tn (Aug. 31, 2018)
	Exchange rate (1 USD)	JPY 79.4 (Nov. 13, 2012)		JPY 110.8 (Aug. 31, 2018)

1. Created by MHRl based on data from Tokyo Shoko Research, Bank of Japan, the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Internal Affairs and Communications, and other sources.

## Potential growth rate<sup>2</sup>



## Consumer Price Index<sup>3</sup>



2. Estimated by MHRl based on data from Japan's Cabinet Office and other sources.  
3. After adjusting for consumption tax. Created by MHRl based on data from Japan's Ministry of Internal Affairs and Communications.

# Economic developments in Japan

## BOJ focuses on the market function, prolonging monetary easing

- The Bank of Japan (BOJ) has virtually given up on an early achievement of the price stability target. The BOJ made minor policy changes towards the prolongment of easing at the July Monetary Policy Meeting.

### Main policies determined in the July Monetary Policy Meeting<sup>1</sup>

#### Forward guidance for policy rates

Maintain the current extremely low levels of short- and long-term interest rates for an extended period of time

#### Flexibility in the Yield Curve Control

Allow 10-year JGB yields to move upward and downward by around 0.2%

#### Flexibility in asset purchases such as ETFs

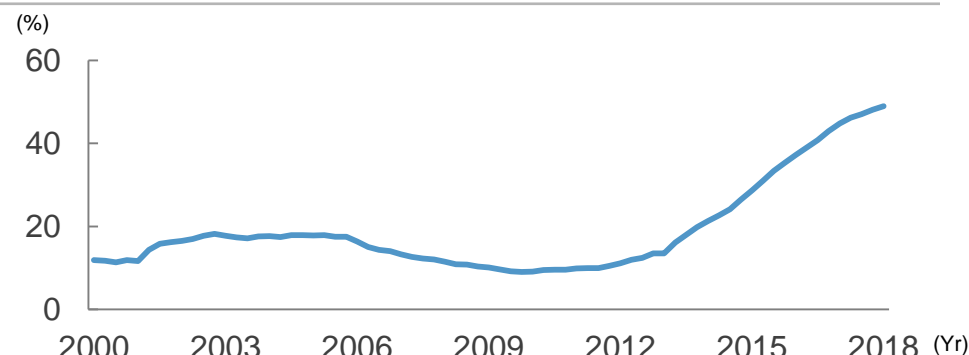
Increase or decrease the amount of purchases depending on market conditions

#### Change in the size of the Policy-Rate Balance

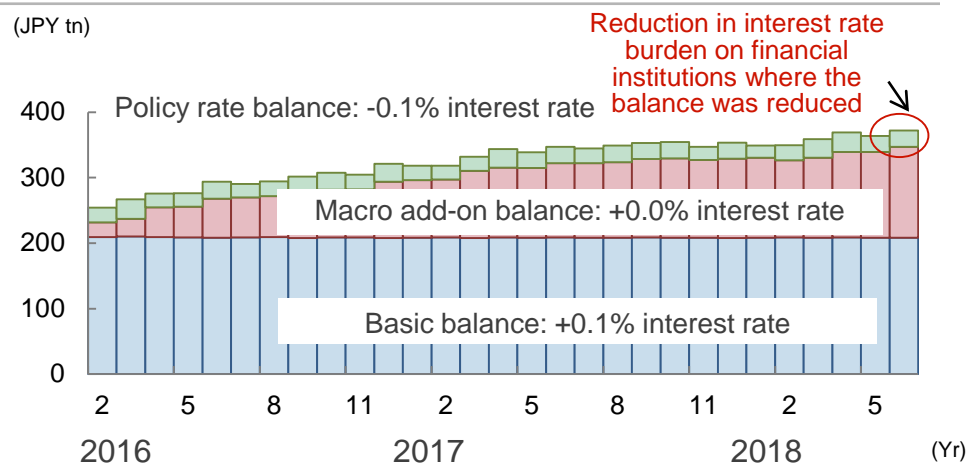
Reduce the size from JPY 10tn to 5tn on average<sup>2</sup>

- Expanded the interest rate fluctuation range to deal with the decline in the market functioning due to the BOJ's bulk purchase of government bonds. Also, minimized the burden of negative interest rates on financial institutions.

### Proportion of the balance of JGBs held by the BOJ out of the total issue amount<sup>1</sup>



### The three-tier system of BOJ current accounts



1. Created by MHRI based on disclosed information from the Bank of Japan.  
2. Hypothetical amount assuming arbitrage transactions between financial institutions.

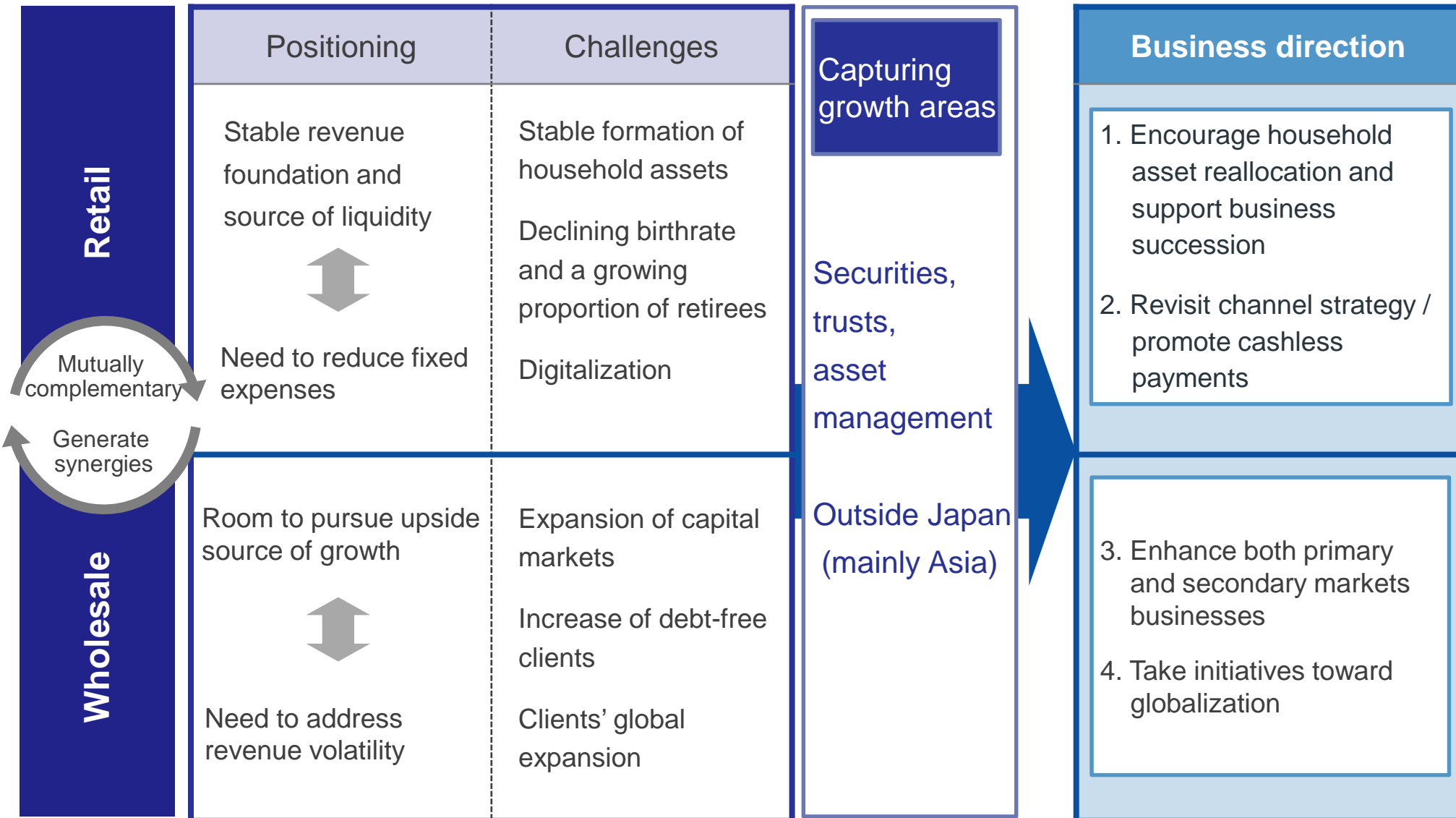
1. Financial results – Executive Summary

2. Economic environment

**3. Direction of Mizuho's business transformation**

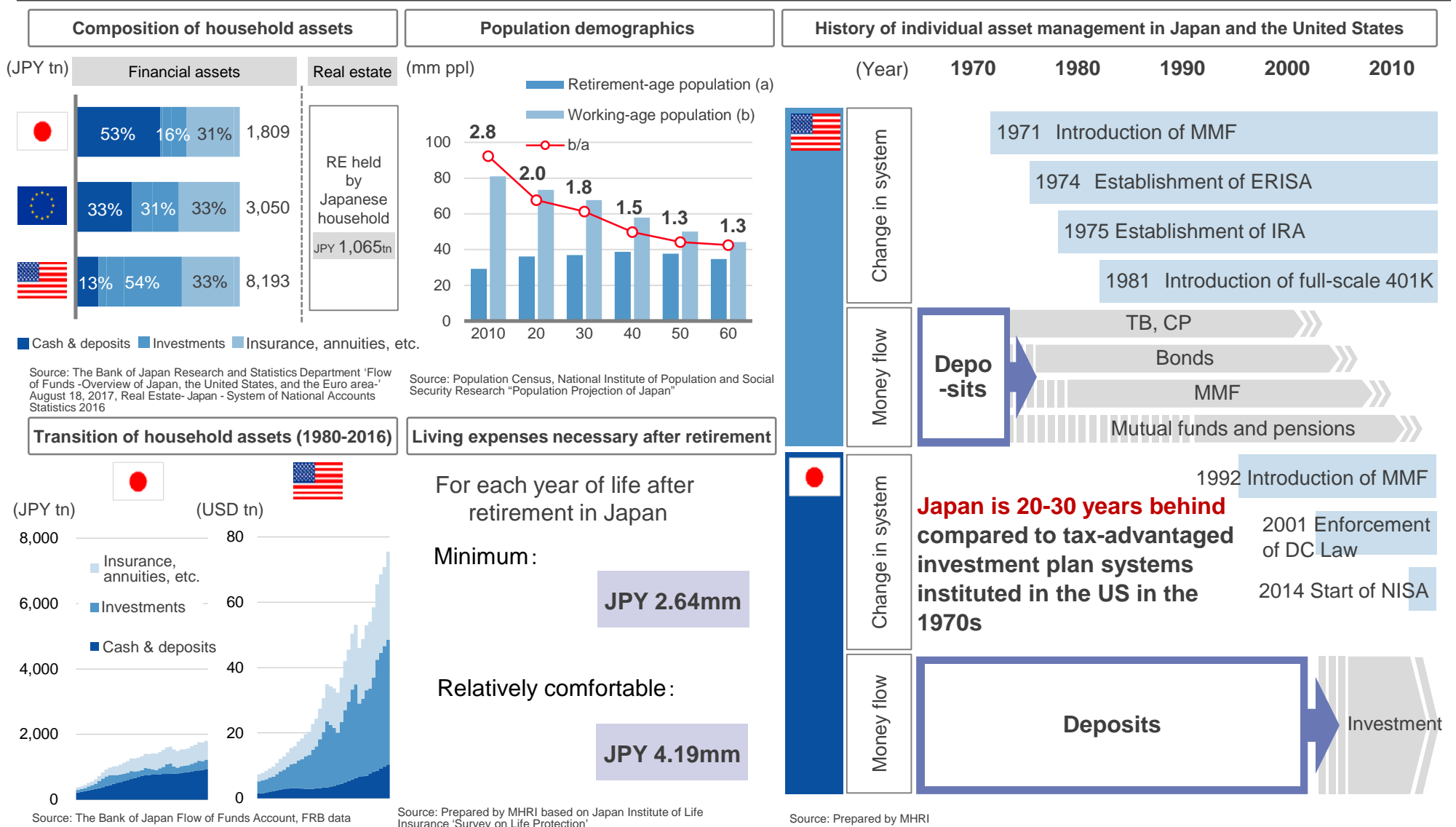
4. In closing

# The business portfolio and business direction we are pursuing



# 1. Retail segment - Encouraging household asset reallocation -

## The environment surrounding household assets in Japan



# 1. Retail segment - Encouraging household asset reallocation -

## Mizuho's presence

### Retail foundations

Mar 2018



#### Retail deposits

**JPY 42tn**

BK+TB

#### Retail AUM

**JPY 22tn**

BK+TB: 7tn SC: 15tn

### AM and product development foundations



Size



Largest AUM in Japan

AM capabilities



Largest AUM from GPIF

Products



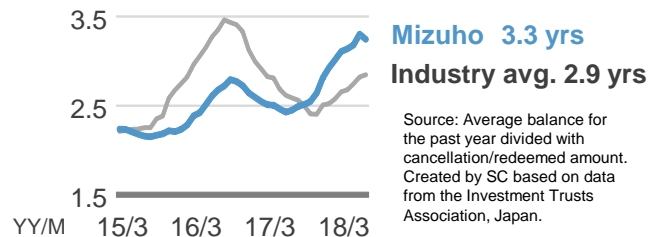
2<sup>nd</sup> in brand power and customer satisfaction

Source: AM capabilities - GPIF website  
 Products - Nikkin Fund Information AM Company Brand Power Survey (12th) Banks Sector Overall Ranking  
 R&I Fund Information AM Company Satisfactory Survey (11th) Overall Evaluation

### Commitment to meet customers' needs

#### Announced Policies Regarding Fiduciary Duties (Feb. 16)

e.g., Avg. yrs investment trusts held by customers



## Business direction

### ■ Wealth formation / asset management

- Utilize Mizuho Bank's customer base
- Shift focus from consulting services for individuals with disposable income to invest (investment product sales) to consulting services on investment planning for the future (wealth formation / asset management)

### ■ Leverage our strength as one of the Mega financial institutions in Japan

- Business approach utilizing our trust bank's functions (e.g., business succession)
- Promote retail customers' shift away from deposits to investments
- Take an approach that focuses on the younger generation (e.g., Mizuho corporate clients' employees)

#### 2028 forecast (vs. 2015)

Total household financial assets

**JPY +280tn**

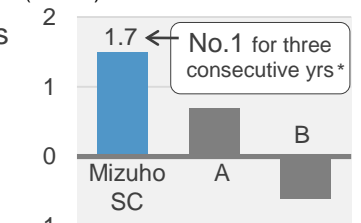
o/w belong to high net-worth

**JPY +160tn**

Source: Estimated by MHRI and SC. High net-worth are households with over JPY 100mm net financial assets

#### Net inflow of client assets

(JPY tn) FY17 results



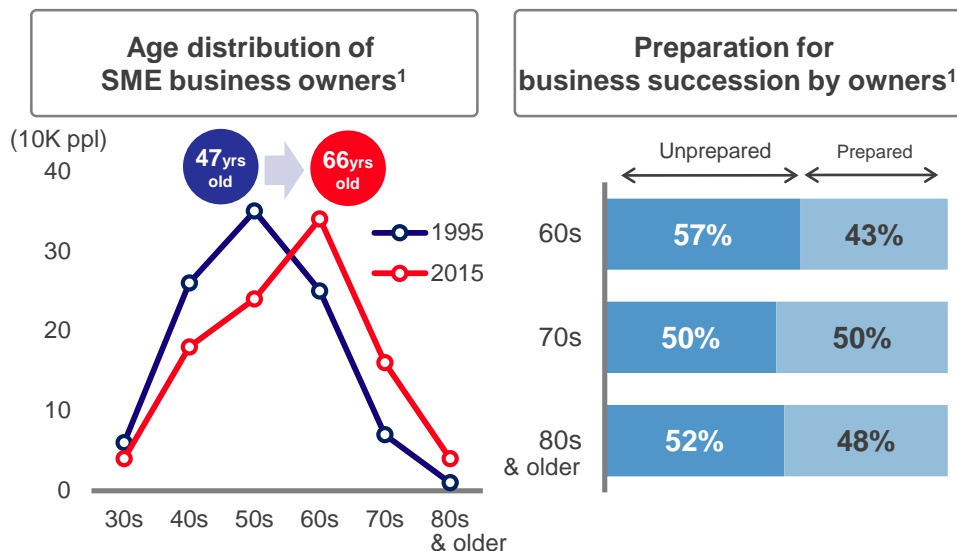
## Mizuho's challenges

- Earn the trust of retail customers as a medium-to long-term partner
  - Need medium- to long-term business strategies to match
- Support the improvement of retail customer investment literacy



# 1. Retail segment - Supporting business succession -

## Environment surrounding baby boomer business owners



2.45mm SME business owners will become 70 or older within 10 years. Approximately half have not decided their successors.

## Changes in taxation system in FY2018

### Direction of succession

Inside the Co.  
Succession to relatives  
Succession to executives and/or employees

Outside the Co.  
M&A and others

### Changes in taxation system in FY2018

Establishment of specific measures of Business Succession Taxation System (Limited period of 10 years)

Reducing the tax when reorganizing and integrating business (registration tax, real-estate acquisition tax)

1. Source: The Small and Medium Enterprise Agency, Business Succession Guidelines

## Business direction

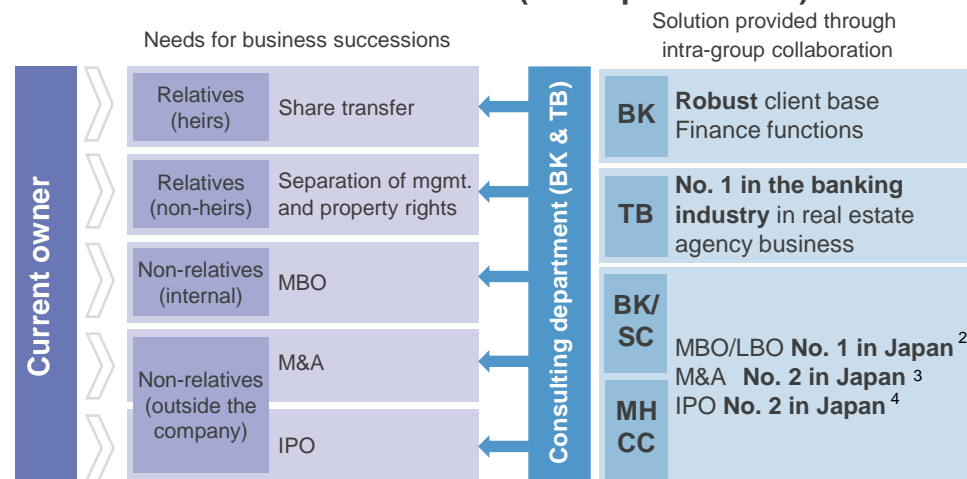
### Utilizing Mizuho's strengths

Providing and achieving solutions through BK/TB/SC **one-stop services** from the beginning to the end of the process

Consulting system

Strong capabilities in products

### Business succession solutions (conceptualization)



2. FY17. Based on internal management 3. FY17. Based on number of deals. Any Japanese related deals (excl. real estate deals) Source: Thomson Reuters 4. Incl. Joint lead managers. Excl. REIT, global offering transactions. Source: CAPITAL EYE

## Mizuho's challenges

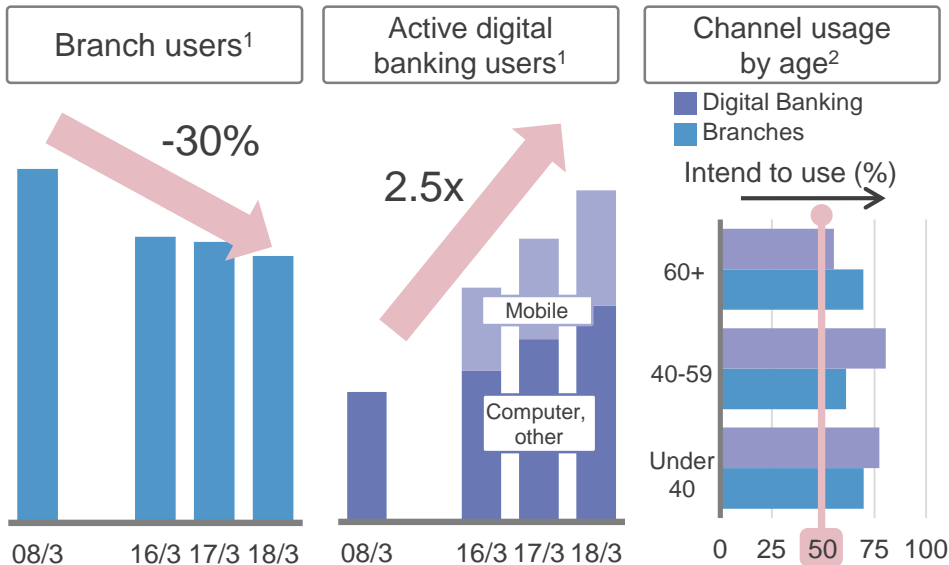
- Improving our ability to provide solutions by further strengthening group-wide collaboration

# 2. Retail segment - Channel transformation -

## Mizuho's retail network

BK individual customers	24mn		One out of every five Japanese citizens
ATMs	700		No.1 among megabanks
Locations in Japan	500		Largest bank, trust, and securities network among megabanks

## Changes in consumer channel usage



1. Based on Mizuho's group customer base. For the month of March only.  
 2. Based on the Better Banking Services Survey published by the Japanese Bankers Association

## Business direction

- With all financial transactions shifting to digital banking, we will fundamentally transform both face-to-face and digital channels

Face-to-face channels

- Digitalization, reduction, and optimization of all branches / offices
- Improve added value by strengthening bank, trust, and securities collaboration within the group



Strengthen face-to-face channels as **financial consulting** destinations

One-stop consulting services on a banking, trust, and securities integrated basis

Integrated Branch (image)



Present status

Percentage of integrated branches **approx. 40%**

By 2020

By utilizing remote technology expand **nation wide to all offices**

Digital channels

- Utilize FinTech, artificial intelligence, and external alliances
- All banking, trust, and securities services completed via the internet



By **strategically allocating corporate resources**, transform payment services and improve customer services

Financial management

Savings / investments

Lending



## Mizuho's challenges

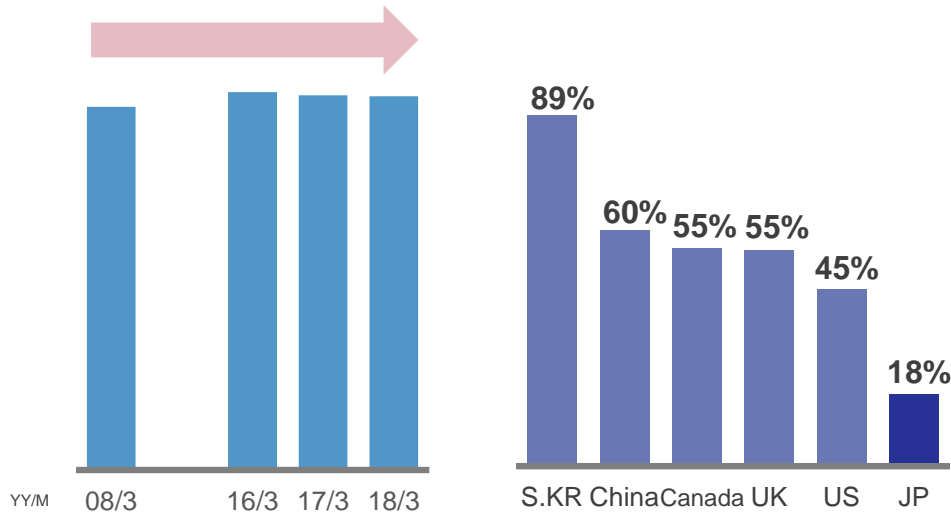
- Re-distribute corporate resources
  - Optimize and enhance existing channels
  - Invest corporate resources in new growth areas

# 2. Retail segment - Restructuring of our payments business -

## Low cashless payments rate in Japan

Customers using ATMs<sup>1</sup>

Cashless payments rate in other countries<sup>2</sup>



1. Mizuho group customer basis. Data is for the month of March only.  
 2. Data from "Cashless Vision", Japan's Ministry of Economy, Trade and Industry

## Business direction

### Restructuring our digital channels and payments business Improvement in customer service

#### QR code-based payments

#### Running two proof of concept projects

- From Jun. 2018: Tomioka, Iwaki and other cities/towns in Fukushima
- From Sep. 2018: City of Kitakyushu in Fukuoka

#### Mizuho Wallet

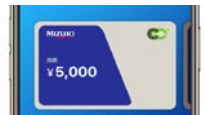
#### From Mar. 2018 - Android

- Debit card available smartphone app
- Immediate debit simply by holding a smartphone over the reader
- Immediate registration and immediate use available



#### From Aug. 2018 - iOS

- e-money that doesn't require a card to be issued
- Mizuho Suica



#### Mizuho Business Debit

#### From Jan. 2018

- Business debit card for SMEs and the self-employed
- Instant settlements
- Shift to cashless and paperless business



## Economic effects due to cashless payments

### Financial industry

- Reduction in cost of managing ATM network
- Reduction in operation and fixed costs in branches managing cash

-JPY 1tn

### Retail and food service industries

- Reduction in personnel expenses

- JPY 3tn

## Mizuho's challenges

- Resolve issues in promoting cashless payments
  - Improving convenience for users
  - Making society as a whole more efficient by revising the cost structure
- Support the creation of new industries by utilizing data

# 3. Wholesale segment - Enhance markets business -

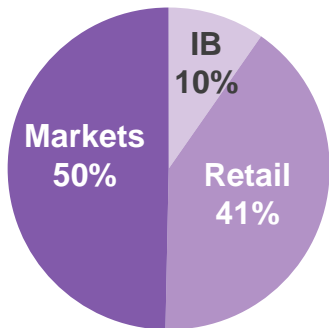
## Market size

	Japan		U.S.	
	Bonds	Stocks	Bonds	Stocks
<b>Secondary markets</b> (trade amounts)	JPY 1,200tn	JPY 660tn	USD 140tn	USD 68tn
<b>Primary markets</b> (total issue amounts)	JPY 15tn	JPY 4tn	USD 2tn	USD 0.2tn

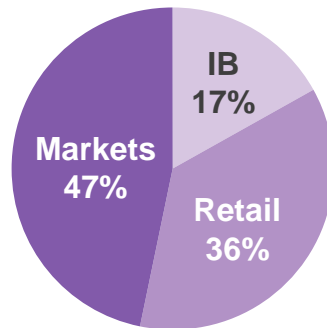
Source: Japan – FY16, Japan Securities Dealers Association, Japan Exchange Group, I-N Information System, Thomson Reuters, the U.S. – FY16, Securities Industry and Financial Markets Association

## Profit by business (JPN securities companies)

### Major Securities Companies\*

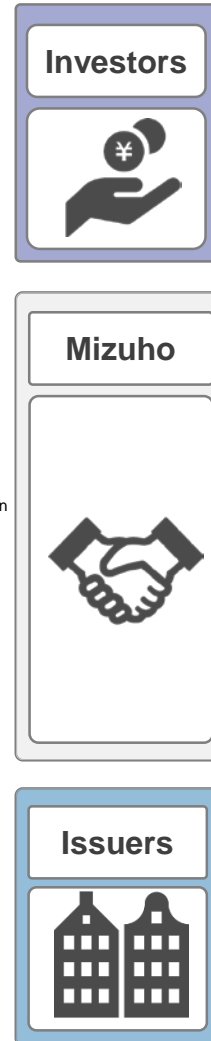


### Mizuho SC



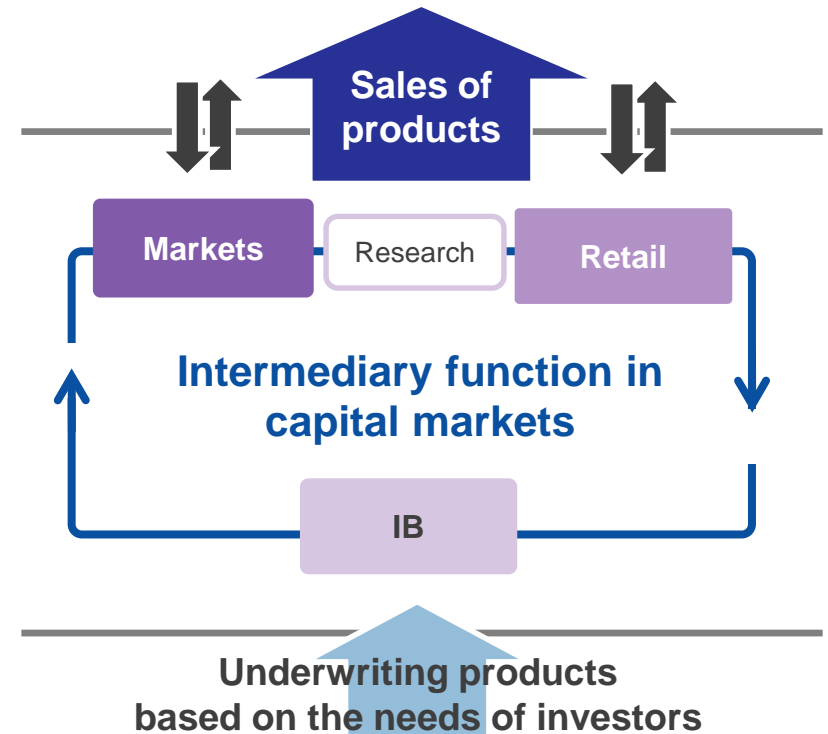
FY15-17 results.  
\* Prepared by Mizuho based on the financial disclosure of Nomura and Daiwa. Operating Revenues or Net Revenues basis (exclude asset management, proprietary, and other businesses)

## Business direction



Institutional Investors  
outside/inside Japan

Retail Investors  
in Japan



Issuers outside/inside Japan

# 3. Wholesale segment - Enhance markets business -

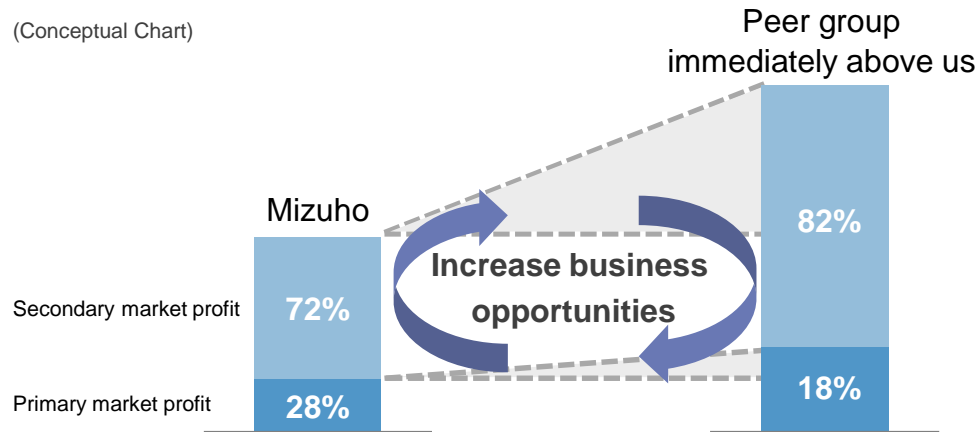
## Opportunities centered on markets business

Mizuho's presence in each market				
	DCM - Japan	DCM - US	ECM - Japan	ABS - Japan
Primary	1st	10th	4th	1st
	Yen bonds	Non-yen bonds	JPN equities	JGBs
Secondary	4th	12th	2nd	2nd

Source: [Primary] DCM-Japan: Total Japan publicly offered bonds (FY17/Q1), I-N Information Systems, underwriting amount basis. DCM-US (FY17) Dealogic, IG or above corporate bonds with an issuance amount more than USD 250mm. ECM Japan - Total equity underwriting worldwide (FY17), Thomson Reuters, underwriting amount basis. ABS Japan - ABS lead manager (FY17) Thomson Reuters, deal amount basis. [Secondary] Based on the research outcome of Greenwich Associates' Yen Bond Investors - Japan 2017, Nonyen Bond Investors - Japan 2017 and Japanese Institutional Investors - Japanese Shares 2017. Mizuho Securities market share and ranking in Yen Bond, Nonyen Bond studies is based on evaluations by Japan-based institutional investors. Mizuho Securities' market share and ranking in Japanese equity is based on evaluations by Japan domestic investors as well as foreign investors based in Japan and offshore Asia.

## Profit comparison with peer group immediately above us

(Conceptual Chart)



Source: Coalition FY17 analysis. Results are based upon Mizuho's internal business structure. Peer group: BNP Paribas, HSBC, Nomura, SG, UBS

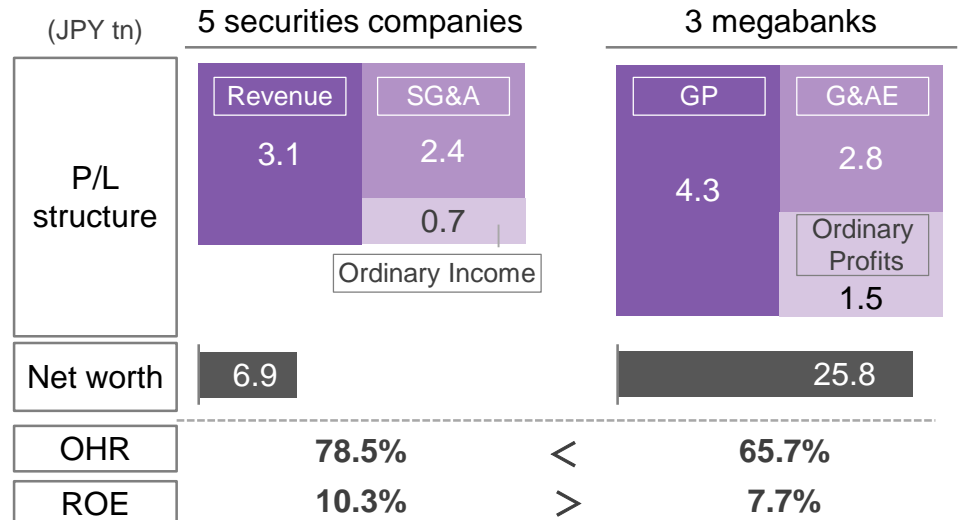
## Mizuho's challenges

### ■ Enhance market literacy to capture more business

- Primary business / Secondary business
- Capital raising needs / Investment needs
- Industry knowledge / Market knowledge
- Risk distribution / Intermediary functions

### ■ Form a resilient business portfolio with careful consideration of business characteristics

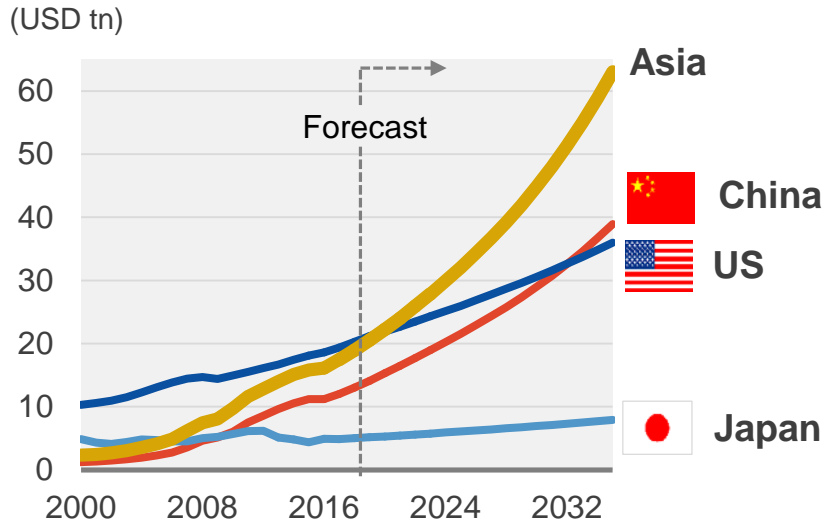
- Balance among capital, profit volatility, and costs



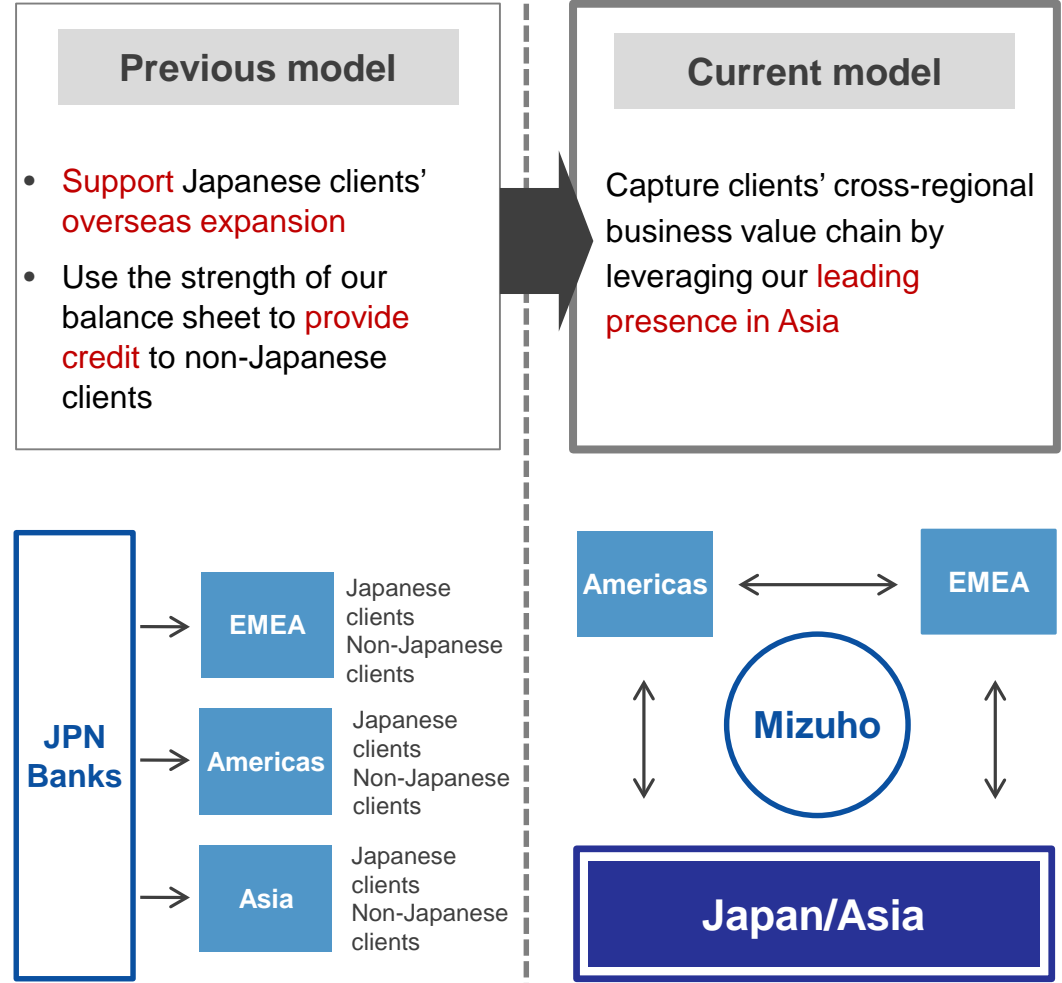
Source: Prepared by Mizuho based on each company's disclosures. Securities companies are on a consolidated basis, megabanks are on a non-consolidated basis.

# 4. Wholesale segment - Address clients' globalization efforts -

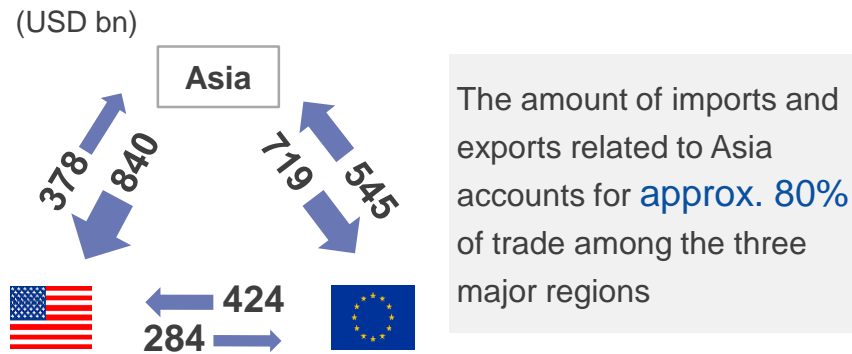
## GDP forecast (2000-2035)



## Business direction



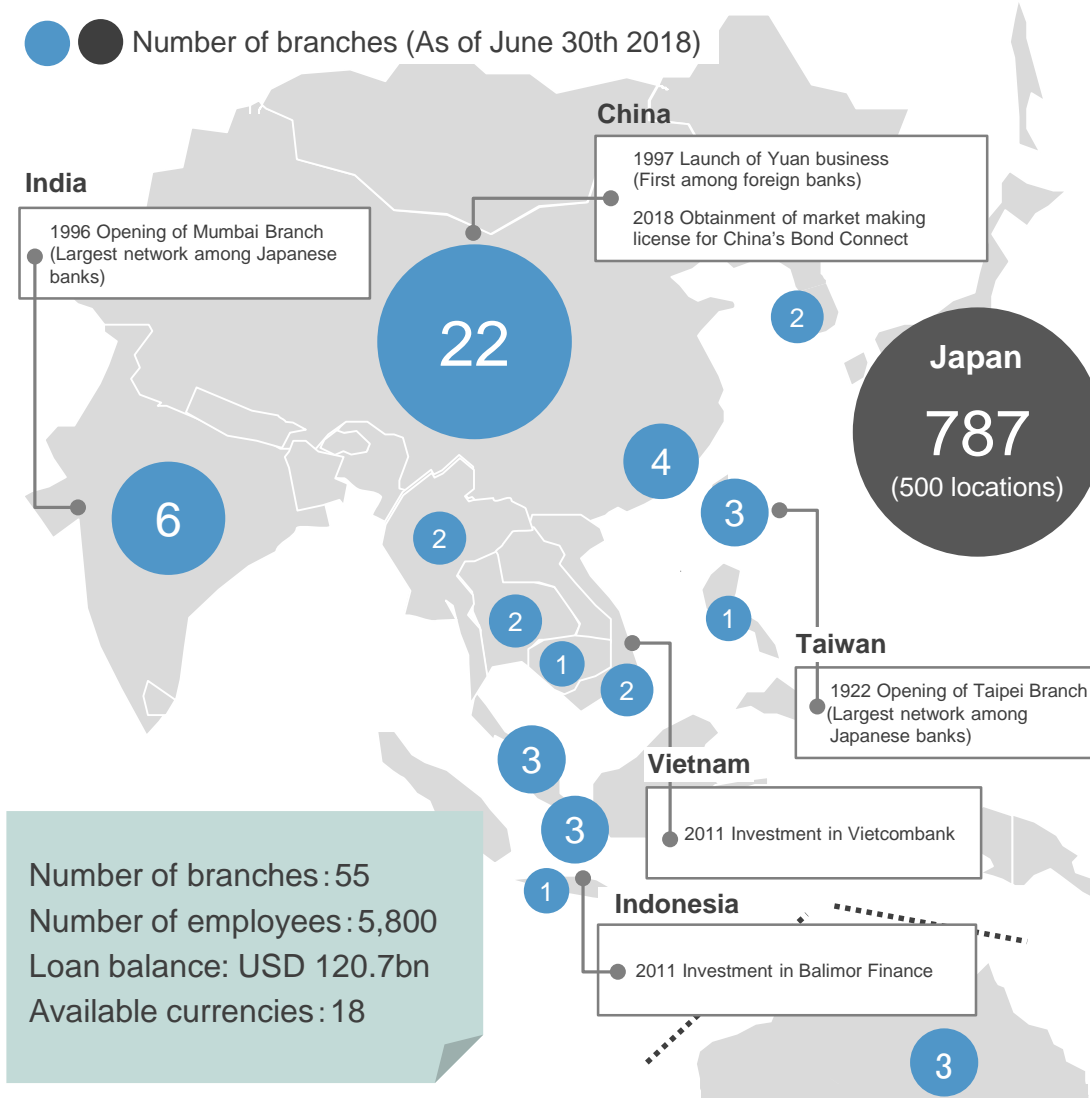
## Trade among major regions (2017)



Source: Created by MHRI using IMF data. Europe stands for the EU and Asia stands for RCEP

# 4. Wholesale segment - Address clients' globalization efforts -

## Footprint in Asia



## Achievements in Asia

**THE ASIAN BANKER** The Asian Banker, **Transaction Banking Awards** 2018, The Most Improved Transaction Bank in Asia Pacific

**GTR 2018 Leaders in Trade** Global Trade Review, **Leaders in Trade** 2018, Best Trade Finance Bank in East Asia & the Pacific

**#3** Thomson Reuters, **Asia Loans Bookrunners** 2017, ex-Japan, ex-Australia

## Mizuho's challenges

- **Become an Asian partner with multinational corporation and investors**
  - Improve added value in Asia utilizing our foundation in Japan
  - Strengthen our network and relationships with Asian corporations and investors

**1. Financial results – Executive Summary**

**2. Economic environment**

**3. Direction of Mizuho's business transformation**

**4. In closing**



**Establishing a stronger and more resilient financial group which our customers can depend on** in the coming era

Cultivating a resilient business portfolio

Implementing fundamental structural reforms

Contributing to the sustainable development of society

Pursuing effective corporate governance

Transforming our corporate culture