1. Retail & Business Banking Company

P5 Outline of the 5-Year Business Plan

Our basic policy under the 5-Year Business Plan is to transition to a more stable revenue base through channel optimization and expansion into new business areas in line with changes in the world around us. With this in mind, our key strategy is to build an optimal channel network, strengthen face-to-face consulting as well as digital services, expand into new business areas, and create a new business culture. As for our revenue plan, in FY2018 our Net Business Profits were JPY 9.5B and by reducing expenses by JPY 130B and increasing Gross Profits by JPY 20B, we aim to achieve Net Business Profits of JPY 160B by FY2023.

P6 Earnings plan overview

The breakdown of the reduction of approximately JPY 130B in expenses is JPY 55B in personnel expenses, JPY 43B in IT system expenses, JPY 10B in office expenses, and JPY 16B in other expenses such as affiliate company-related expenses. The breakdown of the increase of approximately JPY 20B in Gross Profits is a JPY 54B decrease in Net Interest Income, which is offset by increases of JPY 27B in retail AM business, JPY 23B in corporate solutions, and JPY 30B in new business. We will continue to reduce our staff numbers and restructure our domestic retail network.

P7 Build an optimal channel network

Our customers' needs are changing in line with a number of factors such as diversifying lifestyles, digitalization, and increasing need for asset formation and business succession in preparation for an age of longevity. To respond to these changes, we must revise our network which is dependent on staffed locations, reducing the number of locations by approximately 130 by FY2024, and completing 80% of this reduction by FY2021. Of course as part of this, we must ensure that customers can complete all routine transactions such as deposits and payments digitally. This will shift branches' primary purpose to that of a space for consulting. Back office operations will shift to straight-though-processing (STP) by connecting tablets to our new accounting system, enabling us to shift branches to an "operationless" and paperless model. Functions for which STP is challenging will instead be consolidated at an Operations Center.

P8 Retail asset management, business succession

We will draw on our strength of collaboration among BK, TB, and SC, including 195 joint branches where these entities are under the same roof, in order to shift our sales capacity to markets with high revenue potential, including the top tier of customers within our core customer segment, providing tailored services. Also, we will focus on assisting customers to expand their investment portfolio balance by helping them to define their life planning goals. Through these efforts, we expect to achieve JPY +27B in Gross Profits, including an increase of JPY 20B in stable revenue.

P9 Corporate solutions 1

In the field of corporate solutions as well, we will shift sales capacity to markets with high revenue potential. We will focus our sales capacity on clients using Mizuho primarily as well as those with the potential to use Mizuho primarily, providing these clients with solutions through group-wide collaboration. We will aim to increase the number of clients for whom Mizuho is the primary financial institution by 5,000 and increase Gross Profits by JPY 23B. Also, we estimate that the profit margin will stop declining around three years from now.

P10 Corporate solutions 2

As for our initiatives regarding startups, around 2,500 companies are members of M's Salon, our support program for startups, and we provide a range of services, including business matching with large companies, through this program. Until now we have mostly been focusing on startups in the middle stage of growth, but going forward we will enhance our support for later stage startups with the aim of producing unicorn startups.

For the corporate market as well, we are working on establishing a business model where all transactions can be conducted through digital channels. We will strengthen our approach through digital channels to the approx. 700,000 SMEs and middle market firms with whom we do not currently have credit transactions from among the 800,000 clients we have in this segment.

P11 Expand into new business domains

With smartphones now a staple of people's lifestyles, they are also the best channel for building customer engagement, and therefore we will work to enhance the customer experience through our mobile services and apps. Based on an "Open & Connected" approach, we will utilize new financial platforms and digital technology to provide a range of products and services in addition to using the data we accumulate through this in order to expand into the data business in the future.

P12 Creating a new business culture

We are aiming to foster a culture where all employees are focused on our customers. To do this, we will adopt an evaluation system based on customer satisfaction, aiming to establish a stable revenue base. RBC is key to addressing the structural issues that Mizuho is facing and these efforts will support Mizuho's overall structural reforms.

Q: What is your strategy for increasing revenue related to SMEs?

A: We will enhance face-to-face consulting in order to respond to the consulting needs of our SME clients. At the same time, we will utilize digital channels in order to approach SMEs that we could not before. For example, increasing transactions by promoting convenient online lending targeting SMEs (conveniences include no need for clients to provide financial statements and the ability to receive financing in as few as 2 business days after applying for a credit screening).

Q: How will you achieve the business culture reforms?

A: We will create a business culture that is focused on customer satisfaction. To do this we will incorporate customer satisfaction into the evaluation system. In the first half of FY2019 we will communicate with the frontline offices directly regarding these efforts and aim to increase awareness.

Q: What are Mizuho's strengths and weaknesses in the wealth management field?

A: Our strength is our ability to respond to customers' needs through BK/TB/SC collaboration, which we have enhanced through many years of experience and the accumulation of a strong track record. As for weaknesses, I think there is room to further strengthen our ability to respond to the needs of high net-worth customers through making the best use of our local securities subsidiary in Singapore.

Q: What is your approach to the credit card field?

A: Our credit card business is very important from the perspective of responding to the shift to cashless payments, and also has the potential to be a key pillar of our data business in the future. We are considering a number of possibilities for the future in terms of collaboration with Orient Corporation/UC Card which is under the Mizuho group umbrella.

2. Corporate & Institutional Company

P14 FY2018 results review

We achieved our fiscal targets for FY2018. We achieved a significant increase YoY in Gross Profits, Net Business Profits, and Net Income. Despite the continuation of negative interest rates, we saw a recovery in Net Interest Income. Our revenue structure is becoming more well-balanced with stable revenue sources accounting for 65%. This can be considered as the result of strengthening our group-wide collaboration and pursuing value chain business whereby a single deal leads to the capture of multiple transactions. We ranked first in the league tables for DCM, real estate, and share of underwriting subordinated bonds. Although there is still room for improvement in ECM and M&A, when excluding certain ultra-large scale deals, we ranked approx. 3rd in M&A. We will continue to make efforts focused on large-scale deals in the US and Europe, similar to our collaboration with Perella Weinberg Partners in February. As for reducing cross-shareholdings, we achieved our target under the previous medium-term business plan when including future sales already agreed upon.

P15 Outline of the 5-Year Business Plan

The structural issues that CIC faces include limited room for growth in our existing business areas, primarily in Japan, a portfolio linked to the credit cycle, the fact that cross-shareholding accounts for most of CIC's internal risk capital, and the need to both strengthen risk management and develop personnel in order to support a new business model. Under the new business plan, we will free up internal risk capital through the sale of cross-shareholdings and also draw on CIC's strengths (industry insight, sector knowledge, group-wide collaboration, and client base) in order to strengthen areas such as investment and leasing. In addition to building new partnerships with clients, replacing cross-shareholdings, we will restructure our business portfolio. As for our revenue plan, while we will temporarily see a decline in FY2019 due to IT system amortization and other factors, after that we will aim to achieve growth and maintain ROE in the 11-12% range. Also, we will aim to reduce cross-shareholdings by JPY 300B over three years and continue reducing them thereafter.

P16 Revenue plan roadmap/reallocation of corporate resources

In terms of our revenue plan, although we expect reduced dividends due to the sale of cross-shareholdings, through growth in areas such as strategic investment and leasing, as well as advancing our current business areas, we will aim to increase revenue by JPY 35B. As for the reallocation of corporate resources, we will shift the risk capital freed up through the sale of cross-shareholdings into growth areas. In terms of staffing, we will reduce the number of staff in existing business areas by 270 and newly allocate 70 staff members to new business areas. We plan for a net reduction in staff of 200.

P17 Equity/mezzanine investment strategy

We will use the capital freed up through the sale of cross-shareholdings in order to respond to clients' needs regarding increasing ROE and sharing business risk. Through equity/mezzanine investment, we can obtain information at a relatively early stage which will enhance our ability to make credit decisions and conduct risk management. We believe our investment plan is achievable when taking into consideration our current accumulation of a pipeline of around JPY 750B. Specific examples include a recent acquisition finance deal where Mizuho acted as the senior lender for an LBO and also made a mezzanine investment. Also, in order to take advantage of growth areas in Asia, starting in FY2018 we began offering a second series of the PE fund we launched in 2013 which has produced a solid return/results.

P18 Leasing strategies

As a new business domain, in February we announced the launch of a lease financing business in partnership between Mizuho Leasing, Mizuho, and Marubeni. As for our leasing business, we will work to strengthen our subscription model and our asset finance business outside Japan with the aim of achieving JPY 30B in Profit by FY2023.

P19 Efforts to transform our business model

Through Mizuho's platform, with equity as one of our strengths, we will utilize aggregated data and connect a range of stakeholders/partners as "seeds" in order to promote business origination. While generating revenue is important, of course, our goal is also to address social issues in order to contribute to the growth of the Japanese economy. For example, we will provide solutions in areas connected to the "mobility revolution" and inbound investment/tourism. Currently, we have accumulated more deals in the pipeline than during the same period in the previous fiscal year. We rank first in DCM, but need to catch up in the other areas we identified as KPIs. Our loan balance has increased since April and although the spread is trending downward, we were able to maintain a steady spread overall due to the various initiatives we have implemented.

Q: What is the current status of your efforts to reduce cross-shareholdings?

A: Although we are starting to reach the most difficult stage of reducing cross-shareholdings, from last year onward we have had cases where clients have actively approached us to negotiate the sale of cross-shareholdings. We will continue to negotiate with clients considerately and make every effort to gain their understanding.

Q: In your revenue plan roadmap, you estimate that revenue in existing business areas will remain relatively flat. Why is that?

The results for FY2018 include multiple large-scale deals, and from FY2019 onward the impact of IT system amortization will be substantial. However, these estimates do not include potential large-scale deals in the pipeline, and therefore there is some growth potential.

Q: Why are you estimating a decline in ROE despite growth in Net Business Profits?

A: Although we estimate a decline in Net Business Profits directly after FY2018 because multiple large-scale deals were included in results that year, we believe we can reverse this decline in later years and achieve growth. However, we estimate ROE will decrease due to an increase in credit-related costs and a decrease in profits from the sale of cross-shareholdings. The denominator of the equation, internal risk capital, is estimated to decrease due to the sale of cross-shareholdings, but overall ROE is estimated to decline.

Q: What is your approach to expanding into the leasing business?

A: In addition to expanding our current business through Mizuho Leasing, we will aim to achieve synergy effects through collaboration between Mizuho Leasing, Mizuho, and Marubeni, and believe there is high probability that we will be able to achieve our profit target of JPY 30B by FY2023.

3. Global Corporate Company

P21 FY2018 performance

In FY2018, Net Business Profits increased significantly, +87% YoY. In addition to strong growth in lending and fees income, growth in transaction banking was also a factor. While growing our loan balance, we continued to cover over 70% of lending with sticky client deposits. With an awareness of the high risk of foreign currency liquidity, we implemented careful balance sheet control through stress tests and other means. As for transaction banking, we achieved very strong growth, +30% YoY. Factors behind this increase include Fed rate hikes and our efforts in the areas of capital accounts and capital flows. Additionally, we were able to maintain expenses at around the same level as the previous fiscal year. This was possible through right-sizing efforts such as optimizing headcount outside Japan and consolidating internal control and operations within each country.

P22 Outline of the 5-Year Business Plan

The challenges that GCC faces based on the business environment are revising our business structure under new Basel requirements, maintaining/controlling stable foreign currency liquidity, and shifting to a more robust earnings structure. Additionally, we are working to upgrade our system infrastructure outside Japan, and making up for this increase in costs will be a considerable challenge. Based on these factors, our basic policy is: In capturing both trade flows and capital flows within the global value chain, we will strengthen our stable profit base as well as pursue upside potential in growth areas where we can leverage our strengths, such as transaction banking. As for our KPIs under the previous medium-term business plan, we were unable to achieve our target for Non-interest Income ex-Japan, but significantly exceeded our targets in the areas of US DCM League Table and Non-JPY deposits. Our new targets are to increase CAGR for Net Business Profits by 5.6% by FY2021 and then increase it by an additional 7.0% between FY2021 and FY2023.

P23 Key strategies under the 5-Year Business Plan

We have three specific key strategies. Firstly, we will pursue stronger relationships with Japanese companies operating outside Japan as well as expand further into business areas relevant to non-Japanese companies, all while maintaining our current risk appetite. Additionally, we will pursue growth in new areas, such as enhancing our transaction banking capabilities in Asia and capturing the “depth” of capital markets in North America. And lastly, cost control. We will reduce legacy costs and reduce unprofitable business and assets, freeing up capital and reallocating it to new business areas. We will continue to practice disciplined balance sheet control by monitoring foreign currency liquidity through stress tests.

P24 Key strategies: Capturing growth in Asia

By advancing our transaction banking business in Asia, we received a number of awards as listed here. We were recognized for our product development capabilities and use of technology, as well as our presence in the Mekong region, an area gaining attention for its high GDP growth rate. In addition to our global network, strong client base, and transaction banking platform, we will work to further strengthen our capacity in 5 areas. We will also make necessary IT system investments. Through these efforts, we will aim to increase Gross Profits in Asian transaction banking, achieving +7.8% CAGR by FY2023 and +9.6% by FY2028.

P25 Key strategies: Capturing the US capital market "depth"

After obtaining FHC status in 2006, we established and advanced a BK-SC collaboration model. In 2015 we expanded our presence in IG DCM, with around 78% of companies in the top 200 of the IG DCM league tables being Mizuho clients, Mizuho ranks 4th in the league table for this segment. Going forward we will continue to pursue this as a stable business domain. As you can see on the pie chart on the right, the non-IG fee pool is 3 times the scale of that for IG, and therefore this is a new area we will pursue.

In terms of non-IG, it is crucial that we conduct credit analysis at an early stage, follow up with monitoring and early warning indicator management, determine the best timing for an exit when necessary, and conduct speedy dispositions. We will continue to acquire the necessary talent internally and externally, and manage this process. Under our revenue plan for US capital markets, we will aim to achieve +8.4% CAGR by FY2023.

P26 Key strategies: Cost structure reform, selection and focus

We are already implementing full-scale cost structure reforms, and going forward we will expand our performance-based remuneration system and accelerate the shift from fixed to variable costs in order to enhance resilience against top-line volatility. For fixed costs that are difficult to change to variable costs, such as the amortization of IT systems used outside Japan, we will consolidate operations on a cross-border, global basis. As for selecting and focusing within our business portfolio, we will consider profitability and sustainability (in terms of controlling the deposit-loan margin for non-JPY currencies) on a per client, per product, and per-region basis. We will restructure our business portfolio and allocate the resources freed up through this process towards new business domains.

Q: What is Mizuho's positioning in non-IG? Is there potential for inorganic growth strategies?

In terms of our positioning in non-IG, there are many indicators to consider so I cannot say conclusively, but as a general image I can say we are ranked around 20 - 30th in US LCM. In DCM I think we are around 15th or so. Within our revenue plan leading up to FY2023, we are assuming growth through organic means. In light of our current share, I believe there is plenty of room for growth.

Q: Will changes in the Fed rate impact your revenue plan?

A: Our revenue plan is based on the Fed rate as of the end of December 2018. In theory, GCC revenue would increase in the event of a rate hike. On the other hand, a decrease in the rate would lead to weaker deposit margins, which could negatively impact revenue. As countermeasures, we could work to increase the number of clients with deposits and/or increase revenue from other business areas. In any case, we will seek to maximize a range of earning opportunities while considering changes in the external environment.

Q: What are your views on the global credit cycle? (Any risk factors or areas of concern?)

A: Our greatest concern is the impact of US-China trade conflict. How will our clients' supply chains and trade flows change? It is important that we identify cases where it may be difficult to react to trade flow changes immediately. Also, there are concerns regarding the manifestation of geopolitical risk in the Middle East, the impact on the real economy of a No Deal Brexit, and other such situations.

Q: What is the status of stress tests regarding sticky client deposits?

A: For each funding method, including deposits, we utilize historical data and conduct a simulation of the maximum potential outflow for each 3-month period. We ensure that we can maintain a certain level of liquidity based on a range of liquidity measures applicable in stress situations. Our non-JPY currency lending targets are managed to restrict the amount of lending within the scope permissible under this stress test.

4. Global Markets Company

P28 Outline of the 5-Year Business Plan

In sales & trading, it continues to be challenging to increase revenue in the current environment, and without a certain degree of expense control, it isn't possible to produce a bottom line. We have implemented a number of measures, including investments aimed at future growth, resulting in a strong client base which we expect to generate a profit in FY2019 and onward. As for our KPIs under the previous medium-term business plan, in FY2018 we were unable to achieve our target for sales & trading related revenue. However, revenue is steadily increasing compared to past years, due to our efforts to capture foreign exchange flows and other transaction banking related business. In terms of banking, we restructured our ex-Japan bond portfolio to increase soundness in light of negative carry bonds in FY2018. That said, the status of unrealized gains/losses in our portfolio is not sufficient and in the first 3 years of our new business plan we will work to improve in this respect. We plan to increase recorded revenue a certain degree at the stage when we have secured a certain level of unrealized gains. Our objective is to increase stable revenue sources while also pursuing revenue sources with large upside potential at the right timing based on the market environment.

P30 Initiatives under the 5-Year Business Plan (Sales & Trading)

In terms of sales & trading, we have an excellent reputation with our clients but this has not fully materialized as revenue and is therefore a lingering challenge. Going forward we will focus on our strength, JPY products, and also work to strengthen USD products targeted at global financial institutions and emerging currency forex, primarily in Asia. As for Asia equities, Europe equities, and Europe interest rate derivatives, we will aim to achieve greater flexibility despite limited resources. In terms of equities, we will expand further into derivatives, equity finance, and other such areas as a means of increasing earnings power. Also, considering regulatory compliance requirements, we have promoted BK-SC unified management in derivatives, and going forward we will strengthen global management on a per-product basis. Through these efforts, we can achieve dual effects: improving profitability through transaction flow concentration and reducing costs by optimizing front, middle, and back office functions. We will also make necessary IT system investments.

P31 Initiatives under the 5-Year Business Plan (Banking)

Our basic approach to Banking is to achieve the effects of diversification through flexible asset allocation, enhancing early warning indicator management in order to achieve the best possible allocation at each point in time. Additionally, although we will not always follow the recommendations produced by AI, we will enhance the sophistication of our decision-making process through digitalization. We will narrow down the important points with an eye to expense control.

P32 Initiatives under the 5-Year Business Plan (Futuristic Infrastructure Project)

We have started to make progress on our Futuristic Infrastructure Project. Our approach to building a cloud development factory is outlined on this slide, and this an example of how a more agile approach is gradually producing results. The first “floor” of the factory is occupied by the markets system we have been using for some time, and we must simplify the dozens of system we are currently using through an agile development framework. By completing the migration to our new core banking system, we were able to finish the consolidation of Mizuho Bank’s two legacy markets systems. We plan to complete the migration at Mizuho Trust & Banking in July, consolidating our markets system between BK and TB. We will also work on system consolidation outside Japan, starting with systems already ready for consolidation. We are looking into potential uses of AI and big data in the second and third “floors”. We have already begun this process in S&T. In Banking we are working to build a framework which uses a range of data in early warning indicator management and asset allocation in order to capture future earning opportunities.

P33 Examples of advanced initiatives within the Global Markets Company

We newly established a Credit Management Office in order to consolidate market credit management-related operations. The CVA Office which we established in April 2017 has been reorganized as the XVA Team, in addition to consolidating a range of credit management-related operations for market transactions, including the management of initial margin related to derivatives. We are also utilizing RPA to enhance operational efficiency in both Tokyo and offices outside Japan. After multiple trials, the voice input system we jointly developed with NTT was introduced for practical application at the end of last fiscal year. We are now able to utilize voice input for around 70% of transactions within our Banking operations. Through these initiatives, we have been able to advance our advisory business targeting other financial institutions, primarily regional financial institutions. Mizuho Information & Research Institute is already approaching a range of regional financial institutions with the opportunity for them to purchase the technology we have developed.

Q: What is your thinking regarding the investment of your bond portfolio considering the current outlook for Fed rate cuts?

A: We have already completed the process of restructuring our ex-Japan bond portfolio and therefore could take advantage of the current opportunities resulting from lowering interest rates, to a certain extent. Also, under our 5-Year Business Plan, in the initial one and a half to two years, we are assuming almost no carry from our bond portfolio. Basically we are assuming that no major trend will emerge, and our main scenario calls for investment in bonds, equities, and other securities. However, we are aware that there is potential for the FRB to cut rates, and hypothetically, in the event of a significant rate cut, we would adjust our portfolio to capture carry income, taking advantage of the steep yield curve. In any scenario, we will seek to maintain an overall balance rather than relying primarily on either carry income or capital gains.

Q: What is your S&T strategy in light of the competitive environment with other banks?

A: Our current thinking is to draw on our strengths in order to increase revenue, and so we will focus on fields where we can put our strengths to use. I think there is still room for growth, primarily outside Japan, in areas such as transactions with Japanese clients operating outside Japan and USD products. While it is difficult to take share away from the top banks, we can chip away at the share of lower ranking banks in order to grow both our revenue and our share.

Q: What are the risks that are present in your CLO management?

A: We will aim to gradually increase CLOs in a balanced manner, paying attention to the composition and investment policy. In the case of only AAA rated obligors, the principal was preserved during the 2008 global financial crisis. Therefore, we do not think the principal can be eroded easily, but all the same we are practicing strict early warning indicator management.

Q: How will you maintain a balance between realized gains and unrealized gains/losses?

A: In the 5-Year Business Plan, we refer to “achieving a balance”, to describe our objective of making realized gains smaller than MTM gains/losses, aiming to improve unrealized gains/losses each year. We are working with the Risk Management Group to start operations for controlling downside risk in the event of worsening MTM gains/losses. While aiming to ensure that MTM gains/losses do not suffer too much, we have reached internal consensus to increase realized gains within the scope of that MTM.

5. Asset Management Company

P35 Outline of the 5-Year Business Plan 1

During the period of the previous medium-term business plan, we consolidated the asset management functions of the group, previously split between 3 group companies and 1 division, and launched Asset Management One (AM-One), a major success. About two and a half years have passed since the launch in October 2016, and we have achieved steady results, including increasing the AUM balance for both publically-offered and privately-placed investment trusts, being highly evaluated by customers, and decreasing our expense ratio. The issues we will address going forward are the need to diversify our product lineup and enhance our asset management capabilities in response to changing customer needs, and supporting asset formation. Our KPI under the previous medium-term business plan was to achieve a net increase in AUM of publicly-offered equity investment trusts, and although AUM decreased in FY2018 compared to FY2015, AM-One's share of market asset flow increased.

P36 Outline of the 5-Year Business Plan 2

Our basic policies are to support customers' medium- to long-term asset formation to contribute to active investment in Japan, and to shift to a structure that enables us to achieve the high capital efficiency that AM business is capable of. Our key strategies are to strengthen our investment capabilities and ability to provide solutions, as well as to pursue efficiency and advantages through innovation. Our revenue plan is to increase Gross Profits by JPY 13B in the five years until FY2023. Of that amount, we plan to earn JPY 10B through publically-offered investment trusts, which is one of our areas of focus. By focusing on publically-offered investment trusts, we can encourage retail investors to invest more actively, and our investment capabilities supporting this will be a key driver of our ability to achieve our targets.

P37 The key to achieving our targets: Publically-offered investment trusts 1

Our strength is our asset management services, centered on AM-One. This includes our support for distributors, distributor base in and outside the Mizuho group, and product development capabilities, all of which leads to us being highly evaluated by customers. We will draw on these strengths, advance our asset management services as a means of encouraging retail investors to invest more actively, and therefore increasing AUM. Allow me to introduce each of our strengths and strategies in more detail. Firstly, in terms of our support for distributors, we provide effective support in terms of both quality and quantity. We have the largest investment trust sales team in the industry with 200 members. And as for "soft" support, we provide information through a variety of means, including video content created in-house and a website exclusively for distributors. We are promoting a goal-based approach, where customers are encouraged to identify their objectives for asset formation. From our perspective as the investment company, we provide system tools, training programs regarding sales using a goal-based approach, and other methods of support aligned to the strategy of each distributor.

P38 The key to achieving our targets: Publically-offered investment trusts 2

Our second strength is our distributor base, both in and outside the Mizuho group. We have around 250 distributors of AM-One publically-offered investment trusts, the largest distributor network in Japan. Also, close to 60% of this distributor network are companies outside of the Mizuho group, a strength that sets us apart from other financial institutions. At the same time, AM-One represents a relatively large percentage of the products distributed by Mizuho Bank, showing our strong intra-group collaboration. AM-One's investment capabilities and ability to provide useful information based on the needs of BK, TB, and SC's customer base enables us to respond to the diversification of and changes in customers' needs by drawing on the collective capabilities of the Mizuho group. Our third strength is our product development capabilities. Last fiscal year we introduced the Prime One Series of JPY-denominated principal-protected investment trusts, the first of its kind in Japan. The Prime One Series has grown to a balance of JPY 210B and is currently offered through a total of 65 distributors, drawing much interest in the industry. The Future World Series, a global equity fund, has maintained strong performance, increasing by JPY 400B within the last fiscal year. Going forward, we will continue to develop products which encourage the shift from savings to investment. Based on these strengths and strategies, we will aim to increase AUM by achieving a CAGR double that of the market. We also increased our AUM share by 0.6% in FY2018 and during the period of the 5-Year Business Plan we will aim to rank 2nd in the industry in terms of share, working to achieve an increase of JPY 10B in Gross Profits related to publically-offered investment trusts.

P39 Business structure reforms: Enhancing our asset management capabilities

Another one of our strengths is asset management capabilities which supports pension funds and other institutional investors' asset allocation and asset formation. The Global Risk Factor Parity (GRiPs) strategy, our primary investment strategy, is strong in times of both downward and upward market fluctuations, produces a favorable return, and has led to an increase in balance based on a high valuation. This high quality investment strategy which enables us to respond to the needs of institutional investors is also available for retail investors, which is a key point of differentiation for Mizuho. In the field of alternative investments, AMOAI, which was founded in November 2018, has partnered with Dai-ichi Life Group and BK to launch a global infrastructure debt fund. As investor needs are diversifying, there is a shift from traditional assets to alternative assets, and in addition to providing investment opportunities that meet these needs, we are working to enhance our group financial intermediary functions. Also, although a different kind of strength than our asset management capabilities, we are focusing on ESG and responsible investment as well. AM-One's level of engagement is viewed very favorably by customers. Going forward, we will aim to enhance the corporate value of the companies we invest in through ESG engagement and aim to increase investment returns through ESG integration.

P40 Business structure reforms: Enhancement of pension consulting

In the field of defined benefit pensions and defined contribution corporate pensions, we are focusing on a comprehensive pension consulting approach, integrating BK, TB, and AM-One resources in

order to respond to customer needs. We are using a multi-channel approach for iDeCo, including BK and other partner financial institutions, in order to expand the customer base.

P41 Finance structure reforms and strengthening corporate foundations

In terms of finances, we will work to further improve cost-return. As for Gross Profits, the denominator of the equation, we will aim to maximize the top line, primarily through growth in publically-offered investment trusts. As for expenses, the numerator, we will work to shift non-personnel and personnel expenses to variable expenses in order to create a more robust business structure. We will also slim-down our business by using technology to enhance operational efficiency and outsourcing operations in non-competitive areas. In FY2018 we were able to reduce our expense ratio to below 60% and over the next five years we will aim to reduce it further, to slightly above 50%. As for our HR strategy, we believe that our people are the source of our competitiveness in the asset management business. Our objective is to develop professionals with a high level of expertise, strong sense of mission, and the ability to consistently deliver results. We will take a two-armed approach to digital innovation, strengthening competitive areas of business, such as our asset management capabilities, and improving the efficiency of non-competitive areas of business.

6. Outside director session

5-Year Business Plan

- Since the launch of a new organizational framework last year, Mr. Sakai has truly displayed strong organizational leadership. He has maintained continual dialogue with the business execution line in addition to ensuring sufficient communication with the outside directors throughout the formulation of the new 5-Year Business Plan. The reason that Mizuho has formulated a 5-year plan and announced it publically is to show their idea of what it means for a financial institution to transition to the next generation of financial services, the basic policy that they will adopt in order to achieve this, what must be transformed, and what kind of business results they are seeking to deliver. Mizuho is working to develop a plan for these areas to the maximum extent possible at the current time.
- Firstly, when creating the business plan it was necessary to take into account the one-time loss recorded in the previous fiscal year. This recording of a one-time loss enabled Mizuho to clear away the burden of legacy systems and make a fresh start on the new business plan, providing a launch pad to go on the offensive. By making this move in advance in order to reduce the burden on future fiscal years, Mizuho can reduce revenue volatility and create a more robust, stable revenue base.
- The new business plan is constructed like a two-stage rocket. The first three years is phase 1, where Mizuho will work to create a solid foundation of fundamental earnings power while simultaneously planting the seeds for future growth through the allocation of corporate resources. Then in the final two years of the plan, phase 2, these seeds will bear fruit, providing a portion of revenue. The most crucial element is to ensure a solid foundation of fundamental earnings power during phase 1. Without this, it will not be possible to proceed to phase 2.
- Also, throughout the period of the business plan, it is very important to continually measure and assess business challenges that arise and to respond flexibly to changes in the business environment. If a financial crisis were to occur on the same scale as that of 2008, it is essential to have an effective contingency plan, and although I won't go into details here, I and the other outside directors are confident that Mizuho will be able to maintain a CET1 capital ratio of 8% in such a scenario.
- Although it is not mentioned specifically in the business plan, as part of continued efforts to implement three types of structural reform, Mizuho intends to form a project team which will work to address challenges in the following areas: (1) digitalization, increased efficiency, and domestic retail network reorganization; (2) HR system reform; (3) business and finance structure formation. We will implement viable proposals from this project team as soon as they are available.

Preparing to implement the 5-Year Business Plan

- I would like to mention two points regarding the ways that Mizuho has prepared to implement the 5-Year Business Plan.
- The first point is that changes have been made to the management structure and appointments. A summary of these efforts is available on page 44, and includes changes to

the assignments of executive officers on the business execution line which were made in April 2019. Mizuho assigned current executive officers or other members of senior management to the CEO positions at strategic subsidiaries, reduced the total number of executive officers, and promoted (merit-based selection). Mizuho also proactively recruited and promoted both internal and external talent, aiming to put the right person in the right position on a group-wide basis, in addition to implementing development-focused HR management. Additionally, Mizuho further enhanced group corporate governance by appointing holding company executive officers to serve concurrently as non-executive directors at the three core group companies. Decisions regarding management structure and appointments were made by the Human Resources Review Meeting, which is composed of Mr. Sakai and outside directors, and candidates underwent multi-faceted evaluations, including by external evaluation agencies, in order to identify candidates' capabilities and qualities, and to enable the Meeting to deliberate in depth on appointment proposals and other personnel matters.

- My second point is regarding organizational management based on thorough communication. Mizuho has adopted an in-house company system, which is a customer-focused business platform. In order to achieve organizational management based on thorough communication, it is important that the in-house company system functions as intended, where each in-house company is ultimately responsible for revenue results.

Mission of the outside directors and Audit Committee

- Previously, the Audit Committee put an emphasis on providing as much opportunity as possible for the Board of Directors to comment on important business strategies and policies, but along with the establishment of the 5-Year Business Plan, the emphasis will shift to the monitoring of the execution of the business plan.
- The Audit Committee will focus on areas such as (1) finance, in particular realized gains/losses; (2) monitoring investment plans regarding key human capital; and (3) risk trends that may interfere with Mizuho's ability to achieve business plan objectives. The Audit Committee will work in close collaboration with the Internal Audit Division, Risk Committee, and the Audit and Supervisory Committees of the three core group companies in order to enhance audit effectiveness.
- And as a basic principle, this focus will not be on format, such as rules and procedures, but rather on business and the frontlines. As Mr. Takashi Kawamura, an outside director, previously mentioned, monitoring is not only the duty of the Audit Committee, but rather is the mission and responsibility of all outside directors.

Q: What are the largest issues or challenges faced in achieving the objectives of the 5-Year Business Plan?

A: A strong focus of the plan is structural reforms, including right-sizing Mizuho's domestic retail network and workforce, increasing productivity, etc. and one of the largest challenges will be implementing these reforms smoothly. As customers' financial needs change, a mismatch has

arisen between customer needs and Mizuho's allocation of corporate resources. Mizuho must address this issue directly, working to achieve the intended effects of the in-house company system.

Q: Will it be possible for Mizuho to transition to the next generation of financial services with its current workforce composition?

A: The Nominating Committee, which is composed of outside directors, oversees personnel matters concerning directors, and the Human Resources Review Meeting oversees personnel matters concerning executive officers on the business execution line. These governing bodies have a keen understanding of the status of Mizuho's human capital, and believe that Mizuho is building the best possible workforce. Also, Mizuho is open to hiring employees and appointing executive officers from outside the company as needed.

Q: Are there any concerns about Mizuho's future talent acquisition, including the hiring of new graduates?

A: I think that high quality talent are drawn to employers where they feel a sense of purpose and that they can achieve self-actualization. One of management's most important jobs is to create a work environment where each individual can fully utilize their capabilities and gain a sense of fulfillment and a sense of purpose. A company that fosters this kind of work environment will attract high quality talent.

Q: What kind of discussions were held between the outside directions and Audit Committee regarding the recording of an impairment loss in FY2018?

A: The Audit Committee, including outside directors, discussed this topic in depth. In sessions, including off-site meetings, the Committee thoroughly discussed whether we could rationalize the impairment of the new core banking system, a system which we believed was a truly practical investment. As a result of these discussions, the issue identified was whether we could treat it as a business loss in light of the system being a business asset, and for the portion of the new core banking system attributable to RBC, the Audit Committee confirmed that it would be appropriate to treat it as an impairment loss considering the current economic/financial environment.