

# Mizuho IR Select

## Mizuho Securities Q3 Financial Results and Business Strategy

February 2021

Mizuho Financial Group

**MIZUHO**

The Mizuho logo consists of the word "MIZUHO" in a bold, white, sans-serif font, positioned above a thin, white, curved line that arches under the letters.

## 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: impact of the corona virus pandemic; 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; impairment of the carrying value of our long-lived assets; problems related to our information technology systems, including as a result of cyber attacks; the effect of financial transactions entered into for hedging and other similar purposes; failure to maintain required capital adequacy ratio levels and meet other financial regulatory requirements; downgrades in our credit ratings; our ability to avoid reputational harm; our ability to implement our 5-Year Business Plan 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”) and our report on Form 6-K furnished to the SEC on December 28, 2020, both of which are 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

<p>FG: Mizuho Financial Group, Inc. BK: Mizuho Bank, Ltd. TB: Mizuho Trust &amp; Banking Co., Ltd. SC: Mizuho Securities Co., Ltd.</p> <p>GIB: Global Investment Banking Division GMK: Global Markets Division MSUSA: Mizuho Securities USA LLC MCM: Mizuho Capital Markets LLC MHI: Mizuho International plc MHEU: Mizuho Securities Europe GmbH US-based entities: US-based entities such as MSUSA and MCM which are not consolidated subsidiaries of SC IS: Former Mizuho Investors Securities Co., Ltd.</p>	<p>RBC: Retail &amp; Business Banking Company CIC: Corporate &amp; Institutional Company GCC: Global Corporate Company GMC: Global Markets Company AMC: Asset Management Company GPU: Global Products Unit RCU: Research &amp; Consulting Unit</p> <p>FYTD: Fiscal year to date</p>
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## Foreign exchange rate

### ➤ Financial Accounting (TTM at the FY end)

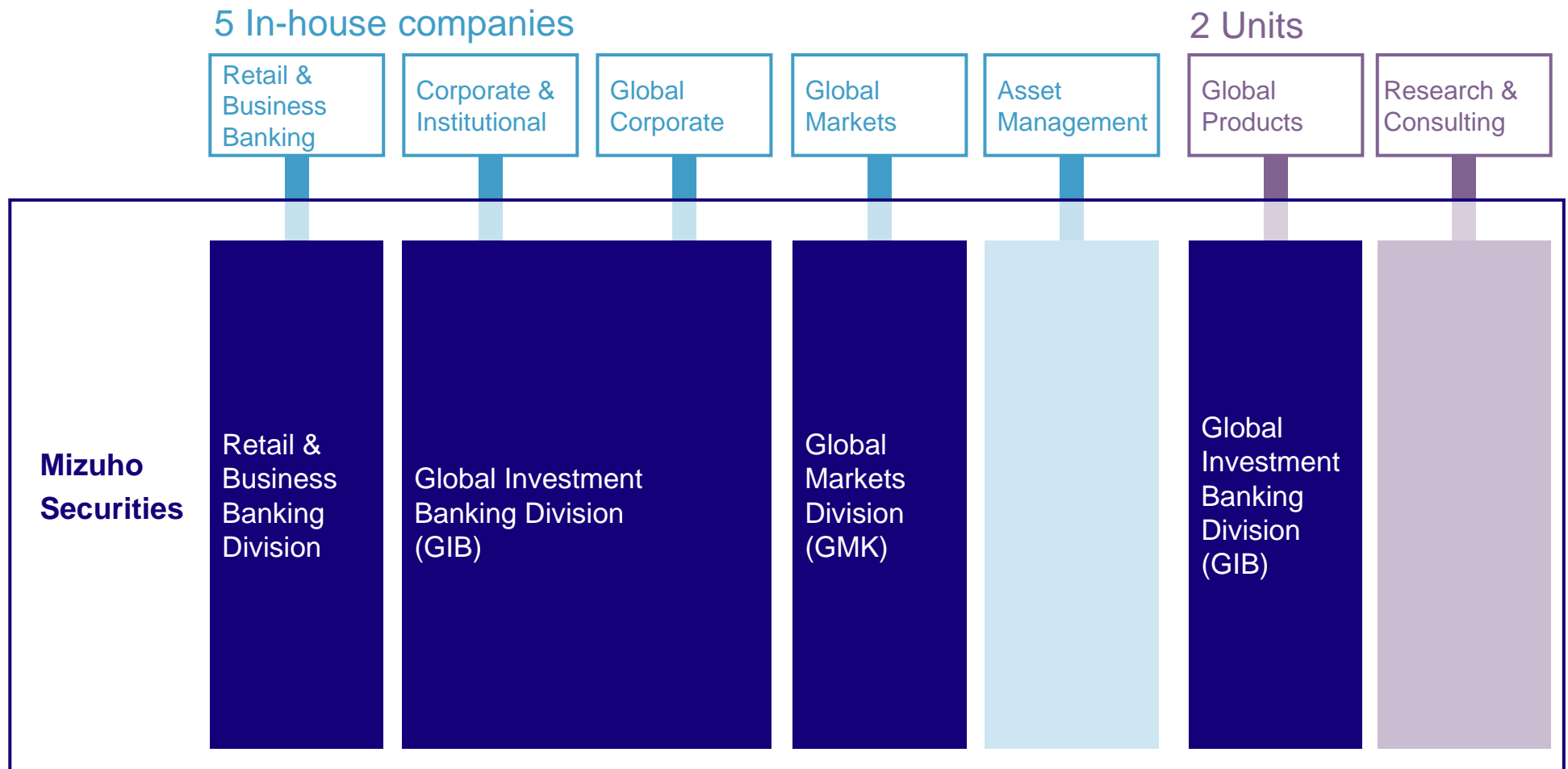
	Mar-20	Sep-20	Dec-20
USD/JPY	108.83	105.81	103.52
EUR/JPY	119.65	124.16	126.99

### ➤ Management accounting (Revised Planned rate)

	FY20
USD/JPY	107.00
EUR/JPY	126.36

# Mizuho Securities organizational structure

## Mizuho Financial Group (5 in-house companies and 2 units)



# Mizuho Securities FY20 Q3 financial overview

- Record high Q3 FYTD Ordinary Income on both consolidated and US-based entities aggregated basis\*
- Effectively captured transaction flow under favorable market environments in each business area which strengthened earnings power through structural reform

(JPY B)	FY20			QoQ	FY19 Q3 FYTD	FY20 Q3 FYTD	YoY
	Q2	Q3					
Commissions	47.1	56.2	+19.3%	120.2	145.7	+21.2%	
Net Gain on Trading	31.6	39.5	+24.6%	83.9	103.8	+23.7%	
Net Gain on Operating Investment Securities	0	1.6	+9,459.4%	3.7	3.0	-19.6%	
Interest and Dividend Income	5.9	5.0	-14.8%	6.3	14.9	+134.7%	
Net Operating Revenues	84.7	102.3	+20.8%	214.3	267.6	+24.8%	
Selling, General & Administrative Expenses	65.4	72.0	+10.1%	190.6	198.8	+4.3%	
Operating Income	19.2	30.2	+57.3%	23.7	68.7	+190.0%	
<b>Ordinary Income (A)</b>	<b>19.2</b>	<b>29.7</b>	<b>+54.7%</b>	<b>25.7</b>	<b>68.7</b>	<b>+166.6%</b>	
Income before Income Taxes	18.2	34.6	+90.1%	25.7	71.8	+178.9%	
Profit Attributable to Owners of Parent	15.7	30.7	+95.1%	20.2	61.0	+201.5%	
US-based entities aggregated basis							
US-based entities Ordinary Income (B)	18.4	13.1	-29.0%	23.7	56.4	+138.0%	
<b>Total Ordinary Income (A+B)</b>	<b>37.7</b>	<b>42.9</b>	<b>+13.7%</b>	<b>49.5</b>	<b>125.2</b>	<b>+152.9%</b>	

Record high\*

\* Highest profit since the merger of the former SC and IS (from FY2013 onward).

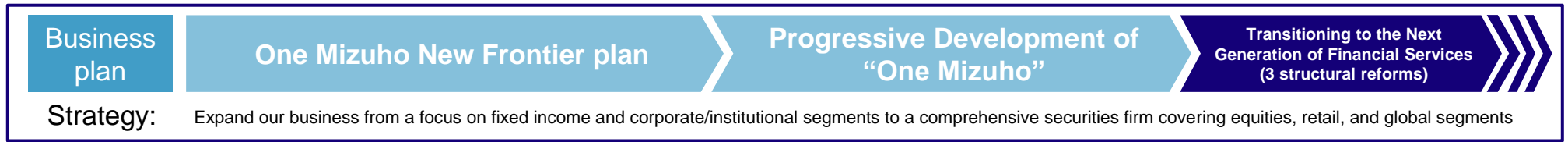
# Mizuho Securities FY20 Q3 financial results by division

(JPY B)	FY2019		FY2020			QoQ	FY19 Q3 FYTD	FY20 Q3 FYTD	YoY	
	Q3	Q4	Q1	Q2	Q3					
<b>Global Investment Banking</b>										
Net Operating Revenues	19.9	18.5	26.0	23.7	23.5	-0.2	57.7	73.2	+15.4	- Revenue related to US DCM slowed down as the US fixed income primary market returned to cruising speed after its recent continued rise
Selling, General & Administrative Expenses	14.0	12.4	13.6	13.1	13.3	+0.2	39.4	40.0	+0.6	- Revenue in Japan increased through a wide range of deals in areas such as subordinated bonds and major equity capital markets, thoroughly capturing customer needs during the COVID-19 pandemic
Ordinary Income	5.9	6.0	12.3	10.6	10.1	-0.4	18.3	33.1	+14.8	
<b>Global Markets</b>										
Net Operating Revenues	51.1	39.6	70.4	62.6	65.7	+3.1	144.8	198.8	+53.9	- Revenue increased QoQ driven by steady equity business in and outside Japan, while fixed income fell mainly in the US
Selling, General & Administrative Expenses	40.4	35.1	43.6	41.9	42.1	+0.2	115.6	127.7	+12.0	- Revenue increased through promotion of the BK-SC integrated derivatives platform
Ordinary Income	10.7	4.4	26.8	20.7	23.5	+2.8	29.2	71.1	+41.8	
<b>Retail &amp; Business Banking</b>										
Net Operating Revenues	33.7	32.8	32.1	40.3	44.2	+3.9	91.5	116.7	+25.1	- Foreign stocks and equity investment trusts business grew under a global equity strategy with an approach that enables investors to accumulate successful experiences through diversified investment
Selling, General & Administrative Expenses	29.9	30.6	27.4	29.7	31.0	+1.2	87.6	88.3	+0.6	
Ordinary Income	3.8	2.1	4.6	10.4	13.2	+2.7	3.9	28.3	+24.4	
<b>US-based entities aggregated basis</b>										
Net Operating Revenues	102.8	89.4	126.1	122.0	132.7	+10.7	292.2	380.9	+88.6	
Ordinary Income	19.2	9.0	44.5	37.7	42.9	+5.1	49.5	125.2	+75.7	

Record high\*

\* Highest profit since the merger of the former SC and IS (from FY2013 onward).

# The recent history of Mizuho Securities



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20 (estimate)
(JPY B) (in & outside Japan total <sup>1</sup> )	Merger of former SC and IS		On-boarded RBS employees (incl. management level) <i>Introduction of Negative Interest Rate Policy</i>	Reorganization of US-based entities (Establishment of Mizuho Americas LLC) <i>BOJ starts YCC</i>	Start of integrated banking-securities management in MCM	Identification of challenges	<b>Structural reforms</b>	
<b>Gross Profits</b>	<b>274.9</b>	<b>337.1</b>	<b>346.6</b>	<b>382.6</b>	<b>348.8</b>	<b>331.1</b>	<b>355.9</b>	<b>440.0</b>
<b>Expenses (expense ratio)</b>	<b>233.3 (85%)</b>	<b>253.7 (75%)</b>	<b>265.0 (76%)</b>	<b>288.7 (75%)</b>	<b>286.5 (82%)</b>	<b>296.1 (89%)</b>	<b>296.8 (83%)</b>	<b>310.0 (71%)</b>
<b>Ordinary Income</b>	<b>43.2</b>	<b>84.9</b>	<b>82.7</b>	<b>94.6</b>	<b>62.7</b>	<b>36.6</b>	<b>60.7</b>	<b>130.0</b>

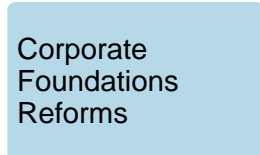
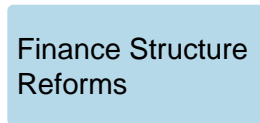
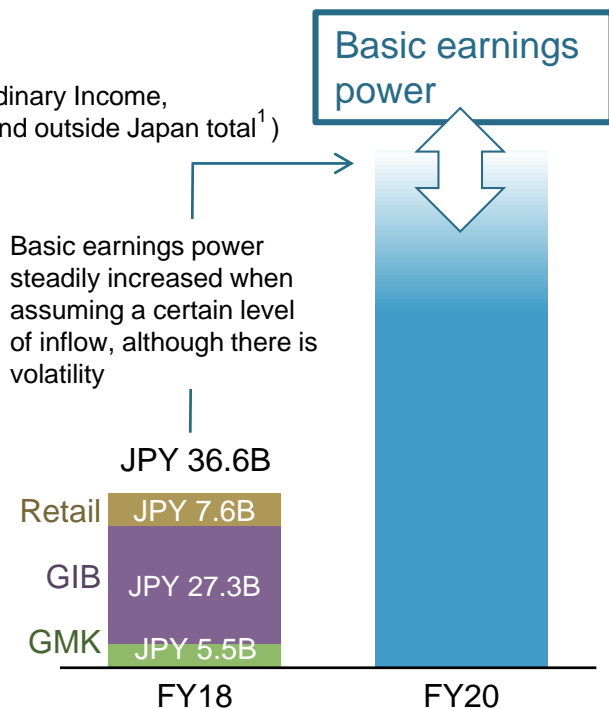


1. Based on SC management accounting. Aggregate of SC unconsolidated and offices outside Japan. Including US offices of MSUSA, MCM, and other companies which are not consolidated subsidiaries of SC.  
 2. Highest profit since the merger of the former SC and IS (from FY2013 onward).

# Strategies and results for strengthening basic earnings power via structural reforms

- Strengthened business base and diversified revenue sources via BK-SC collaboration
  - Strengthened Retail and Americas segments which have high growth potential
  - Expanded market share in each business area
- Controlled low profitability areas

(Ordinary Income, in and outside Japan total<sup>1</sup>)



- Ensured follow up with investors pursuing long-term, diversified, continual investment  
→ **Increased stable fee income via expansion of AUM**
- Provided solutions via BK-TB-SC seamless collaboration and expanded share in finance fields  
→ **Captured broad range of deals in DCM, ECM related business, and other areas**
- Integrated BK-SC derivatives platform with aim of expanding transactions
- Transitioned to a business model focused on close collaboration with Customer Groups (in Equities business)  
→ **Captured additional client trading flow + expanded market share**
- Promoted US CIB<sup>2</sup> model (integrated BK and SC operations, coverage & products, and primary & secondary business)
- Increased transaction flow by integrating BK-SC derivatives platform and expanding products  
→ **Expanded transaction share in markets with large fee pools**
- Horizontally expanded US CIB model across the organization and enhanced BK-SC collaboration
- Improved Gross Profits and reduced Expenses (JPY 35B) in 4 low profitability areas (Retail, MCM, Japanese Equities, MHI)
- Made steady progress on IT system structure reforms
- Reformed HR system (hiring, promotions for early career employees, evaluation, compensation, active utilization of older employees, etc.) and promoted talent portfolio strategy

1. Based on SC management accounting. Aggregate of SC unconsolidated and offices outside Japan. Including US offices (management accounting basis) of MSUSA and other companies which are not consolidated subsidiaries of SC. Figures for other Head Office divisions have been omitted. 2. Corporate Investment Banking.

# Structural reform initiatives

## Retail & Business Banking Division

- Expanded consulting by leveraging a global equity (GE) strategy

AUM balance<sup>1</sup> **JPY 44T** (+6.1T vs Mar-18)      GE strategy fund balance<sup>3</sup> **JPY 3.5T** (1.4T unrealized gains)

Net increase in publically offered equity investment trusts<sup>2</sup> **7 quarters in a row**      Equity investment trust holding period<sup>4</sup> **3.99 years** (+1.6 years vs Mar-16)

- Achieved **JPY 10B** cost reduction by reviewing investment pipelines and optimizing personnel allocation
- Improved personnel capabilities and enhanced marketing via digital transformation
- Joined joint venture with PayPay Securities

## Global Investment Banking Division

- Japan: Captured broad range of deals in SDG bonds, subordinated bonds, ECM, etc.
- US: Diversified solutions via promotion of CIB<sup>5</sup> model and increased market share in DCM/ECM

### Major league tables<sup>6</sup>

	FY20		FY19		FY20
Japan SDG bonds	<b>1st</b>	US DCM (IG bonds)	<b>10th (3.4%)</b>	➔	<b>8th (4.5%)</b>
Japan hybrid bonds (corporate)	<b>1st</b>				<b>1st among Japanese firms</b>
Japan & global equities	<b>2nd</b>	US ECM	<b>29th (0.4%)</b>	➔	<b>16th (1.2%)</b>

## Global Markets Division

### Transitioned to business model focused on providing solutions through collaboration among all divisions

- Derivatives business: Strengthened capture of transaction flow by promoting integrated BK-SC derivatives platform in and outside Japan Resulted in **JPY 20B** total impact globally
- Equities secondary business: Thoroughly improving Gross Profits and reducing costs Resulted in **JPY 20B** total impact globally
  - Transitioned to business model focused on client flow trading
  - Clarified areas of focus and streamlining
  - Acquired new talent with industry experience

## Cross-divisional

- Strengthened ability to provide solutions connecting investors and issuers (e.g. ABB/ECL<sup>7</sup>) through cross-divisional collaboration
- Strengthened MHI's top line revenue and reformed cost structure by optimizing staffing levels resulting in **JPY 5B** impact

### Finance structure reforms

Achieved **JPY 35B** improvement effect from structural reforms in low profitability areas (Retail, MCM, Japanese Equities, MHI)

1. End of December 2020. 2. Including reinvestment of dividends. 3. 16 funds investing in global equities, global emerging markets, and US equities. 15 funds from October 2020 onward. Balance is as of January 21, 2021 base date. 4. Total amount calculated as Average balance held for the past one-year period ÷ redemption (before or after maturity). 5. Corporate Investment Banking. 6. Data sources as follows. SDG bonds, hybrid bonds: I-N Information Systems; Japan & global equities: Refinitiv; US: Dealogic. FY20 data is from April to December 2020. 7. Accelerated Bookbuilding/Equity Committed Line of Credit.