

## **Presentation Summary**

**Presented by Masahiro Kihara, Managing Executive Officer of Mizuho Securities and Managing Executive Officer of Mizuho Financial Group**

### **P4 Mizuho Securities FY20 Q3 financial overview**

Ordinary Income on a consolidated basis was JPY 68.7 billion and Ordinary Income on a US-based entities aggregated basis was JPY 125.2 billion, both record highs.

In accordance with US regulations, Mizuho Securities USA is not a consolidated subsidiary of Mizuho Securities. However, we release aggregated figures including US-based entities, such as Mizuho Securities USA and Mizuho Capital Markets, because Mizuho Securities USA is operated in an integrated manner with Mizuho Securities' global operations.

### **P5 Mizuho Securities FY20 Q3 financial results by division**

We achieved strong performance under brisk domestic and international market conditions, with record highs for Ordinary Income—JPY 33.1 billion in the Global Investment Banking Division and JPY 71.1 billion in the Global Markets Division respectively. The Retail & Business Banking Division recorded Ordinary Income of JPY 28.3 billion under its global equity strategy, capturing diverse customer needs.

### **P6 The recent history of Mizuho Securities**

Ordinary Income increased up until reaching JPY 94.6 billion in FY16, a record high at the time. Afterward, as market conditions deteriorated and costs increased due to past investments, Ordinary Income declined to JPY 36.6 in FY18. In FY19 we began implementing structural reforms in three areas—business, finance, and corporate foundations—while at the same time reconfiguring collaborative structures between divisions. As a result, Ordinary Income was JPY 60.7 billion in FY19 and JPY 125.2 billion as of FY20 Q3 fiscal year to date, improving in line with our estimate of JPY 130.0 billion for FY20.

### **P7 Strategies and results for strengthening basic earnings power via structural reforms**

Mizuho Securities' strength is our ability to build business through banking and securities collaboration.

In addition, in order to diversify our revenue sources, we are aiming to strengthen revenue primarily in retail and Americas segments, and are controlling Ordinary Income in low profitability areas.

Retail & Business Banking Division: From FY16 we promoted a global equity strategy pursuing long-term, diversified, continual investment, resulting in increased assets under management.

Global Investment Banking Division (GIB): Through an integrated banking, trust banking, and securities model, we provided seamless solutions tailored to client needs. As a result, we increased our share in finance fields such as ECM.

Global Markets Division (GMK): In Fixed Income, we strengthened our derivatives business. We are enhancing our earnings power through seamless operations resulting from the integration of our banking and securities platforms which were previously separate. Our Equities business previously depended primarily on proprietary trading, but now we have transitioned to a business model linked to client trading which monetizes trading flow.

Americas: We increased revenues by promoting a CIB model enhancing collaboration between banking and securities, coverage and products, and primary and secondary business.

Finance Structure: We achieved around a JPY 35 billion effect from efforts to control Ordinary Income and reduce expenses in low profitability areas, namely Retail, Mizuho Capital Markets, Japanese Equities, and Mizuho International.

Corporate Foundations: We are proceeding with reforms to our IT systems and HR system. We are aiming to simplify complex IT system structures and reduce expenses.

### **P8 Structural reform initiatives**

- Retail & Business Banking Division

Assets under management were JPY 44 trillion, an increase of JPY 6.1 trillion compared to the end of March 2018, an increase made possible through our strength in bank-securities collaboration. Our flagship global equity strategy fund expanded to JPY 1.4 trillion in unrealized gains and a balance of JPY 3.5 trillion. Publicly offered investment trusts also increased for seven quarters in a row.

Also, in order to maintain our competitiveness, we utilized digital transformation to improve personnel capabilities and enhance marketing. In addition, we reduced expenses by around JPY 10 billion in order to lower the break-even point.

- Global Investment Banking Division

We ranked 1st in Japanese league tables for both SDG bonds and hybrid bonds. In US DCM (IG bonds) league tables we rose from 10th to 8th, and improved our share by around 1%. We also increased our share in US ECM to 1.2%, jumping from 29th to 16th in league tables.

- Global Markets Division

We shifted to a business model that leverages collaboration between the bank and securities in coverage and also between each business division, deriving revenue from originating a wide range of client flow trading. As for Fixed Income, in our derivatives business we advanced operational integration with Mizuho Bank in order to capture a wide range of transactions. As a result, Gross Profits improved by JPY 20 billion on a US-based entities aggregated basis. As for Equities, by identifying areas of focus and streamlining we achieved a JPY 20 billion impact on a US-based entities aggregated basis.

- Cross-divisional

At Mizuho Securities, all divisions collaborate to build up our business.

For example, the Retail & Business Banking Division and Global Investment Banking Division worked together to build an Americas platform while providing financing to mid-cap issuers within a short period of time via accelerated bookbuilding. In EMEA, Mizuho International is facing challenges, but structural reform initiatives targeting both Gross Profits and costs achieved a JPY 5 billion impact.