
Industrial Bank of Japan


Yasuda Bank (Photo: courtesy of the National Diet Library)


First National Bank (Photo: courtesy of the National Diet Library)

Supporting the growth of Japanese companies

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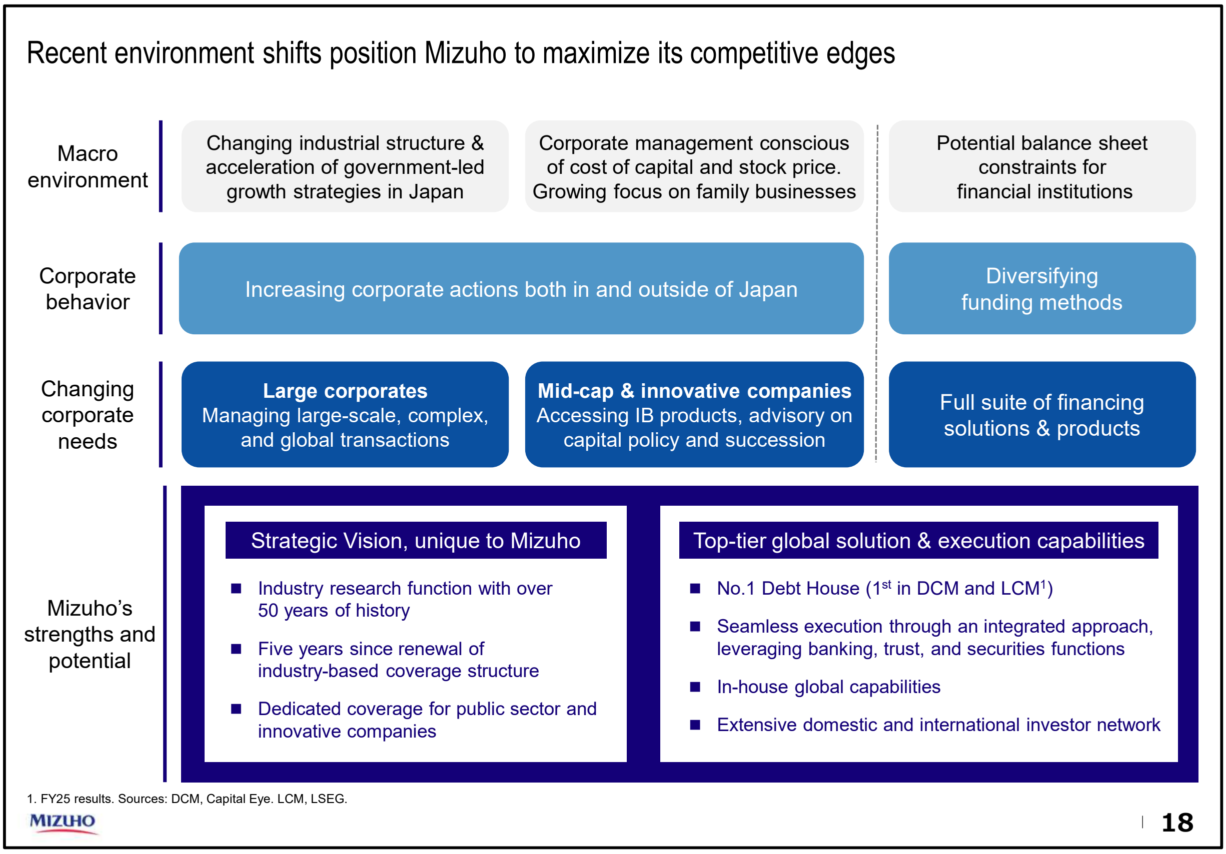
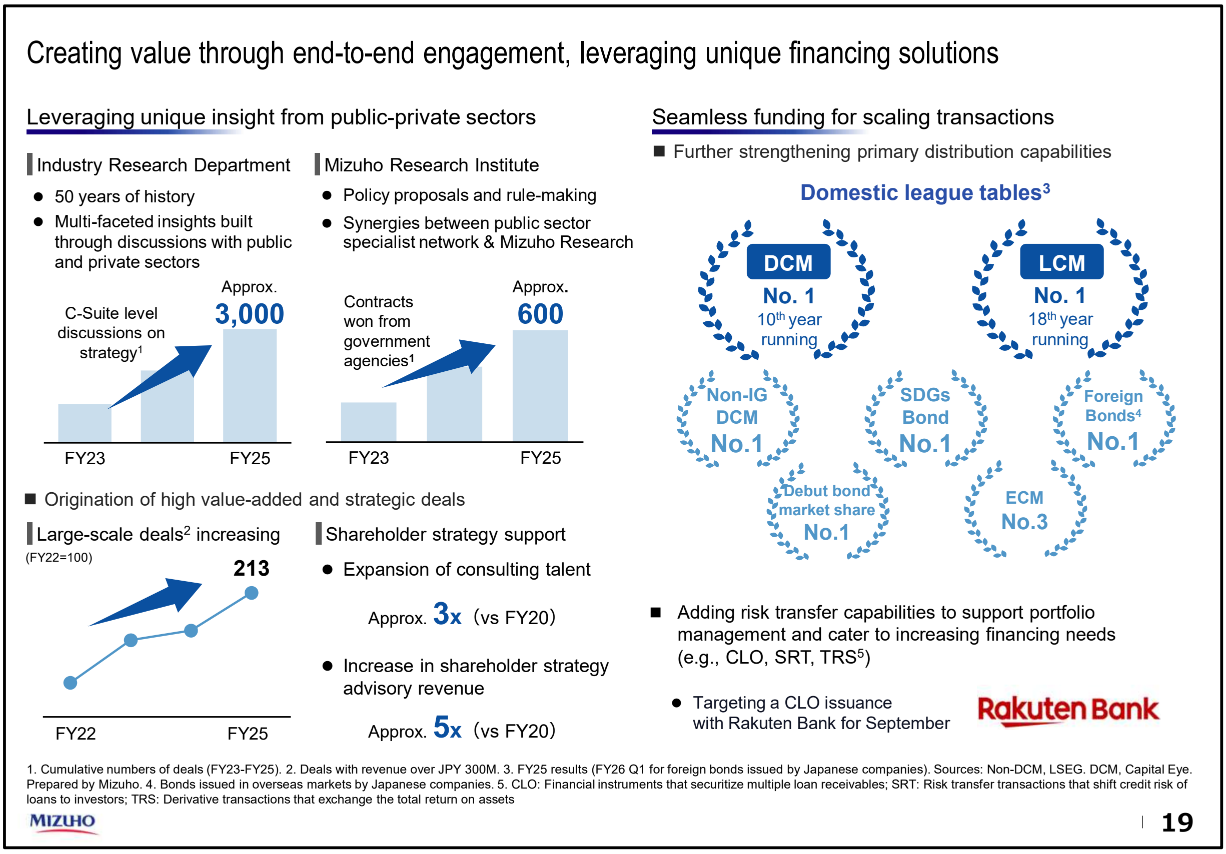
Section 2



Sugawara: First, what I want to emphasize is that, given the changes in the current environment, we are entering a phase in which our business model can be highly effective. More specifically, with the government-led growth strategy and the Tokyo Stock Exchange-led corporate reforms, corporate actions are becoming increasingly active, and their scale, complexity, and global nature are all expanding. In the mid-cap and innovation company segments as well, business succession and capital strategy needs are emerging. As a result, the strengths we have developed through our investment banking business in large corporations are now becoming highly relevant.

On the other hand, as shown on the right side, financial institutions are facing balance sheet constraints, so the way we provide capital has also been evolving somewhat differently. More importantly, by understanding the direction of industrial policy and working together with our clients to envision their winning strategy and the optimal course of action, we are able to attract capital from both domestic and overseas sources. In short, this is about turning visions into reality. That is exactly the capability that is now being demanded, and it is where our strengths lie.

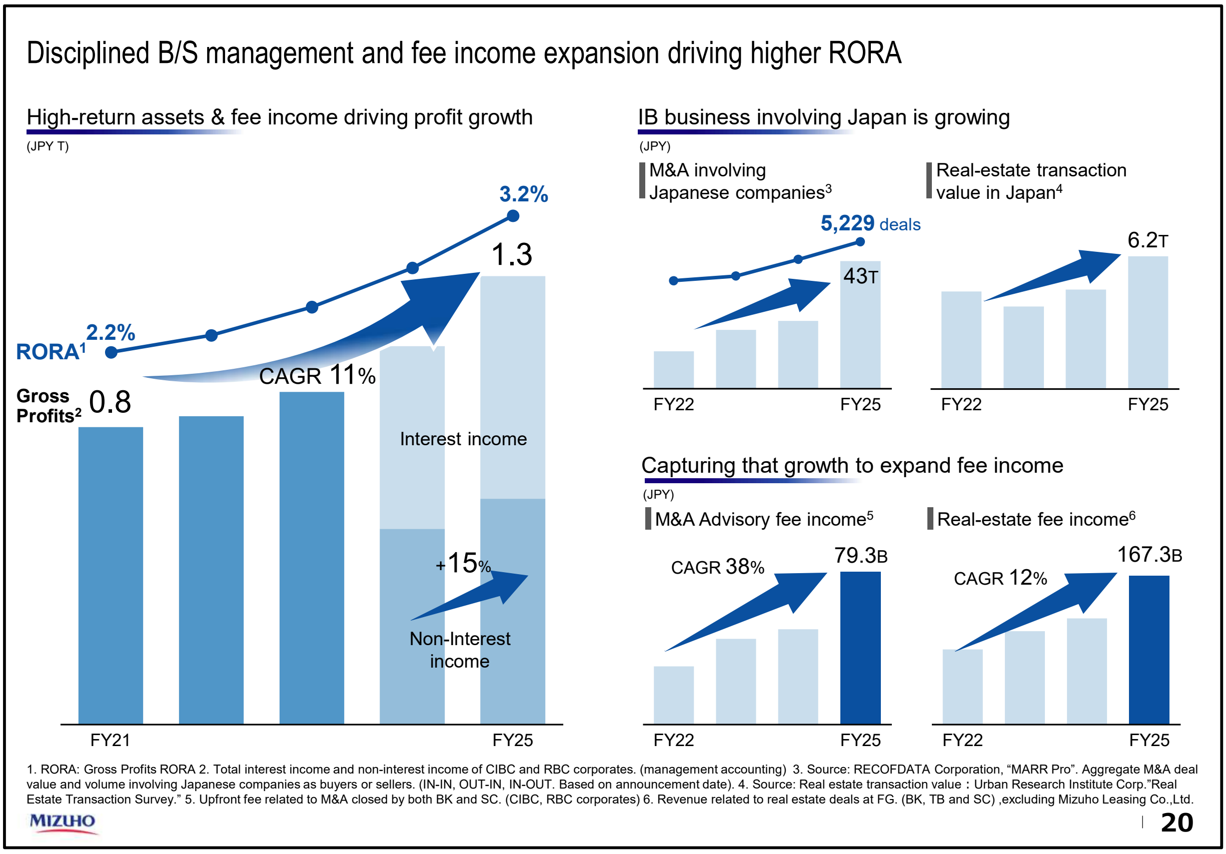


Sugawara: How are we differentiating ourselves? First, as shown on the left, we are thoroughly committed to upstream origination, starting from our unique ability to shape ideas and concepts. Our Industry Research Department has a history spanning half a century. In addition, Mizuho has specialized teams dedicated to government ministries and agencies. By working in close coordination with the Industry Research Department and Mizuho Research Institute, we engage directly in policy and rule-making. Through this, we serve as a nexus point with companies and originate deals from the upstream stage. I believe this is one of our distinctive strengths.

As shown in the lower-left section, the larger the deal and the higher the added value, the greater the revenue per transaction. By “large-scale deals,” we mean transactions generating revenue over JPY 300 million. Taking FY2022 as 100, FY25 reached 213—more than double. In terms of actual number of deals, we are now creating even more large-scale transactions than this figure suggests.

On the right side is our financing arrangement capability, leveraging our investor base. In primary markets, we rank No.1 in DCM and No.1 in LCM. As has recently been reported in the Nikkei, the number of foreign banks entering Japan has been increasing significantly. In response, we have strengthened our capabilities in dealing with them. In the loan syndication market as well, over the past year we have increased foreign financial institution participation by roughly three times, and we have raised nearly JPY 2 trillion from foreign financial institutions in total. In other words, we are

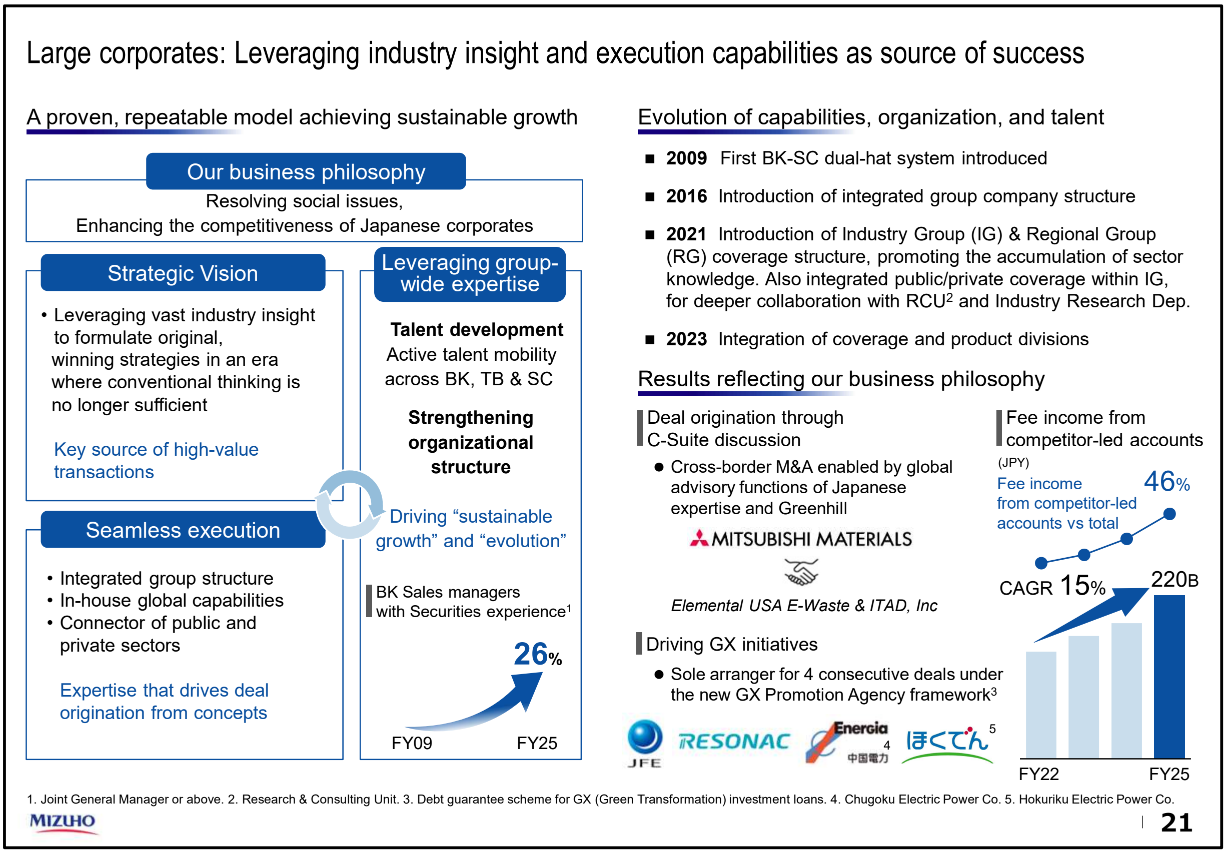
controlling our balance sheet at the primary stage.
As one of the examples, this month we will issue a CLO to Rakuten Bank. I believe that we will do this on a regular basis with multiple investors going forwards, in several hundred billions of yen per year.



Sugawara: Moving on, I believe these initiatives have translated into solid performance. What we are aiming to achieve is not growth through simple volume expansion, but by leveraging our capabilities and accumulating non-interest income and by establishing CIB model that is based on higher value adds. That is the model that we are aiming to establish.

For example, you can see M&A advisory fee income and real estate fee income in the bottom right, these are earned across the bank, securities, and trust bank businesses. As for real estate, over half of the related income is from Mizuho Trust Bank's non-interest income. We would like to place more focus on this to achieve what's shown on the left-hand side.

Over the past four years, we have seen CAGR of 11%. RORA has also increased to 3.2%. Disciplined balance sheet management and quality revenues are the two wheels driving this performance.



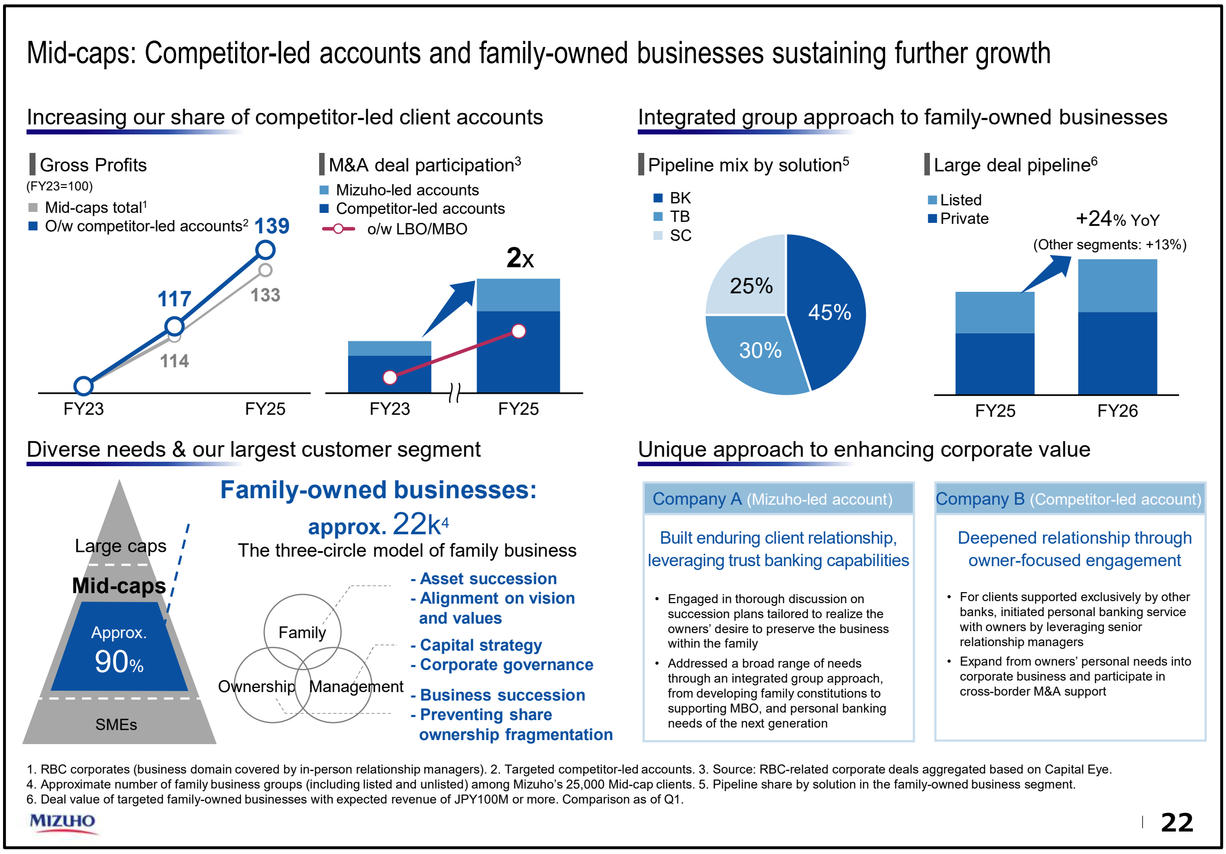
Sugawara: I think the key question here is whether this kind of revenue growth is just a one-off. In other words, is it a source of competitive advantage that can be replicated over time? I believe the answer lies in our continuously evolving "strategic vision" (the ability to conceive ideas) and our ability to execute, which are what make this model reproducible.

This may sound idealistic, but that is because we are Mizuho. You can see our business philosophy on the slide. We pursue transactions that contribute to solving social issues and strengthening the competitiveness of industries and Japanese companies. In other words, we work together with clients from the upstream stage of origination to create deals with a clear purpose. That is the essence of our business philosophy. We are not pursuing a world where profit is the only goal.

What supports this is our integrated Bank, Trust & Securities model, where we provide solutions to clients as one group rather than simply passing deals along. We also leverage our global capabilities, particularly in the Americas, to bring those solutions into practice.

What is important is that we do not leave this process to a single star performer or to individual talent alone. By accumulating and deploying this knowledge as organizational know-how, we increase repeatability. That is what you see in the center of the slide: organizational knowledge development and a high level of talent mobility. "Mobility" here refers to movement within the group, and one-quarter of the senior management at JGM level and above in the bank are now people with securities experience.

This is one of our key strengths.
As shown in the upper-right, this kind of organizational knowledge has been built over many years through initiatives such as the introduction of Japan's first dual-hat Bank-Securities role structure in 2009, as well as the adoption of a sector-based structure. These long-term efforts to strengthen both organization and talent are what connect us to where we are today.
In the lower-right, there are examples of transactions that embody this business philosophy, such as Mitsubishi Materials' acquisition of a U.S. company, and the GX-related initiatives below that. In fact, from the stage of drafting the GX Promotion Act to the establishment of the GX Promotion Organization, we supported the process behind the scenes. Some of the organization's executives and board members are former Mizuho people.
As shown in the results section, the first four deals in this area were in steel, chemicals, and power, and all of them were arranged solely by us. These were clearly lead-arranged by Mizuho.
On the far right, you see non-interest income from competitor-led accounts, accounts where a competitor bank has the main relationship. Non-interest income is a core pillar of our business model, so this is an area we are strengthening. What is particularly notable is that, while the overall business is growing, this non-interest business is also growing significantly among competitor-led accounts. The share of revenue from these accounts within our overall non-interest income has recently reached 46%. Of course, winning sophisticated solution-based business from accounts where we are not the client's main relationship bank is extremely difficult — it is a major challenge. But the fact that these numbers are appearing in the results, in my view, shows that customers are supporting our business philosophy and recognizing the capabilities and execution strength that allow us to deliver on it.



Sugawara: This model is also expanding into the mid-cap corporate segment. The key terms here are competitor-led accounts and family-owned businesses. Historically, another major megabank has been strong in this segment, so we are taking on accounts where we are not the main relationship bank, by competing on our solution capabilities.

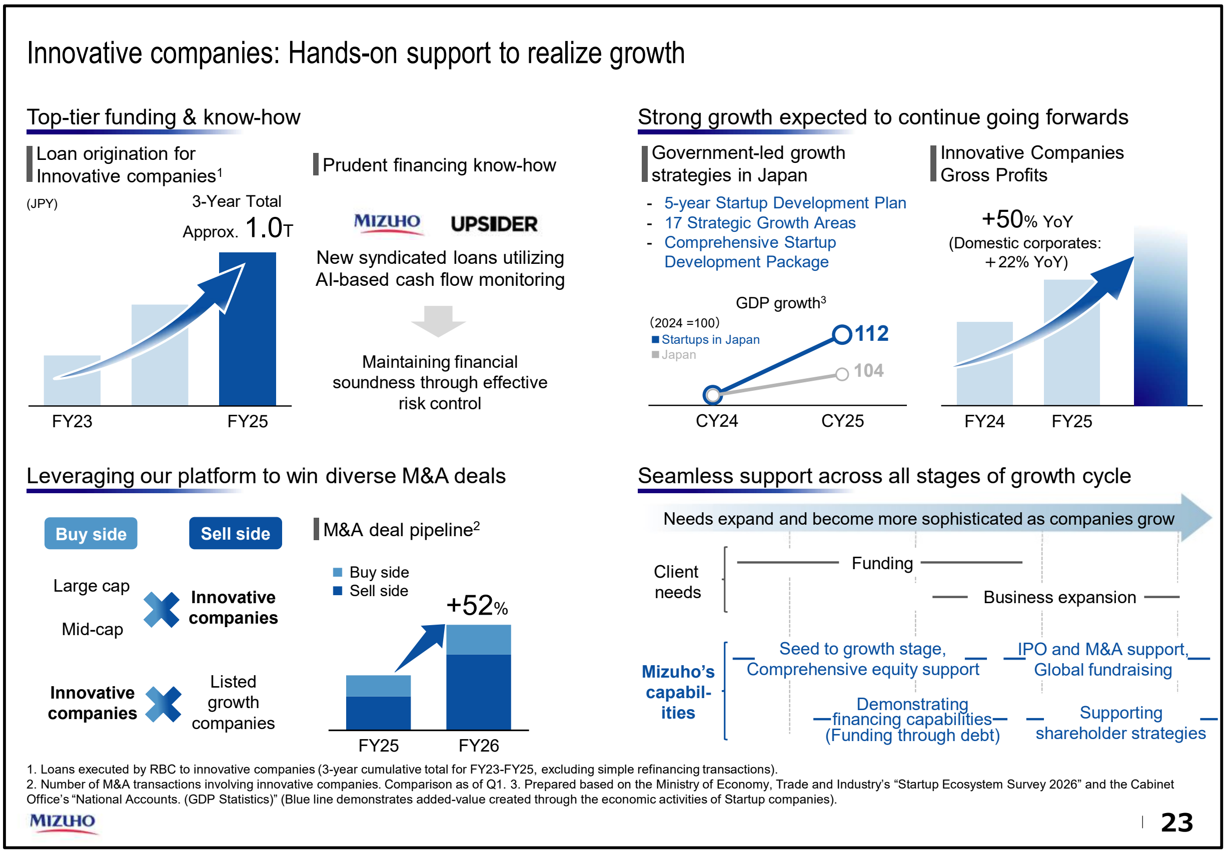
What is particularly important here is family-owned businesses. As shown in the lower-left of slide 22, about 90% of our mid-cap corporates are family-owned businesses. These businesses involve a highly complex set of issues that overlap across business succession, governance, capital policy, and the interests of the owner as an individual. That is why there is significant market potential in being able to provide integrated solutions here. We also have a consulting division with more than 40 years of history, and I believe this is where the full strength of our banking, trust, and securities capabilities really comes into play.

By the way, I believe there was a bank ranking published in Nikkei Financial this April, and in that ranking, Mizuho Trust & Banking – our Trust Banking arm – was recognized for its consulting capabilities and came in first place. I think that is a reflection of this strength.

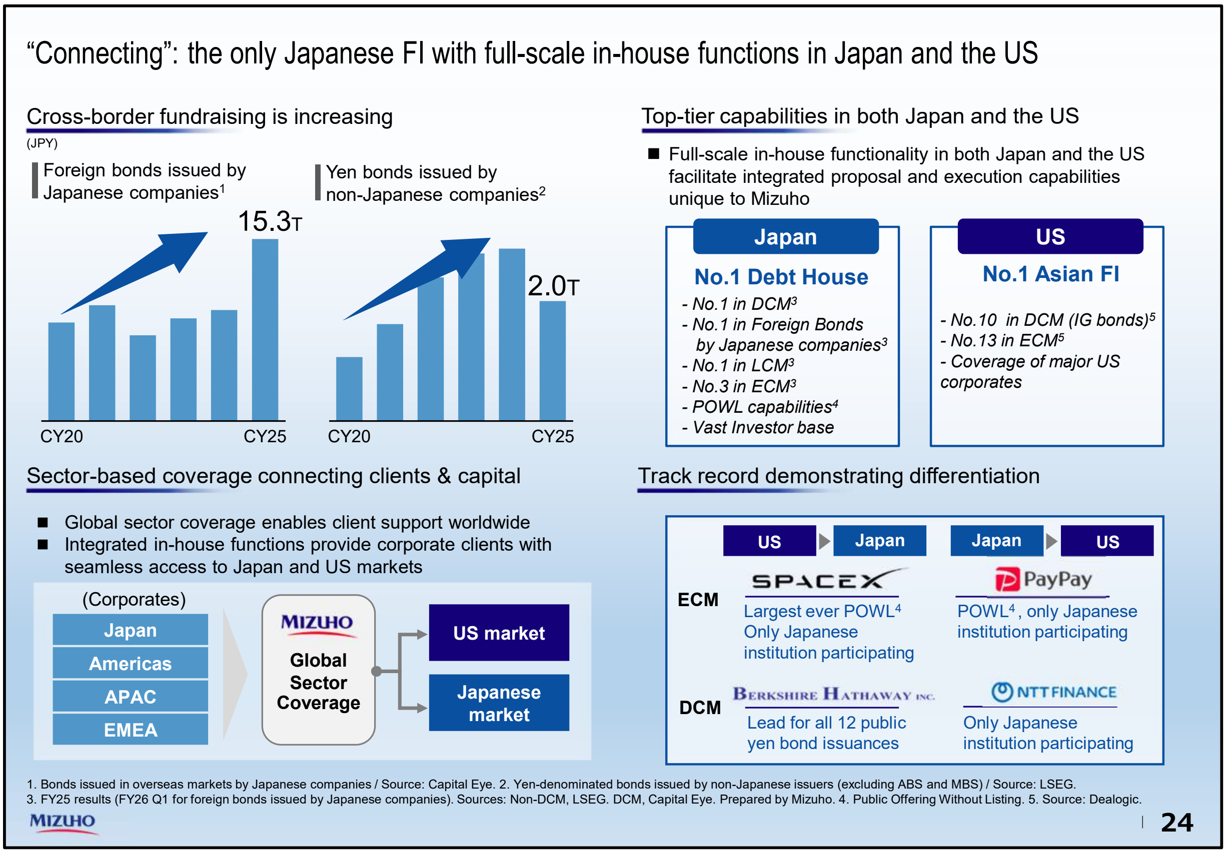
Examples are shown in the lower-right. These range from the formulation of family charters to MBO support and business strategy, and they are also expanding into relationships with individual clients and affluent customers.

One point I would like to emphasize is that, in relation to this family business theme, the Ministry of Economy, Trade and Industry has recently published its

Family Governance Guidance. Among the megabanks, Mizuho is the only one that was involved in the formulation of this guidance. Mizuho’s Trust banking arm has been involved from the early stages, so we have accumulated substantial expertise in this area. As we move toward monetizing this knowledge in the future, I believe we are in a very strong position.



Sugawara: The next topic is innovative companies. Our value-add is also effective here. We have the highest financing capability in Japan of JPY1 trillion in debt financing. If you look at the bottom right here, the risk taking of the bank is the starting point, and involving the Trust and Securities arms, we can support clients all the way from the start-up of the company to the IPO. We have a comprehensive capability to offer to them. These start-up companies will become midsized and then to a larger company. Securing a contact point in the very beginning is going to be very important. That's the reason why we have high expectations in this innovative company sector.



Sugawara: Finally, I would like to speak about the theme of "connecting." First, please look at the lower-left side of page 24. As I mentioned earlier, over the past five to six years we have developed our sector edge through an industry group structure. In banking, there are various sectors such as resources, materials, IT/tech, retail, and so on, and our bank and securities businesses are now fully mirrored across those sectors.

We have also built a similar sector-based structure overseas. This applies not only to non-Japanese clients, but also to Japanese client teams in our major hubs. In other words, we are now able to connect sector bankers and sector coverage globally.

Next, in the upper-right section, Japan and the U.S. can be said to be the two major capital markets. In Japan, we have established a position as the No. 1 Debt House, and we have leveraged our execution capabilities in Japan, including in POWL transactions such as with SpaceX.

In the U.S., we have become a presence just behind the bulge bracket firms, and we have the top presence among Asian financial institutions. We focus on major U.S. companies and top-tier global companies across each sector. These clients are seeking access to Yen funding products, and at that point, our position as the No. 1 debt house in the Japanese market becomes a real advantage.

Japanese companies, too, are moving away from policy cross-shareholdings and becoming more connected to global capital markets. Many leading companies are evolving into super top-tier global players and competing on

the world stage.
In that environment, if we are not properly connected to global capital markets — especially Wall Street — we cannot provide truly effective solutions, and we cannot compete. The efforts we have made over the past five years to strengthen our U.S. platform are now bearing fruit, and this is helping Japanese companies access the U.S. market. More recently, we have achieved the No. 1 position in Japanese corporate foreign bond issuance, and this is where our strengths are clearly being reflected.
Finally, by leveraging our global CIB model and our integrated bank—trust-securities platform as a core strength, and by further increasing our presence in the home markets of Japan and the U.S., we will continue refining these strengths. Our goal is to become Asia’s No. 1 bank, ultimately standing alongside the bulge bracket firms. We hope you will look forward to that.
Thank you.