

MIZUHO SECURITIES

Major Challenges, Strong Progress

Mizuho Securities is a global securities company, headquartered in Tokyo with subsidiaries in London, New York, Zurich and Hong Kong. The company conducts the institutional securities business of the Mizuho Financial Group, focusing on Equities, Fixed Income, M&A and Structured Finance. Having met the challenge — since October 2000 — of merging three distinct securities companies (DKB Securities, Fuji Securities and IBJ Securities), Mizuho Securities has made strong progress, with substantially increased profits over the past year.

Equities

“Winning client confidence was their badge of success.”

Chief Economist Nobuyuki Saji, who was ranked No.1 for macro-economics in Nikkei Survey 2002.

The company has created a sound international equities team over the past two years, with world-class employees in Tokyo and in key international locations. “Quality staff are vital to understanding global market trends,” says Yoshio Osawa, President of Mizuho Securities. “Building and maintaining a sound international equity team remains a top management priority over the coming year.”

“Our focus is resolutely wholesale,” he adds. “Where the need for a retail presence arises, we will meet it through business alliances.”

The consolidation of Mizuho Securities has enabled the company to build a strong equity marketing group, which has successfully increased the size of the client base, both domestic and international. In addition, the retreat from the Japanese market, especially by non-Japanese banks, has given Mizuho Securities the opportunity to attract new, outstanding talent to the team.

“Our economists and analysts really showed their mettle in last year’s difficult market conditions,” says Chief Economist Nobuyuki Saji, who was ranked No.1 for macro-economics in Nikkei Survey 2002. “Winning client confidence was their badge of success.”

“In the sectors we cover, Mizuho is now on a par with our leading domestic and foreign competitors,” says Taizo Kondo, Head of Equity Group. “Our sector coverage is being gradually expanded.”

The Tokyo research team is looking beyond Japan with regular marketing visits to overseas clients, as well as coverage of important sectors throughout non-Japan Asia. “Following industrial electronics in Korea, Taiwan and China is key to knowing what is going on in Japan,” says Chief Analyst Hideki Wakabayashi, a leading analyst in both the Industrial Electronics and Overall categories of the Nikkei Survey.

M&A

“No.1 in Japanese M&A advisory work.”

Thomson Financial’s league table for 2002.

Mizuho Securities made excellent progress in Japanese M&A advisory work during 2002, achieving the No.1 position in Thomson Financial’s league table for the year (up from No.7 in 2001).

“M&A has well and truly arrived in Japan, and at Mizuho we are exploiting our knowledge base to the full,” says Toru Nakagawa, Head of Advisory Group No.1.

Activity continued to be most pronounced amongst smaller companies where there is a stable and consistent flow of deals in the pipeline. “The senior management teams of smaller Japanese

M&A Advisory Ranking

	Amount (USD m)	Market Share (%)	No. of Deals
1 Mizuho	25,630	36.2	81
2 Goldman	22,232	31.4	14
3 M. Stanley	19,894	28.1	22
4 Nomura	14,832	21.0	102
5 JP Morgan	10,105	14.3	16

Source: Thomson Financial, 1 Jan–31 Dec 2002

companies now view M&A as a key strategic tool,” says Shigeyoshi Nishiyama, Head of Advisory Group No. 2.

Structured Finance

“No.1 ranking for asset backed securities for the year ending March 2002.”

Thomson DealWatch.

The structured finance business also performed well. “We are beginning to see good results from our real estate and asset backed securities business,” says Yoshihide Komatsu, Head of Structured Finance Group.

Thomson DealWatch gave Mizuho Securities the No.1 ranking for asset backed securities for the year ending March 2002, with a market share of 22.9%. Mizuho Securities led 21 issues, raising JY 604.2 bn for its clients in this relatively young market.

Fixed Income

“No.1 in domestic corporate straight bonds in 2002.”

I-N Information Systems

“Consolidation of three securities firms to create Mizuho Securities has scaled up the fixed income business, giving us more stable deal flow and improved profitability,” says Kunimi Tokuoka, Head of Fixed Income Group.

In 2002, Mizuho Securities was ranked No.1 in domestic corporate straight bonds. “In the important fields of electric power company and FILP agency bonds, Mizuho is also leading,” says Takashi Nakagawa, Head of Capital Markets Group.

In the secondary market, the company held a market share of around 10%. The company has focused heavily on quality of execution and research, providing maximum client support. “We are committed to representing the interests of both issuers and investors,” says Hajime Takata, Chief Strategist.

This effort was recognized in the bond section of Nikkei Survey 2002 where Mizuho Securities won three No.1 positions: Bond Analysis (Hajime Takata), Economic Analysis (Yasunari Ueno, Chief Market Economist) and Credit Analysis (Yasunobu Katsuki, Senior Credit Analyst).

ABS Bookrunner

	No. of Deals	Amount (JY m)	Share (%)
1 Mizuho	7	339,500	22.6
2 Merrill	2	235,400	15.7
3 Nomura	5	221,140	14.7
4 Daiwa	6	192,900	12.9
5 Nikko	6	138,250	9.2

Source: Thomson DealWatch, 1 April–30 Sept 2002

International Subsidiaries

“There is no change in our strategy to be a Japan-based global investment banking house,” says Mizuho Securities President Yoshio Osawa.

The company’s international subsidiaries in New York, London, Zurich and Hong Kong have performed well over the past year, having been successfully consolidated since the merger in October 2000.

In New York, Mizuho’s wholly owned subsidiary, The Bridgeford Group, specializes in M&A advisory work, and Mizuho Securities USA offers Japanese equities, fixed income products and futures to US clients.

“We focus primarily on Japanese-North American transactions representing both buyers and sellers. As Japanese firms restructure and concentrate on core businesses, we expect to see a pickup in this cross-border activity,” says Haruhiko Masuda, President & CEO, The Bridgeford Group. James Reed, Head of Equity for Mizuho Securities USA, says “I have been given the authority and the responsibility for setting up the ideal Japanese equity team in the US.”

In London, Mizuho International, reported JY 16.5 bn net profit for the year to December 2001. For the nine months to September 2002, the net profit was a provisional JY 14.9 bn. For consolidation purposes the year-end is being changed to March.

“Consolidation of the London operation commenced in December 2000 and the carefully planned process of personnel re-organization has proved a great success,” says Nobuo Oya, Chief Executive, Mizuho International. Profitability has been enhanced through the introduction of new products, including credit derivatives.

In Zurich, Mizuho Bank (Switzerland) is responsible for the new issues business, Japanese equity business and private banking.

In Hong Kong, Mizuho Securities Asia had been primarily involved in equities. However, M&A advisory work involving Hong Kong and Taiwanese companies entering the China market is now creating a new source of deal flow.

Domestic SB League Table

	Amount (JY m)	Share (%)
1 Mizuho	470,900	20.3
2 Daiwa	450,800	19.4
3 Nomura	426,100	18.4
4 Nikko	301,000	13.0
5 Mitsubishi	154,600	6.7

Source: I-N Information Systems, 1 April–30 Sept 2002

Performance and Outlook

Mizuho Securities new business model is that of a profitable, stand-alone, sales-driven institutional securities house within the Mizuho Financial Group.

In the first full year of operations — to March 2002 — operating revenue was JY 44.5 bn, with operating profit of JY 14.1 bn and ordinary profit of JY 14.3 bn.

This strong performance in very difficult market conditions was in part due to the diversified revenue base, including Fixed Income, M&A and Structured Finance as well as Equities. The contribution from the first three divisions has helped to maintain profitability in spite of an extremely adverse equities environment. This diversification is unusual when compared to most Japanese securities firms, whose results have not, on the whole, been as good as those of Mizuho Securities.

“While the Equity Division results are below budget, this is hardly surprising given the present market conditions,” says Yoshio Osawa. “In the long term, however, we see a firm trend of equity orders from foreign investors. This supports our belief that our policy of concentrating on fundamental research is correct, while strengthening our global links has improved our profitability over the last year.”

In the current financial year to March 2003, the favourable results trend is continuing. For the first half ending September 2002, operating revenue was JY 26.3 bn (up 20.6% from the previous period), operating profit JY 8.9 bn (up 35.8%) and ordinary profit JY 8.9 bn (up 29.8%). The company expects ordinary profit of over JY 20.0 bn for a full year.

“For the year to March 2003, we are budgeting for an ordinary profit of JY 50.0 bn, which would enable us to propose a maiden dividend to our shareholders,” says Yoshio Osawa. “Now that is a real sign of progress for any newly created firm.”

“Now that is a real sign of progress for any newly created firm.” Yoshio Osawa, President of Mizuho Securities.

MIZUHO

For more information please contact: Mizuho Securities Co., Ltd.
Public Relations Planning Group Tel: 81-3-5208-2932
<http://www.mizuho-sc.com/english>