

# Ready to Take On the World

Mizuho Corporate Bank, the wholesale and investment banking arm of Mizuho Financial Group, is set to play a major role in global finance.

The 1990s were unkind to Japan, especially to its banks. Reeling with bad debts from the bubble economy of the previous decade, they were forced to accept infusions of public money. But Hiroshi Saito, president and CEO of Mizuho Corporate Bank, the wholesale and investment banking arm of Mizuho Financial Group, is convinced the tide has turned. "People say Japan wasted the past 15 years wallowing in the doldrums. In fact, it was an opportunity to restructure. The consolidation of key industries, including banking, was a positive. Now a new growth phase is underway."

The numbers certainly support Saito's upbeat assessment. Parent company Mizuho Financial Group announced record-breaking results for fiscal 2005, with consolidated net income of \$5.5 billion (¥649.9 billion). Nonperforming loans now represent just over 1% of the loan portfolio, and all public funds the government injected into the firm were repaid in July. Mizuho Financial Group is so confident about the future that it's planning a listing on the NYSE later this year.

Mizuho Corporate Bank has played a major part in the group's overall revival. It has enormous strength domestically: 70% of all Japanese listed corporations are clients, and 30% of these—including stars like Canon and Nissan—use Mizuho as their main bank. Saito attributes Mizuho's success at home to the powers of origination and distribution that have made it No.1 in Japan's syndicated loan market, with a 40% share, plus the ability to offer a wide range of services through links with other group companies.

"Until relatively recently, Japanese companies tended to rely on indirect finance—bank loans—rather than direct finance like bonds and equity," says Saito. "One bank would shoulder all the loans of a company it had a special relationship with. If the economy tanked and that company failed—as happened in the 1990s—the bank would be saddled with the entire debt."

## Sophisticated Services

According to Saito, loans are much less significant than before. Big corporations see value in information and solutions—things like advice on M&A and risk management. That's why Saito has replaced the old system with a new "evolving business model," based on integrating commercial and investment banking operations, providing comprehensive services by exploiting the group's range, and offering sophisticated services and

products to clients doing business globally.

The last four years saw Saito implement this business model domestically, and he's now rolling it out worldwide. Since 2005, Mizuho has opened branch offices in Houston and Atlanta, as well as Brussels, New Delhi, and Wuxi, China. Not just designed to play the traditional role of supporting Japanese companies' overseas expansion, this network will also pursue relationships with major global corporations.

Saito has also scrapped the old organizational split between "Japan" and "overseas," instead creating specialized function-based units that offer services on a global basis. In addition, he's actively promoting

local managers: In October 2005, 43-year-old Jeremy Ghose, responsible for LBOs and MBOs in London, became the first non-Japanese executive officer of the bank.

Mizuho already ranks in the global top five for project finance and certain derivatives, and in the European top five for MBOs, but Saito wants more. "We're going to diversify risk by cutting our dependency on Japan—something Japanese manufacturers have been doing for years. Our goal is to double overseas profits to 40% of the total in the next few years."

If Saito succeeds in raising the efficiency of financial services to the levels achieved by Japan's manufacturers, then Mizuho—which means "fresh crop of rice"—should enjoy bumper harvests in the years ahead. ■



Hiroshi Saito, president and CEO of Mizuho Corporate Bank