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## Message from the Group CEO



### Introduction

First of all, allow me to express my heartfelt sympathies for all of those who have contracted COVID-19 and the many people who have been impacted in various ways by the spread of the virus.

This crisis has caused major disruption to the economy and financial markets and has significantly impacted people's daily lives and work styles. At Mizuho, the health and safety of our customers and employees is our top priority, and we are utilizing split operations, remote work, and other arrangements based on the situation in each region. This has enabled us to continue to stably provide financial services, such as settlements and lending, which are essential for our

customers and the economy, even when a state of emergency or other such response has been put in place by the local authorities. We are also attentively listening to the needs of corporate clients and individual customers requiring funding assistance, and are making every effort to meet these needs, including providing new loans and changing the conditions of existing loans. Although the situation is still uncertain and we cannot let down our guard, we will continue to work together as a united group to ensure that we can provide essential financial functions in times such as these going forward.

Additionally, we have established the J-Coin Fund and in addition to making an initial donation to the fund we are soliciting donations from a range of sources and offering to make an additional donation based on our clients' total issue

# Becoming even stronger as we look ahead to a post-COVID-19 world

Due to the novel coronavirus (COVID-19) pandemic, we are faced with an unprecedented crisis with severe impacts on the real economy. Also, as we battle this virus, society as a whole is changing significantly to adjust to a post-COVID-19 world, including the way we live our lives and the way we do business.

I would like to take this opportunity to share Mizuho's strategy for adapting to a world impacted by COVID-19 and the world as it will be after the pandemic ends. It is not that we cannot return to how things were before COVID-19, but rather that we choose not to. COVID-19 can be a catalyst to transform us into a stronger organization. In this unprecedented crisis, we are committed to making decisive forward progress.

## Tatsufumi Sakai

Member of the Board of Directors  
President & Group CEO  
Mizuho Financial Group, Inc.

amount of privately placed bonds. This is just one way that we are working to support people's lifestyles and society as a whole, including health care workers and affected families and students.

### A world impacted by COVID-19

Currently, countries around the world are facing a truly unprecedented crisis with the COVID-19 pandemic and its impacts such as a sudden drop in demand and severe deterioration to the real economy affecting economic growth and employment. Over half a year has passed since infections with this unknown virus were first discovered, yet it is still difficult to accurately predict the scope and severity of impact,

when the virus will be contained, and other factors. According to the IMF's most recent World Economic Outlook (June 2020 edition), global growth is projected at -4.9% in 2020. This is significantly lower than the last time that growth was negative, which was -0.1% growth in 2009. From this we can perceive the extent to which this crisis is unusual and unprecedented.

Of course, the economic crisis will be contained at some point, but development of a vaccine is still in the early stages, and with concerns present regarding the risk of a second and third wave of infections, it has been posited that containment may take a significant amount of time. We must be aware of the potential for growth in the real economy to remain sluggish over the long term and for the accompanying impacts to be prolonged.

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### How is this different from the global financial crisis?

In September 2008, Lehman Brothers filed for bankruptcy with \$613 billion in total debt, a record in the US. The financial crisis that followed with its far-reaching impacts on economies and societies around the world was said at the time to be a “once in a hundred years” event. Although it is unavoidable that the current economic crisis will inflict more damage than the global financial crisis, this time it is different for financial institutions. The reason is that during this crisis our financial functions are operating as normal due to the following three points.

Firstly, the current crisis is not financial in origin. At the start of the global financial crisis, with the emergence of the subprime mortgage crisis, financial institutions were initially impacted and the reduction of their ability to provide financing sent shock waves through the real economy, which in turn led to further negative impacts on financial institutions’ operational status, creating a downward spiral. Secondly, central banks and governments around the world are quickly and resolutely implementing countermeasures based on experience gained in the previous crisis. These countermeasures have been effective and at present there are no concerns regarding the stability of the financial system. And thirdly, financial institutions have accumulated capital, enhanced risk management methods, improved portfolio

soundness, and made other efforts based on the lessons learned from the previous crisis and in response to the tighter regulations introduced afterward. As a result, financial institutions are prepared to continue providing financing even in the event of a crisis.

At Mizuho as well, our overall credit portfolio is significantly more sound compared to the time of the previous crisis. In structured products, where we recorded a large loss at the time, we have greatly improved the quality of our portfolio as a result of revising our policy and strengthening our risk framework. For example, around 80% of our real estate-related and commodity-related credit is equivalent to investment grade. Also, outside of Japan 80% of our portfolio is investment grade as a result of promoting our Global 300 strategy focused on blue-chip companies. In terms of investment, we currently do not hold any assets for which there is a concern of recording a large loss. As a result, I can say with confidence that Mizuho has the stress resistance necessary to overcome this challenging time.

With this in mind, where should we focus our efforts? I believe we should solidify our defenses in preparation for a worsening business environment while at the same time providing the financial functions which are more essential than ever. We must smoothly provide much-needed credit and

ensure that liquidity, the lifeblood of the economy, continues to flow around, thereby avoiding a severe worsening of the economy or delay to recovery. It is our hope that as a result of these efforts our customers' businesses and lifestyles can recover as soon as possible and that this in turn will help the economy. That is why it is vital that we go back to basics and provide the financial functions which are more essential than ever.

### **We are already beginning to experience a post-COVID-19 world**

The real economy has sustained profound damage from the impacts of COVID-19. At the same time, members of society are coming up with a variety of measures to cope with life amid the outbreak. During this time, various vulnerabilities have become apparent in the economies and societies of countries around the world and as a result we are making new discoveries and learning new things in a range of areas. These experiences are already leading to major changes, including in our lifestyles and the way we do business, as we transform into a post-COVID-19 society.

At Mizuho, we are focused on the “megatrends” that are likely to have a major impact on the finance industry—digitalization, the declining birthrate and aging population, and globalization—and we believe this general trajectory will not change after COVID-19 subsides. However, during the COVID-19 pandemic, a range of vulnerabilities have become even more apparent in the wake of these megatrends. In light of this, changes are arising in people's way of thinking, actions, etc. and in the finance industry new movements are accelerating in preparation for a post-COVID-19 world.

Firstly in terms of digitalization, it has become apparent that Japan in particular is behind when it comes to digital infrastructure. The current situation has reaffirmed the challenges that municipal organizations, government, and private sector organizations like Mizuho face regarding digitalization. By facing this situation, issues that were previously thought to be especially difficult to overcome such as the shift to digital contracts and cashless transactions are being addressed with renewed speed. Also, for retail customers there has been a sudden shift from in-branch to remote transactions using digital technology. As for the declining birthrate and aging population, uncertainty regarding health and life after retirement is increasing. In the area of business succession for example, as uncertainty regarding the future grows, an increasing number of companies, even those with young CEOs, are taking this opportunity to implement succession measures at an earlier stage, including MBOs and delisting. In regard to globalization, the stall in business caused by the COVID-19 outbreak has created severe issues concerning the uneven distribution of supply chains. Additionally, there is the issue of the rise of

anti-globalism. However, globalization is not being reversed as a result, but rather globalization has become the norm and we are seeing the start of a movement to restructure and optimize supply chains. These are merely some examples of the ways in which COVID-19 has spurred change in society, and both society and customer needs are undergoing structural changes as we look ahead to a post-COVID-19 world. Such shifts are beginning to occur in any number of areas.

### **Acceleration of the transition to the next generation of financial services**

Last fiscal year, Mizuho launched our 5-Year Business Plan: Transitioning to the Next Generation of Financial Services. The basic policy under this plan is to implement structural reforms in three areas—business structure, finance structure, and corporate foundations—in order to transition to the next generation of financial services and respond to customer needs as they undergo structural change against the backdrop of these megatrends. Up until now, financial institutions have designed their businesses around the value of money itself. However, the days are long in the past in which banks would accept deposits and return them without fail with an attractive level of earned interest all while maintaining robust infrastructure for operations, IT systems, compliance, etc. We must fully draw on the strengths that Mizuho has cultivated thus far and go beyond the conventional boundaries of finance to create new value incorporating both financial and non-financial products and services. In doing so, we can forge new forms of partnerships with our customers. That is the key strategy under our 5-Year Business Plan. Under our first action principle of “Open & Connected”, we are aiming to connect customer segments, regions, functions, and other aspects of our business in open partnerships within and outside the group in order to create new value chains spanning both finance and adjacent fields. And under our second action principle of “Passionate & Professional”, each member of the group will be encouraged to find a source of inspiration in the dreams and hopes of our customers, better connect with them, and draw on a high level of expertise to think, act, and deliver. Although traditional financial institutions are viewed as conservative, or “strong on defense but weak on offense”, through these efforts we can break out of our shell and work towards creating new value.

In fiscal 2019, the first year of our 5-Year Business Plan, in light of the impacts of COVID-19 we recorded reserves for possible losses on loans as a forward-looking and preventative measure. Due mainly to this factor, progress towards our target for Profit Attributable to Owners of Parent was 95%. However, overall performance was strong in each division, showing that our efforts are bearing fruit. Our structural

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reform initiatives, which are positioned as the main priorities within our 5-Year Business Plan, are also proceeding well and exceeding our targets.

## COVID-19 as a catalyst to transform us into a stronger organization

As I already touched upon, vulnerabilities in society, the economy, and industries have manifested due to COVID-19. In turn, latent issues regarding Mizuho's structural reforms have also become apparent. In that sense, although the necessity and direction of our structural reforms are unchanged, we believe it is important to further deepen these structural reforms in light of the challenges associated with responding to the pandemic.

These structural reforms will be implemented over a five-year period, but the most crucial period is the first three years, particularly this year when we must surmount the peak. While adapting to a post-COVID-19 society and economy, it is essential that we fundamentally change our operations and infrastructure, including retail branches, as well as the way we do business. Additionally, we must ascertain as early as possible these structural changes occurring within society and take resolute action, taking an offensive rather than defensive stance and expanding our business domain with an eye to the current situation.

In the area of digitalization, for example, COVID-19 is increasing the demand for contactless transactions. At Mizuho, we are enhancing efforts to shift to cashless payments via J-Coin Pay, a service offered in collaboration with regional banks and other financial institutions that boasts excellent safety, security, and convenience. Also, as smartphones become more and more essential to our lifestyles, through partnerships with a broad range of IT companies, we are seeking to integrate the financial capabilities that Mizuho has amassed thus far with the new lifestyles and economic spaces being formed via the use of smartphones. Furthermore, starting this fiscal year, information that customers enter into tablets available at retail branches will be sent directly to our new core banking system, MINORI. Among other benefits, this will increase the efficiency and speed of branch operations, further enhancing convenience for customers through the use of digital technology.

Strategic investment is another part of this. A strategy outlined in our 5-Year Business Plan is to enhance our risk-taking capabilities, collaborate with our clients on business strategy, and share risks as a business partner. The COVID-19 pandemic is producing demand for a fundamental transformation of clients' business strategies and finance strategies. At the same time, the current business environment is likely to create downward pressure on capital

Megatrends	Digitalization	Declining birthrate & aging population	Globalization
Manifestation of vulnerabilities due to the impacts of COVID-19	<ul style="list-style-type: none"> <li>High dependence of face-to-face channels</li> <li>Business processes/infrastructure hindering digitalization</li> </ul>	<ul style="list-style-type: none"> <li>Increased anxiety about the future due to unstable income and health concerns</li> </ul>	<ul style="list-style-type: none"> <li>Uneven distribution of supply chains</li> <li>Rise of anti-globalism</li> </ul>

Already seeing rapid structural changes in society, the economy, and industry due to the impacts of COVID-19

Post-COVID-19 world	Customers		
	Retail	Corporate	Markets
	Pursuing safe and secure lifestyles based on the advancement of digitalization	Fundamental transformation of business/finance strategies	High-volatility market structure with residual excess liquidity
Future initiatives	<ul style="list-style-type: none"> <li>Strengthen remote transaction infrastructure</li> <li>Cashless payments</li> <li>Asset management and succession business</li> </ul>	<ul style="list-style-type: none"> <li>Provide quasi-equity financing</li> <li>Support for restructuring and asset sales</li> <li>Support changes to supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Sales &amp; Trading: Capture diverse investor needs</li> <li>Banking: Flexibly shift allocation of assets</li> </ul>

for at least the next one to two years and clients will need to respond. By utilizing our strengths such as our industry research capabilities and financial/capital strategy execution capabilities, we will seek a range of opportunities to hold continual discussions with our clients' senior management and work to further assist clients to grow their capital for both "defensive" and "offensive" purposes, including through the provision of quasi-equity financing.

We will also provide growth support. Our support for the growth of innovative startups involves not only funding but also support for the growth of the business itself, including providing talent. However, even companies with good technology and a good business model will find it very challenging to succeed in the current environment, so we will support them in a number of ways, including financing support via investment funds.

In terms of globalization, while companies are aiming to more evenly distribute uneven supply chains, we are seeing the start of a movement to optimize and rectify supply chains in a way that achieves both efficiency and security. At Mizuho, we are working to build high-level relationships with the senior management of global multinationals through our Global 300 strategy. Under the current environment, we are drawing on the collective capabilities of the Mizuho group to assist clients, including consulting regarding business strategy and providing research capabilities in order to support trade flow restructuring and other initiatives.

We are aiming to bring a can-do attitude and expand the ways we work together with clients. Continually pursuing such opportunities will surely lead to the creation of new value incorporating both financial and non-financial products and services.

It is not that we cannot return to how things were before COVID-19, but rather that we choose not to. COVID-19 can be a catalyst to transform us into a stronger organization. With a shared awareness of this throughout the group, we can resolutely accelerate our transition to the next generation of financial services.

## Sustainability initiatives

In order for us to continually enhance our corporate value, we must focus not only on our own value but on creating value for a broad range of stakeholders, including our shareholders, customers, employees, and society as a whole. From that perspective, we define sustainability for Mizuho as Mizuho's sustainable and steady growth, environmental conservation,

and the sustainable development and prosperity of the economy, industry, and society both in Japan and around the world. With this as our basic approach, we will work together as a united group to formulate strategic initiatives.

Based on our awareness that climate change is one of the most crucial global issues having the potential to impact the stability of financial markets, we have positioned addressing environmental issues and climate change as a key part of our corporate strategy and are continually bolstering our initiatives.

A key aspect of this is dialogue with stakeholders—in other words, engagement. In April of this year we tightened our Environmental and Social Management Policy for Financing and Investment Activity and through this process, which involved extensive dialogue with clients and a variety of other stakeholders, we were able to thoughtfully explain our thinking and gain their understanding while maintaining a deep understanding of our clients' business strategies. Together we are working towards a low-carbon society.

Additionally, proactive disclosure is an important aspect of engagement. This year, in addition to our Integrated Report we have released a TCFD Report. We are aiming to engage in further dialogue with our stakeholders by proactively disclosing the conditions/assumptions behind our efforts and the results of various considerations.

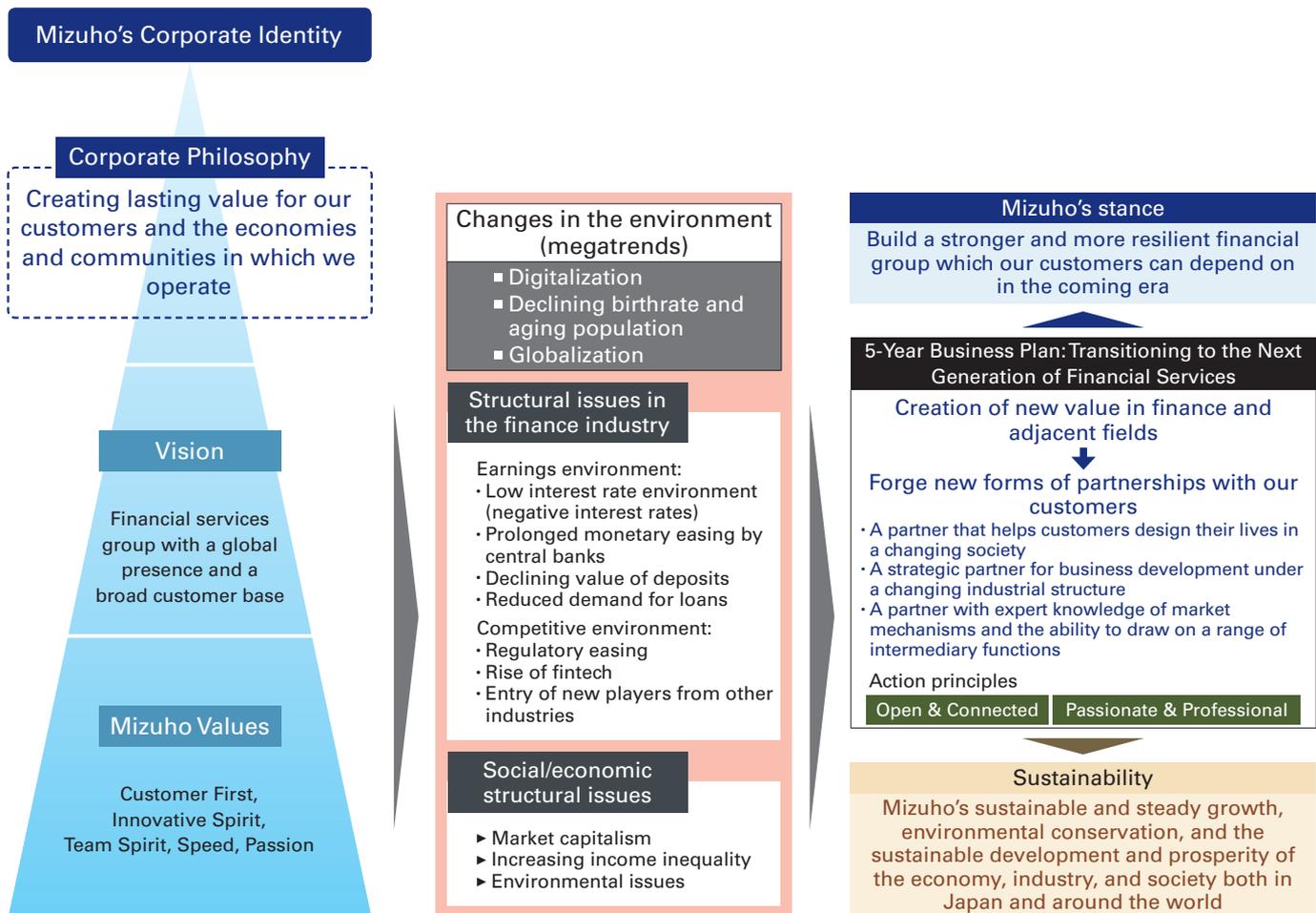
Going forward, we will continue to deepen our engagement with our customers, investors, and other varied stakeholders, listening closely to your opinions, and working to improve our initiatives and disclosures as a result. And we will ensure that this mindset is adopted throughout the organization. As the Group CEO, I am committed to leading the way as we enhance our initiatives.

## Delivering benefits to our stakeholders

In recent years the concept of stakeholder capitalism has become increasingly popular; however, we at Mizuho have already embraced this idea. Our Corporate Philosophy, which forms the basis of Mizuho's corporate activities, articulates our commitment to creating lasting value for our customers and the economies and communities in which we operate.

Traditional finance industry business models, where the business is structured around the accumulation of deposits, are in need of fundamental change in light of recent developments such as structural changes in society, the economy, and industry as well as the continuation of low and

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negative interest rates. Additionally, trends such as regulatory easing and digitalization have led to the rise of fintech and the entry of new players into the finance industry, creating an even more challenging competitive environment for traditional financial institutions.

At the same time, the issues arising from COVID-19 have once again made it clear that there are some things that only a financial institution like us can do as we maintain sufficient capital and can provide credit in this situation. However that is not all we bring to the table. The strengths we have cultivated include trustworthiness and dependability, a broad customer base and extensive network, advanced financial and non-financial functions, and our approach to business as a united group. We will fully draw on these strengths to go beyond the traditional boundaries of finance, consider how to journey with our customers into the post-COVID-19 future and share risks with them as needed, acting as an invaluable partner for

achieving the future they envision. This is our role going forward and now is the time for us to prove our true value.

In order to achieve this, we need a talent pool of specialists who are well-versed in both finance and non-finance fields, have universally recognizable skillsets, and who our customers can depend on. To this end, we are promoting a new HR strategy centered around a compensation system which rewards the exercise of expertise as well as providing career design support. An increasing number of employees are applying for internal job postings, concurrent assignments, and external part-time roles. In this way we are working to enhance employees' expertise and expand the opportunities available to take on new challenges both within and outside the organization. Going forward we will continue to encourage employees to expand their professional fields in line with their expertise and to grow. We will do this by building a new framework for how we develop, evaluate, and compensate

employees, among other considerations, as well as promoting the advancement and empowerment of diverse talent.

Additionally, based on the experience of responding to the pandemic, we will work to achieve even more flexible work styles and enable employees to enhance their creativity and productivity while also ensuring their health and safety.

Through these efforts we will continue to deliver benefits to our varied stakeholders even as the times change, a mission embodied in the name Mizuho, which evokes images of a “bountiful harvest of rice” in Japanese.

### **In closing: Think, act, and deliver in order to rise up stronger than ever**

This fiscal year is a critical moment for us as we face the unprecedented crisis brought about by COVID-19. The financial industry is said to be a mirror of the real economy in some ways and our performance may dip somewhat for at least this fiscal year. However, our customers and society expect great things of Mizuho. We must seize this critical moment and fully draw on our financial capabilities, including cash flow support and settlements, coming together as a united group in order to help society and the economy recover as early as possible.

Additionally, structural changes in society, the economy, and industry that will shape the post-COVID-19 world are occurring rapidly, such as digitalization and the shift to remote work and remote channels. In light of this, we will expand our business base, deepen our structural reforms, and otherwise further accelerate the transition to the next generation of financial services.

As the true value of financial services is being tested, this is a window of opportunity and if all of us at Mizuho can come together to think, act, and deliver, I am confident that we will rise up stronger than ever. The entire group is working together to achieve the objective I have outlined since I was appointed as Group CEO of “building a stronger and more resilient financial group which our customers can depend on in the coming era.” We appreciate your continued support and will do everything in our power to exceed your expectations.

July 2020



**Tatsufumi Sakai**

Member of the Board of Directors  
President & Group CEO  
Mizuho Financial Group, Inc.

