Message from the Group CFO

Supporting customers and contributing to a swift economic recovery by fulfilling our financial intermediary functions, we will enact finance structure reforms to transition to the next generation of financial services

Makoto Umemiya

Member of the Board of Directors
Senior Managing Executive Officer
Head of Financial Control & Accounting Group (Group CFO)

Financial management principles amid an unprecedented crisis

The spread of the novel coronavirus (COVID-19) has halted the movements of people and goods on a global scale and is having a drastic negative impact on the global economy including severe deterioration of consumer demand. Now, as the world faces this unprecedented crisis, there are strong expectations for financial institutions to respond to the rising financing needs of customers and fulfill our financial intermediary functions to enable a swift recovery for society and the economy.

We expect that the next one to two years will bring a challenging earnings environment for Mizuho as well. Our first objective is to reinforce our defenses and ensure disciplined control of Credit-related Costs and expenses, and I believe it is important to conduct proactive fiscal management that preempts changes that could be on the horizon, just as we recorded additional reserves for possible losses on loans in our fiscal 2019 financial results.

As global markets undergo structural changes due to megatrends including declining birthrate and an aging population, digitalization, and globalization, we must implement structural reforms at Mizuho giving additional consideration to the impact of COVID-19. We will steadily advance the transition to the next generation of financial services through measures including revising our business portfolio and reallocating corporate resources.

Overview of fiscal 2019

In fiscal 2019, as the result of strong performance in both customer and markets divisions, we achieved Consolidated Net Business Profits (including Net Gains (Losses) related to ETFs[1] and others) of ¥672.5 billion, for a year-on-year increase of ¥264.2 billion. Even after adjusting for losses recorded due to restructuring our securities portfolio last fiscal year, this still represents an increase of ¥69.4 billion.

We recorded ¥171.7 billion in Credit-related Costs including ¥80.4 billion in additional reserves for possible losses on loans from a forward-looking perspective in light of the impact that COVID-19 may have on our finances and based on the future outlook of certain loans. As for Net Gains (Losses) related to Stocks (not including Net Gains (Losses) related to ETFs[1] and others), due to a drop in stock prices we posted ¥39.4 billion in unrealized losses on securities (with readily determinable fair values), but recorded a ¥126.5 billion gain mainly due to steady progress on reducing cross-shareholdings.

As a result of the above, we achieved Profit Attributable to Owners of Parent of ¥448.5 billion, reaching 95% of our initial fiscal year estimate of ¥470 billion, an increase of ¥352 billion compared to last fiscal year when we recorded impairment losses on fixed assets.

We are also making good progress on the financial targets and other objectives outlined in our 5-Year Business Plan, which we launched in fiscal 2019. As of the end of fiscal 2019 our Common Equity Tier 1 (CET1) Capital Ratio was 8.8%[2] on a Basel III fully effective basis, and is increasing steadily toward our goal of the lower end of the 9 – 10% range. Also, regarding the reduction of cross-shareholdings, through diplomatic discussions with clients we successfully reduced ¥147.8 billion in cross-shareholdings compared to the end of fiscal 2018, marking 49% progress on our target of reducing ¥300 billion in cross-shareholdings over the three years to fiscal 2021. Additionally, as a finance structure reform initiative we are reducing the scale of our workforce, the number of branches and offices in Japan, as well as expenses, and currently each of these plans remain unaffected by the COVID-19 pandemic, with progress on workforce and expense reduction in particular exceeding the fiscal 2019 targets.

By reallocating the corporate resources secured through these initiatives to new business domains, business outside Japan, transaction banking, and other focus areas, we aim to improve risk & return and cost & return and accumulate stable revenue streams as the foundation for steady dividend payouts.

1. Net Gains (Losses) related to ETFs (aggregate for Mizuho Bank and Mizuho Trust & Banking) + Net Gains on Operating Investment Securities (Mizuho Securities consolidated).
2. Excluding Unrealized Gains (Losses) on Other Securities

Outlook for fiscal 2020

At present we are unable to accurately predict how widespread the impact of COVID-19 will be or for how long it will pose a serious threat. With this in mind, we have formed our fiscal 2020 business plan based on a scenario which assumes that the economy will bottom out in the first half of fiscal 2020, and enter a gradual recovery lasting until the end of 2021.

The negative impact of the pandemic will be particularly severe this fiscal year, and we estimate earnings of ¥570 billion in Consolidated Net Business Profits (including Net Gains (Losses) related to ETFs and others*), a reduction of approximately ¥100 billion year-on-year due to the impact of interest rate cuts outside of Japan and a reduction in retail investment business, among other factors. We expect that the impact

*Net Gains related to ETFs (aggregate for Mizuho Bank and Mizuho Trust & Banking) + Net Gains on Operating Investment Securities (Mizuho Securities consolidated).

■ Fiscal 2019 Consolidated Net Business Profits (including Net Gains (Losses) related to ETFs and others)

¥672.5 billion

+¥264.2 billion (year-on-year)
108% of target

■ Fiscal 2019 Profit Attributable to Owners of Parent

¥448.5 billion

+¥352 billion (year-on-year)
95% of target

Progress on the 5-Year Business Plan

Financial targets

	FY2019	FY2023
Consolidated ROE[1]	5.8%	7 – 8%
Consolidated Net Business Profits[2]	¥672.5 billion	approx. ¥900 billion

Other key indicators

	March 31, 2020	-
CET1 Capital Ratio[3]	8.8%	Lower end of the 9 – 10% range (target)
Reduction of cross-shareholdings[4]	Reduction of ¥147.8 billion	Reduction of ¥300 billion (end-FY2018 to end-FY2021)

1. Excluding Net Unrealized Gains (Losses) on Other Securities
2. Including Net Gains (Losses) related to ETFs and others
3. Basel III fully effective basis. Excluding Net Unrealized Gains (Losses) on Other Securities
4. Acquisition cost basis

FY2020 targets

	FY2019	FY2020
Consolidated Net Business Profits[1]	¥672.5 billion	¥570 billion
Credit-related Costs	– ¥171.7 billion	– ¥200 billion
Net Gains (Losses) related to Stocks[2]	¥126.5 billion	¥80 billion
Ordinary Profits	¥637.8 billion	¥400 billion
Net Income Attributable to Mizuho Financial Group[3]	¥448.5 billion	¥320 billion

1. Including Net Gains (Losses) related to ETFs and others
2. Excluding Net Gains (Losses) related to ETFs and others
3. Profit Attributable to Owners of Parent

Message from the Group CFO

in terms of Credit-related Costs will be ¥200 billion, and as a result, Profit Attributable to Owners of Parent is anticipated to fall about ¥130 billion year-on-year to ¥320 billion.

The total amount of Credit-related Costs stemming from the COVID-19 pandemic is estimated at ¥335 billion, with ¥135 billion recorded in fiscal 2019 and an additional ¥200 billion estimated for fiscal 2020. The ¥135 billion recorded in fiscal 2019 includes approximately ¥55 billion in reserves for possible losses on loans which were recorded as a preventative measure within the scope of existing rules mainly due to concerns regarding the deterioration of primarily Japanese clients' financial performance, plus about ¥80 billion in reserves for possible losses on loans recorded from a forward-looking perspective based on the future outlook of certain credit exposures.

The estimated total of ¥335 billion in Credit-related Costs is equivalent to only about 60% of those recorded in fiscal 2008, when we recorded Credit-related Costs of ¥536.7 billion at the peak of the financial crisis. As mentioned in the message from the Group CEO, the reason for this is that compared to the 2008 crisis which was financial in origin and had a severe downward effect on the real economy, the soundness of the financial system has been maintained throughout the current pandemic and the smooth provision of financing is underpinning the real economy, plus, the soundness of Mizuho's credit portfolio has been greatly improved since the financial crisis.

Here, I would like to explain the current status of our credit portfolio. For loans to corporate clients, risk tolerance has improved considerably due to clients accumulating capital and liquidity. Additionally, our structured products portfolio, which sustained a large loss during the financial crisis, is now much more robust as we have revised management policy and strengthened our risk management framework. For instance, the ratio of loans which are equivalent to investment grade for real estate- and resource sector-related lending is high at about 80% for each portfolio, and we have greatly reduced the underwritten amount of LBOs compared to the time of the 2008 financial crisis. Also, regarding securitization products, we are significantly improving the soundness of our portfolio through measures including limiting securitization products to those for which risk can be controlled to an adequate degree.

Portfolio soundness

Mizuho's borrowers

Liquidity[1]

September 30, 2007: ¥133 trillion → September 30, 2019: ¥224 trillion

Equivalent to investment grade[2]

September 30, 2007: 47% → September 30, 2019: 71%

Credit portfolio

Real estate related

Equivalent to investment grade[2] — March 31, 2020: approx. 80%

Commodity related (non-Japanese companies, upstream)[3]

Equivalent to investment grade[2] — March 31, 2020: over 80%

Non-Japanese LBOs (underwritten amount)

June 30, 2007: $12.5 billion → March 31, 2020: $0.7 billion

Aircraft related[4]

Limited risk exposure — March 31, 2020: $0.25 billion

Securitization products

Foreign currency denominated securitization products

December 31, 2007: ¥1.5 trillion → March 31, 2020: ¥0.7 trillion

- CLO: All AAA-rated[5]
- ABS: All equivalent to investment grade
  No holdings of secondary securitized products

1. Total for corporate clients 2. Based on exposure according to internal rating
3. For oil and gas companies which are most vulnerable to impact from a drop in oil prices 4. Loans with residual value risk 5. External ratings from S&P

Capital management policy

Cash dividends per share of common stock were ¥7.5 for fiscal 2019, matching our estimate at the beginning of the fiscal year. Despite falling just short of our estimate for Net Income Attributable to Mizuho Financial Group for fiscal 2019, based on our shareholder return policy of maintaining the current level of dividends for the time being while aiming to strengthen our capital base further to enhance returns to shareholders at an early stage, we set the dividend amount in anticipation of maintaining a certain level of profits, despite our significantly lower earnings estimates for fiscal 2020. We took into consideration that if not for the forward-looking reserves for losses on loans recorded in light of the COVID-19 pandemic we would have achieved our earnings plan, and the fact that we exceeded our CET1 capital ratio target for the end of fiscal 2019, allowing us to start fiscal 2020 with a buffer.

Dividends for fiscal 2020 will be maintained at ¥7.5 per share of common stock, unchanged from fiscal 2019. We anticipate that our CET1 capital ratio will fall temporarily as risk-weighted assets increase due to increased lending as we continue to fulfill our financial intermediary functions amid the COVID-19 pandemic, and due to the falling credit ratings of clients, but this will not have any impact on our shareholder return policy. We will maintain the current level of dividends while accumulating capital and aiming to enhance returns to shareholders at an early stage.

Tax initiatives

In April of this year, we established a Tax Policy, which sets forth a group-wide, uniform approach to tax matters to ensure the appropriate fulfillment of tax liabilities, which is one of our corporate social responsibilities, and to sustainably increase corporate value by establishing and enhancing our credibility and reputation in the eyes of shareholders, investors, and all customers across the globe.

Specifically, in addition to complying rigorously with the tax laws of applicable countries and international tax rules such as the Action Plan on Base Erosion and Profit Shifting*, we endeavor to manage our tax costs appropriately by utilizing tax incentives and other systems. We seek to build good relationships with tax authorities through constructive dialogue. Furthermore, we will take thorough internal measures to ensure we do not provide customers with products and services where the sole aim is to achieve tax avoidance and income shifting which are against the spirit of tax laws.

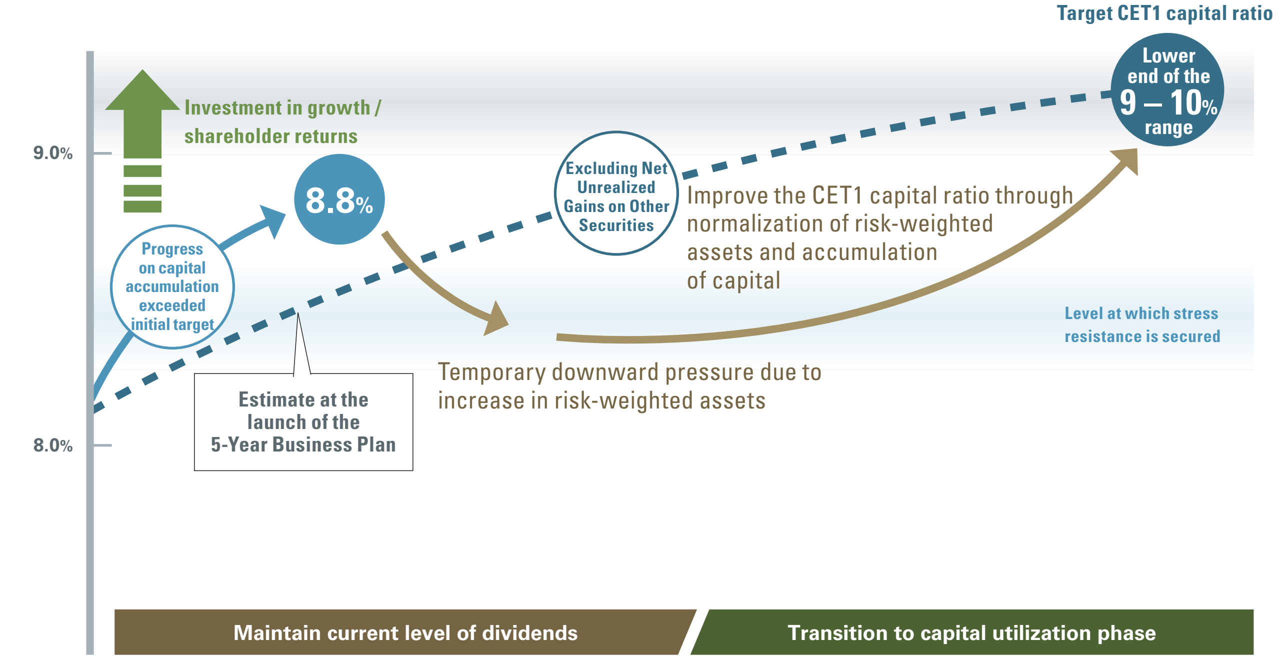
*Base Erosion and Profit Shifting (BEPS): Tax planning strategies utilized by multinational companies to leverage gaps in national and international tax rules and artificially shift their profits to avoid taxation.

Cash dividend per share of common stock

Interim cash dividend (estimate)	¥3.75
Fiscal year-end cash dividend (estimate)*	¥3.75
Fiscal year dividend (estimate)	¥7.5

*The fiscal year-end cash dividend amount shown here does not take into account the share consolidation planned for October 1, 2020. This amount will be ¥37.5 following the share consolidation.

Outlook for Common Equity Tier 1 (CET1) Capital Ratio (Basel III fully effective basis)



Message from the Group CFO

Enhancing engagement with shareholders and investors

In recent years, the relationship between companies and their shareholders and investors is changing, with the interests of shareholders and investors expanding to include not only business strategy and capital management policy, but also the sustainable improvement of corporate value from a broad range of perspectives such as environmental sustainability. In light of this, we at Mizuho are making efforts to enhance engagement as well as our disclosure.

As one part of these efforts, at the Ordinary General Meeting of Shareholders held in June of this year, we resolved to conduct a share consolidation as well as amend the Articles of Incorporation regarding organizations that decide dividends from surplus. This share consolidation will enable us to set the amount of dividend per share more precisely, which will also enhance the flexibility of dividends and our capital management, and furthermore aims to enhance constructive dialogue with shareholders and investors so that we can gather opinions with regard to dividend decisions.

Also, from the perspective of enhancing engagement opportunities with investors, in addition to holding presentations on our financial results for institutional investors, IR Day, which is a briefing about the business strategies of each in-house company, and IR Select, which is an event covering specific strategic topics, we have also continued holding presentations for individual investors via online video linkup since 2015.

We will continue striving to enhance our disclosures while proactively engaging with shareholders and investors.

The year in engagement

April 2019 · Fiscal year results · June · September · Interim results

Visits to overseas investors

Announcement of the 5-Year Business Plan

General Meeting of Shareholders

IR events

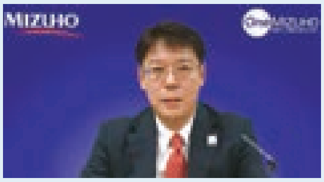
Financial results presentation

Presentation covering the principles of the 5-Year Business Plan announced in May 2019, financial targets, and our detailed strategy for achieving the targets.

IR Day

The head of each in-house company gave presentations covering their in-house company's strategy pertaining to the 5-Year Business Plan. An outside director session was also held.

Presentation for individual investors



Presentation covering the principles of the 5-Year Business Plan and Mizuho's initiatives in a format geared for individual investors. Approximately 2,100 investors viewed the presentation including those who viewed the recording of the event.

FY2019
Meetings with institutional investors
420 (includes 120 overseas investors)

By senior management	By IR Dept.
230 (includes 70 overseas investors)	190 (includes 50 overseas investors)

(total number, rounded)

Enhancing disclosure

Based on feedback from institutional investors and analysts, we are working to enhance disclosure of information including in-house company data for financial results presentations and the impact of COVID-19.

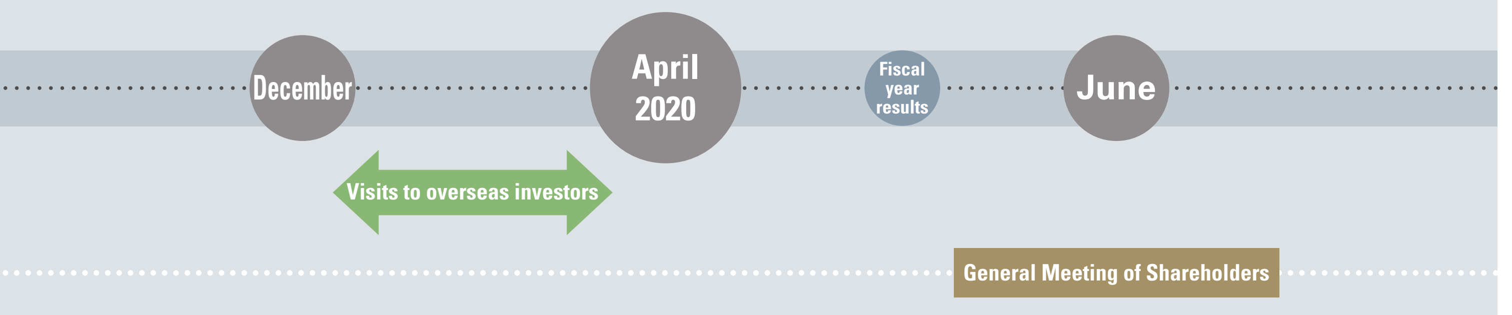
We have also disclosed information on our strengthening of sustainability initiatives, which are of increasing interest to investors.

We have also created a “Financials and Presentations” section on our website to make it easier for shareholders and investors to access a library of our financial results and IR materials.

Initiatives pertaining to the General Meeting of Shareholders

As the General Meeting of Shareholders is an important engagement opportunity to hold dialogue directly with shareholders, we at Mizuho are driving various related initiatives.

In particular, in addition to enhancing communications including providing the convocation notice earlier and providing a video feed of the meeting including the question and answer session, we are also implementing measures such as enabling the exercise of voting rights via mobile devices. Also, due to the COVID-19 pandemic this year we implemented an online video feed in addition to the on-site meeting.



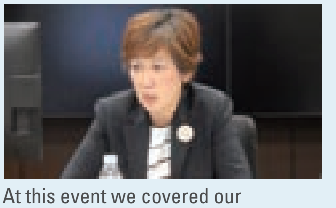
Financial results presentation

At our financial results presentation in November, we covered our progress over the six months following the start of the 5-Year Business Plan.

Financial results presentation

In addition to expanding disclosure based on feedback from investors, this presentation covered our performance outlook and strategy in light of the COVID-19 pandemic.

IR Select



At this event we covered our strengthening of sustainability initiatives. An outside director session was also held.

In fiscal 2020, in consideration of the spread of COVID-19, we are holding events and meetings with institutional investors online.