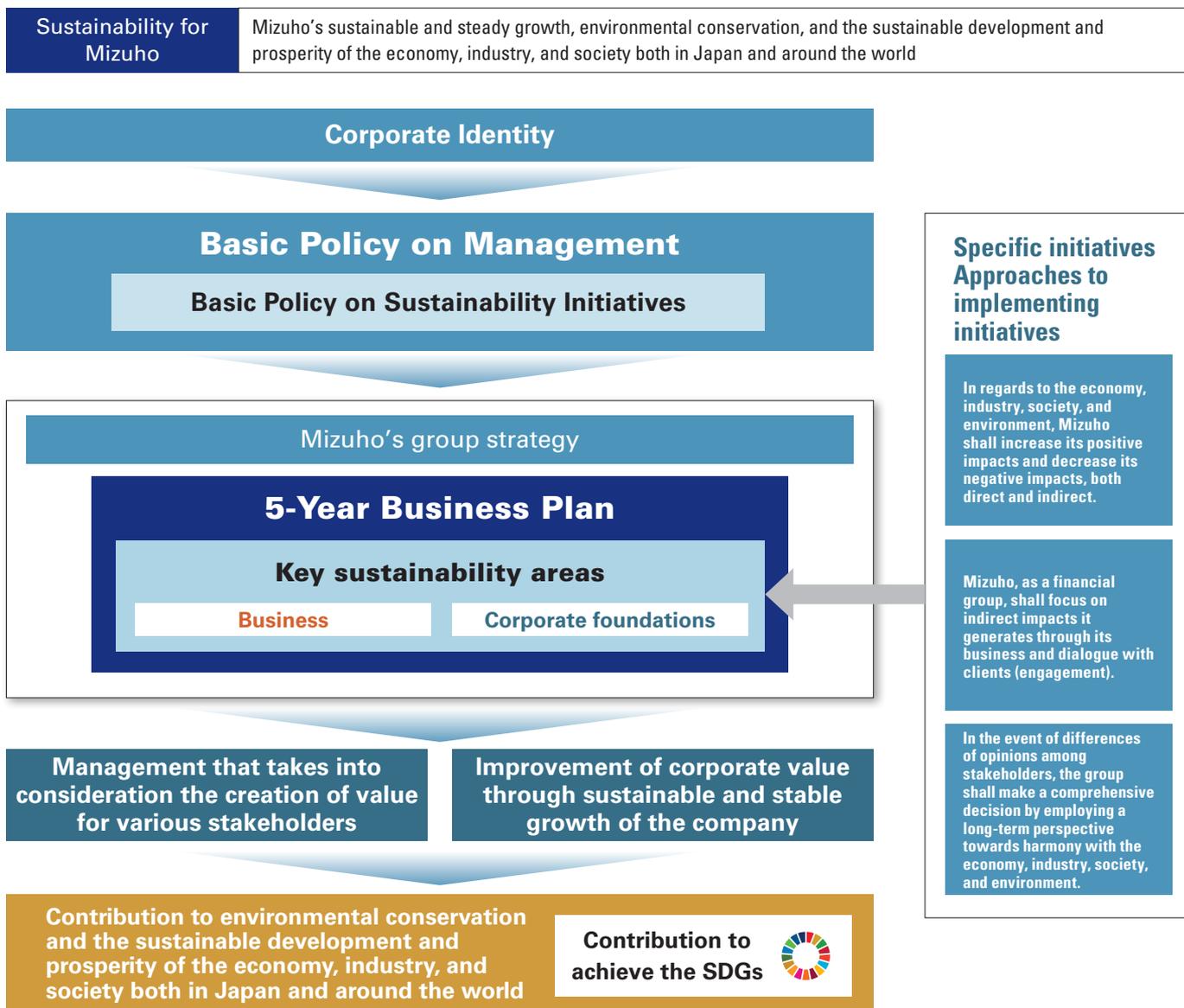


# Sustainability

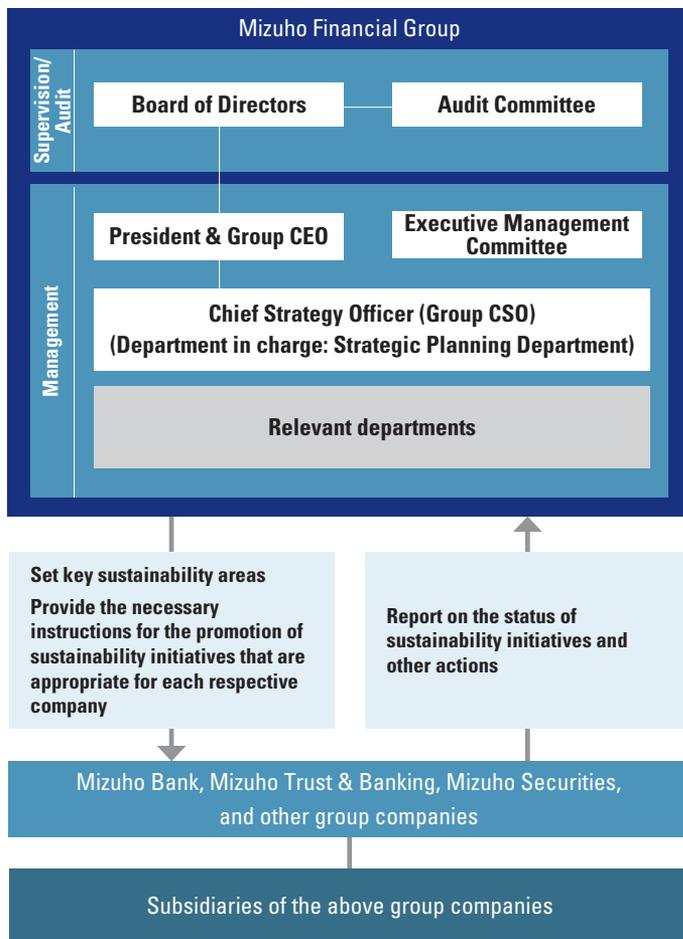
By promoting sustainability initiatives, we at Mizuho aim to operate in a way that considers creation of value for our varied stakeholders and improve corporate value through sustainable, stable growth for the entire group, thus contributing to the achievement of the Sustainable Development Goals (SDGs).

Thus far, we have strengthened our stance of advancing sustainability initiatives as an integral part of our group strategy. We have been making an effort to strengthen our environmental and climate change initiatives. In 2019, we signed the Principles for Responsible Banking, a framework created by the United Nations Environment Programme Finance Initiative. In April 2020, in light of these efforts and other factors, and with the aim of promoting sustainability consistently throughout the Mizuho group, after deliberation at the Executive Management Committee and the Board of Directors, we revised our Basic Policy on Sustainability Initiatives to clarify our fundamental approach.

Further, in fiscal 2019, our business execution and supervision lines deepened their discussions on sustainability, particularly in relation to strengthening our environmental and climate change initiatives, and we set policy going forward and long-term targets in relation to these issues.



Sustainability promotion structure



Our holding company, Mizuho Financial Group, promotes integrated sustainability initiatives throughout the group. This specifically involves proposing key sustainability areas (materiality) determined within our medium-term and fiscal business plans for group companies as well as providing guidance necessary for promoting initiatives suitable for each group company. Group companies formulate their own medium-term and fiscal business plans based on the key sustainability areas and report the status of their sustainability initiatives to Mizuho Financial Group.

**Resolutions and reports at the Board of Directors in FY2019**

- Resolutions
  - Revision of Mizuho Code of Conduct
  - Establishment of Environmental Policy
  - Revision of Basic Policy on Sustainability Initiatives
  - Key sustainability areas
- Reports
  - Revision of Environmental and Social Management Policy for Financing and Investment Activity
  - Status of response to TCFD Recommendations

**United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking**

The Principles for Responsible Banking are a framework aiming for the sustainable development of banks and society in alignment with the objectives of the Sustainable Development Goals (SDGs) and the Paris Agreement. The Principles enable banks to identify where they have the potential to make the most significant positive and negative impacts, and provide a framework for banks to set and work towards strategies and targets in line with initiatives in these identified areas, and to be transparent in their disclosures.

Mizuho became a Founding Signatory of the Principles upon their launch in September 2019. In light of the Principles, and in order to clarify our specific approach to sustainability initiatives, we revised the basic approach set forth in our Basic Policy on Sustainability Initiatives in April 2020.

Going forward, in line with the Principles, we will enhance our sustainability initiatives further and report on the status of our efforts in response to the Principles.

**The Principles**

**Principle 1: Alignment**  
We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

**Principle 2: Impact & Target Setting**  
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

**Principle 3: Clients & Customers**  
We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

**Principle 4: Stakeholders**  
We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society's goals.

**Principle 5: Governance & Culture**  
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

**Principle 6: Transparency & Accountability**  
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

## Key sustainability areas

We have defined key sustainability areas in our 5-Year Business Plan in line with the expectations and requirements of stakeholders and based on the importance and affinity of such initiatives with our strategy, as well as medium- to long-term impact on our corporate value, and each in-house company, unit, and group will establish a strategy incorporating sustainability initiatives. Additionally, we have set targets/KPIs based on our key sustainability areas. The key sustainability areas and other items are revised each fiscal year and reflected into our business plan.

Business	Declining birthrate and aging population, plus good health and lengthening lifespans	  	<ul style="list-style-type: none"> <li>● Asset formation to prepare for the future</li> <li>● Expand services that respond to a society with a declining birthrate and aging population</li> <li>● Convenient services in line with diversifying lifestyles</li> </ul> <p>▶ P34, P42, P47 to 48</p>
	Industry development & innovation	   	<ul style="list-style-type: none"> <li>● Smooth business succession</li> <li>● Industry transformation</li> <li>● Acceleration of innovation</li> <li>● Growth in Asian economic zones</li> <li>● Creating resilient social infrastructure</li> </ul> <p>▶ P34, P36, P38, P44, P46</p>
	Sound economic growth		<ul style="list-style-type: none"> <li>● Strengthening capital markets functions</li> <li>● Transition to a cashless society</li> <li>● Environmentally conscious social programs</li> </ul> <p>▶ P40, P42, P46</p>
	Environmental considerations	 	<ul style="list-style-type: none"> <li>● Promoting action to address climate change and supporting the transition to a low-carbon society</li> </ul> <p>▶ P59 to 62</p>
	Corporate foundations	Corporate governance	 
Human capital		 	<ul style="list-style-type: none"> <li>● Talent development and creating workplaces that give employees a sense of purpose</li> </ul> <p>▶ P49 to 52</p>
Environment & society		   	<ul style="list-style-type: none"> <li>● Environmental and human rights considerations for investment and lending</li> <li>● Addressing climate change</li> <li>● Improving financial and economic literacy, and promoting activities that contribute to society based on regional and societal needs</li> </ul> <p>▶ P57 to 58, P63 to 66, P97</p>

Open partnerships and collaboration with a diverse range of stakeholders



Note: Icons indicate relation to major Sustainable Development Goals (SDGs)

## FY2019 performance on sustainability targets and KPIs

Business	Declining birthrate and aging population, plus good health and lengthening lifespans	<ul style="list-style-type: none"> <li>■ Asset formation to prepare for the future</li> <li>● Net increase in investment products (individual investors): ¥470.9 billion</li> <li>● Total number of individual customers who use investment products (core customers): 1.743 million customers (up 71,000 customers compared to previous fiscal year)</li> <li>● Net increase in publicly offered equity investment trust assets under management: -126.9 billion</li> </ul>	Although the balance of publicly offered equity investment trust assets under management saw a net decrease from the end of fiscal 2018, greater use of installment-type investment trusts led to an increase in both the number of customers and the balance for investment products.
	Industry development & innovation	<ul style="list-style-type: none"> <li>■ Smooth business succession</li> <li>● Number of clients provided with consulting: 1,716 clients (up 25% compared to previous fiscal year)</li> <li>■ Acceleration of innovation</li> <li>● Rank in number of IPOs as lead underwriter: #2</li> <li>● Rank in terms of IPO underwriting amount: #4</li> </ul>	<p>Due to enhanced coordination between the frontlines and Head Office, we were able to respond to our clients' wide-ranging needs, and the number of clients we provided with consulting, mainly on business succession, went up by 25% compared to the previous fiscal year.</p> <p>We also supported the IPOs of technology-focused startup companies in fields such as the environment, health, medicine, and education.</p>
	Industry development & innovation, sound economic growth, environmental considerations	<ul style="list-style-type: none"> <li>● Sustainable finance ¥2.4 trillion (of which, ¥1.1 trillion in environmental finance)</li> </ul>	We began collecting data in FY2019 and have established a long-term target for FY2030. ▶ P60

## Human capital/Diversity &amp; Inclusion

Item	Target	Target time frame	Achievement (July 2020)
Percentage of management positions filled by women (general manager and manager equivalent) <sup>1</sup>	20%	July 2024	16%

Item	Level to be achieved continuously	Achievement (FY2019)
Percentage of management positions filled by employees hired outside Japan <sup>2</sup>	65%	64%
Percentage of new graduates hired for management track jobs who are female <sup>1</sup>	30%	36% (April 2020)
Percentage of paid annual leave taken by employees <sup>1</sup>	70%	78%
Percentage of eligible male employees who take childcare leave <sup>1</sup>	100%	93%

1. Japan (Total of Mizuho Financial Group, Mizuho Bank, Mizuho Trust &amp; Banking, and Mizuho Securities)

2. Ex-Japan (Total of Mizuho Bank, Mizuho Trust &amp; Banking, and Mizuho Securities)

## Environment and society

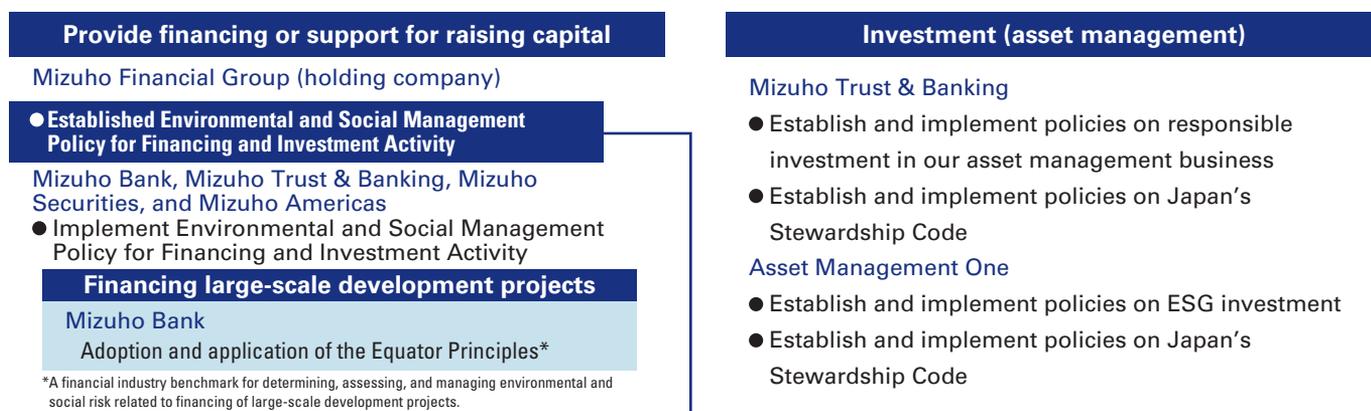
Item	Numerical target	FY2019 results
Environmental burden reduction	CO <sub>2</sub> emissions basic unit of electricity used at our offices in Japan <sup>3</sup> (CO <sub>2</sub> emissions/total floor area)	By FY2020 achieve a 10.5% reduction compared to FY2009 levels By FY2030 achieve a 19% reduction
	Green purchasing ratio target for paper (across eight group companies)	At least 85%
	Paper recycling ratio target (major offices in Japan)	At least 95%
Financial education	Total financial education participants	60,000 or more from FY2019 to FY2023
		18,660 participants

3. Mizuho Financial Group, Mizuho Bank, Mizuho Trust &amp; Banking, Mizuho Securities, Mizuho Research Institute, Mizuho Information &amp; Research Institute, Asset Management One, and Mizuho Private Wealth Management.

## Responsible financing and investment

Considering the expectations and perspectives of our stakeholders, for the purpose of strengthening our environmental and societal considerations in making financing and investment decisions, we previously established a policy on initiatives involving sectors which have a high possibility of contributing to adverse environmental and social impacts. In April 2020, we revised the policy to be comprehensive in prohibiting financing and investment in such initiatives regardless of sector, as well as points of caution (“Environmental and Social Management Policy for Financing and Investment Activity”). Additionally, from the perspective of strengthening our response to climate change risks, we conducted revisions, including tightening the policy which states that we will not provide financing for the construction of new coal-fired power generation facilities and adding the coal mining sector, as well as additional clarification of our responses to transition risks in the oil and gas sectors, and based on this policy we set a quantitative target to reduce our outstanding credit balance for coal-fired power generation facilities.

### An overview of responsible financing and investment



Overview of our Environmental and Social Management Policy for Financing and Investment Activity					
<b>Implementation methods</b>	<ul style="list-style-type: none"> <li>● When determining whether to engage in transactions, we account for the degree to which the client has taken steps to avoid or mitigate risk and other due diligence as appropriate, based on the characteristics of the services we are providing.</li> <li>● Our primary subsidiaries participate in engagement with specific clients in each sector with the aim of sharing a medium- to long-term perspective on opportunities and risks accompanying environmental, social, and governance (ESG) issues and climate change.</li> </ul>				
<b>Regardless of sector</b>	<b>Prohibited</b>	<ul style="list-style-type: none"> <li>■ Projects with an adverse impact on wetlands designated as Wetlands of International Importance under the Ramsar Convention</li> <li>■ Projects violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention)</li> <li>■ Projects with an adverse impact on UNESCO World Heritage sites</li> <li>■ Projects involving child labor or forced labor</li> </ul>			
	<b>Additional due diligence</b>	<ul style="list-style-type: none"> <li>■ Projects with adverse impacts on indigenous people’s local communities</li> <li>■ Projects involving land expropriation that causes forced relocation of residents</li> </ul>			
<b>Policies on Specific Industrial Sectors</b>	<b>Weapons</b>	<b>Coal-fired power generation</b>	<b>Coal mining</b>	<b>Oil and gas</b>	<b>Palm oil, lumber, and pulp</b>

### Target to reduce the outstanding credit balance for coal-fired power generation facilities based on our Environmental and Social Management Policy for Financing and Investment Activity

Reduce the FY2019 amount\* by **50%** by FY2030, and achieve an outstanding credit balance of **zero** by FY2050

\* Our outstanding credit balance as of the end of FY2019 was ¥299.5 billion.

## Policies on Specific Industrial Sectors

Targeted sectors	Overview <span style="float: right; font-size: small;">Underlines indicate revisions made in April 2020</span>
<b>Weapons</b>	<ul style="list-style-type: none"> <li>● We avoid providing financing or investment which will be used for the manufacture of weapons designed to kill or inflict structural damage during wars or armed conflicts.</li> <li>● We avoid providing financing or investment to any manufacturer of cluster munitions, <u>antipersonnel landmines, or biochemical weapons.</u></li> </ul>
<b>Coal-fired power generation</b>	<ul style="list-style-type: none"> <li>● Compared to other forms of power generation, coal-fired power generation produces more greenhouse gases, in addition to producing harmful substances such as sulfur oxide and nitrogen oxide. Therefore, it presents a higher risk of contributing to climate change, air pollution, and other environmental impacts.</li> <li>● <u>We do not provide financing or investment which will be used for new construction of coal-fired power plants. (This excludes business to which Mizuho is already committed.)</u></li> <li>● <u>However, when a proposed coal-fired power plant is essential to the relevant country's stable energy supply and will contribute to reduction of greenhouse gas emissions by replacing an existing power plant, we may provide financing or investment for the project, based on careful consideration.</u></li> <li>● <u>We will also continue to support development of innovative, clean, and efficient next-generation technology that will contribute to the expansion of sustainable energy, as well as other initiatives for the transition to a low-carbon society.</u></li> </ul>
<b>Coal mining</b>	<ul style="list-style-type: none"> <li>● <u>We recognize that coal mining, when not managed properly, entails risk of adverse environmental and social impacts, which may include damage to ecosystems from hazardous waste produced in coal mines, as well as deaths or injuries resulting from mining accidents.</u></li> <li>● <u>Our decisions regarding financing and investment for coal mining projects involve a thorough examination of the impacts on the environment, industrial safety and health, and other areas.</u></li> <li>● <u>We do not provide financing or investment to coal mining projects employing the mountain top removal method, due to the severe impact this method has on the environment.</u></li> <li>● <u>In light of the fact that coal and other fossil fuels contribute to emissions of greenhouse gases, we undertake engagement with clients to confirm their measures for addressing transition risk accompanying climate change.</u></li> </ul>
<b>Oil and gas</b>	<ul style="list-style-type: none"> <li>● We recognize that oil and gas extraction and pipeline construction entail risk of adverse environmental and social impacts, which may include pollution of oceans and waterways from oil spills and gas leaks, as well as violations of the human rights of indigenous peoples.</li> <li>● Our decisions regarding financing and investment for oil and gas projects involve a thorough examination of the impacts on the environment and of the potential for conflicts with indigenous peoples or local communities.</li> <li>● <u>In light of the fact that oil, gas, and other fossil fuels contribute to emissions of greenhouse gases, we undertake engagement with clients to confirm their measures for addressing transition risk accompanying climate change.</u></li> </ul>
<b>Palm oil, lumber, and pulp</b>	<ul style="list-style-type: none"> <li>● We recognize that palm oil, lumber, pulp, and other forest products may entail potential human rights abuses within the production process, such as the violation of indigenous people's rights or the use of child labor, in addition to environmental issues such as deforestation (including forest burning) and damage to biodiversity.</li> <li>● Our business decisions involve a thorough examination of whether there are any potential conflicts involving indigenous people or local communities, and we take into consideration whether the client/project has received certification for the production of sustainable palm oil or whether they have been certified for responsible forest management. <u>In the event that we identify any unlawful act during the term of a transaction, we urge the client to take immediate remedial measures. In the event that the client has not taken appropriate measures to address social issues, we undertake engagement with the client to promote remedial measures and, if the client's remedial measures are unsatisfactory, we suspend new financing and investment.</u></li> <li>● <u>We urge our clients in these sectors to formulate sustainable environmental policy, such as No Deforestation, No Peat, and No Exploitation (NDPE), and to respect Free, Prior, and Informed Consent (FPIC) in relation to local communities.</u></li> </ul>

**Adoption of the updated Equator Principles ("EP4")**

Mizuho Bank adopted the Equator Principles in 2003 and since then has been applying them to assess the environmental and social risks of large-scale development projects. The Equator Principles Association, for which Mizuho Bank serves as the regional representative for Asia & Oceania, has updated the Equator Principles to their fourth iteration ("EP4"), reflecting the views of a wide variety of stakeholders and financial institutions. Mizuho Bank began applying the latest update in July 2020. The main revisions are as follows:

- **Expanded scope (added some refinance and acquisition finance)**
- **Enhanced measures to address climate change (added Climate Change Risk Assessment)**
- **Enhanced measures for respect of human rights (enhanced due diligence related to impacts on indigenous peoples)**

**Updated initiative policy for Japan's Stewardship Code**

Responding to the revision of Japan's Stewardship Code, Mizuho Trust & Banking and Asset Management One updated their initiative policy for the code in April 2020.

We take into consideration not only financial information but also sustainability and other non-financial information consistent with the investment management strategies of the companies in which we invest. Further, we engage with these companies in constructive, purposeful dialogue (engagement). Through business analysis and investment decision-making, we will endeavor to expand the medium- to long-term investment income of our customers. In addition, we publicize the results of our ESG investing initiatives and engagement activities on the Asset Management One website and in a report detailing our stewardship activities. As a responsible institutional investor, we will continue to fulfill our stewardship responsibilities going forward.

## Strengthening support for sustainable businesses



The SDGs and the Paris Agreement have clarified the goals of the international community, the needs and actions of stakeholders have changed, and expectations and demands for companies to create value for society are on the rise. Against this backdrop, initiatives to improve sustainability are becoming an ever more critical aspect of business strategy.

At Mizuho, as part of promoting sustainable business, we have established key sustainability areas (materiality) for our business, as well as KPIs (monitoring indicators). In order to capture expanding business opportunities, we have also strengthened our structure for promoting sustainable business and set long-term targets for sustainable finance and environmental finance.

### Business promotion through engagement

In light of the indirect impact that we, as a financial group, have through our clients, we strive to deepen our understanding of the issues and needs of clients through proactive engagement, and have strengthened our group-wide support of sustainable businesses in order to aid clients' SDGs and Environmental, Social, and Governance (ESG) initiatives, sustainability-related innovation, and risk reduction, including initiatives that address climate change and the transition to a low-carbon society. This is also enabling us to capture business opportunities.

Specifically, we have appointed officers responsible for advancing sustainable business in each in-house company and unit and are holding regular working-level strategy meetings on sustainable business. In these ways, we are continually discussing how we can promote sustainable business as a united group. In addition, among our group companies, we have increased the number of personnel at relevant organizations. For example, Mizuho Bank has set up a Sustainability and Engagement Promotion Office, and the Research & Consulting Unit has launched a Sustainability Promotion Project. These and other initiatives have reinforced our structure for providing solutions.



### Structure for promoting sustainable business

	Sustainable Business Strategy Meeting							
Mizuho Financial Group	Strategic Planning Department	Retail & Business Banking Company	Corporate & Institutional Company	Global Corporate Company	Global Markets Company	Asset Management Company	Global Products Unit	Research & Consulting Unit
Mizuho Bank		SDGs Business Desk	Corporate Strategy Advisory Department Sustainability and Engagement Promotion Office		Departments in charge of capital raising, investment, and investment oversight		Project Finance Dept. Sustainable Development Office	
Mizuho Trust & Banking			Corporate Strategy Advisory Department				Departments in charge of products	
Mizuho Securities				Mizuho International (UK) Sustainability Head			Corporate Finance Dept. Sustainable Finance Office	Sustainability Promotion Project
Mizuho Information & Research Institute								
Asset Management One					Corporate Sustainability Office Investment Division			

Underlines indicate enhancement or establishment.



**Naoshi Yamazaki**  
General Manager of Corporate Strategy Advisory Department  
Mizuho Bank/Mizuho Trust & Banking

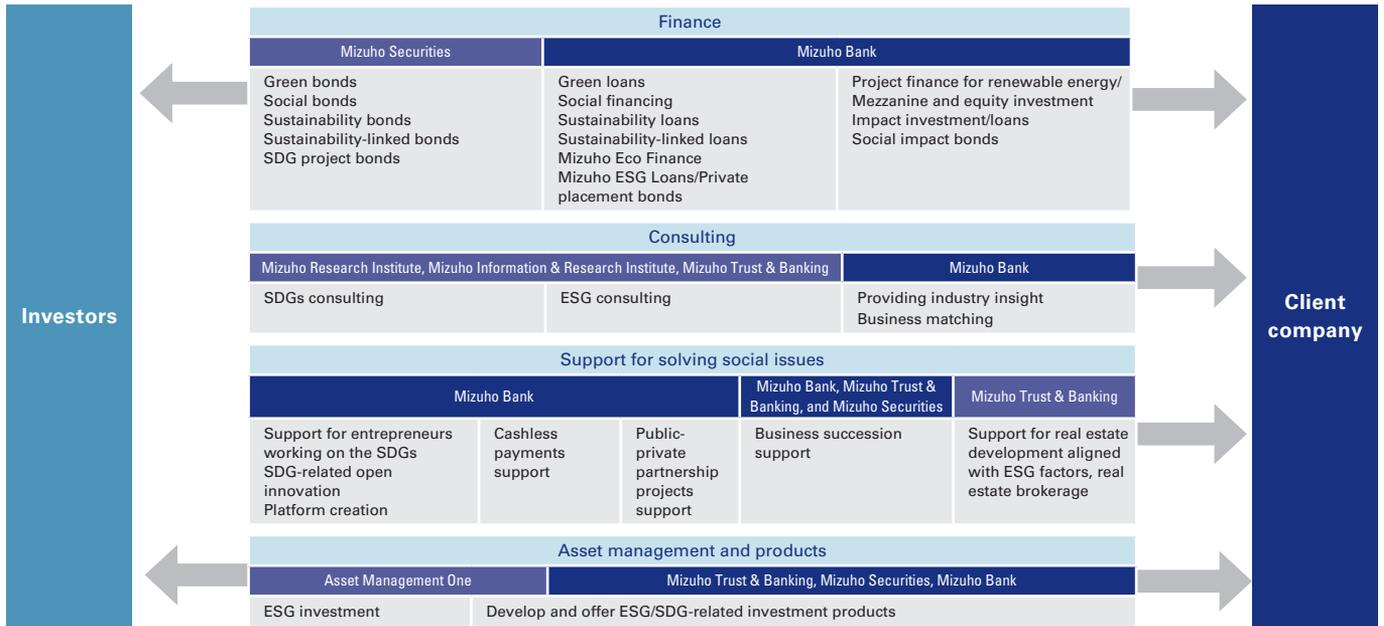
In April 2020, Mizuho Bank and Mizuho Trust & Banking established the Corporate Strategy Advisory Department, putting in place a structure to provide integrated, optimal, and concrete solutions for our clients, based on a familiarity with their business and an understanding of their true business challenges.

Further, to respond to increasingly important needs for addressing the SDGs and ESG issues, we installed a Sustainability and Engagement Promotion Office in the Mizuho Bank Corporate Strategy Advisory Department. This office enables us to bring together the many sustainable businesses at Mizuho and enhance our ability to provide our clients with solutions to social issues they are facing.

The Corporate Strategy Advisory Department is involved in our clients' decision-making and corporate action design from strategy to tactics. Through this sort of engagement and group-wide effort, we are supporting our clients in improving their corporate value in both financial and non-financial aspects.

### Mapping out our sustainable solutions

As a financial services group, Mizuho provides a wide range of solutions to our corporate clients, extending from finance to consulting, support for solving social issues, and provision of asset management and products.



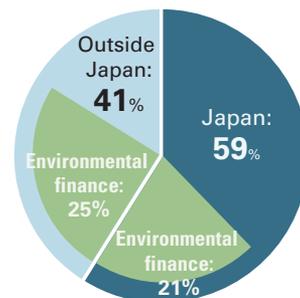
### Sustainable finance and environmental finance

In line with our key sustainability areas, we have defined sustainable finance and environmental finance for Mizuho and set long-term targets looking towards 2030, the SDGs target year. This is allowing us to proactively fulfill our role in directing capital towards environmental protection and the achievement of the SDGs.



#### Our definition of sustainable finance and environmental finance

<b>Primary Key Sustainability Areas referenced</b>	<ul style="list-style-type: none"> <li>● Environmental considerations</li> <li>● Sound economic growth</li> <li>● Industry development &amp; innovation</li> </ul>
<b>Applicable finance areas</b>	<ul style="list-style-type: none"> <li>● Finance for clients where <b>the intended use of funds</b> is environmental and/or social projects</li> <li>● Financing to support and facilitate clients' response to ESG/SDG-related areas, including financing requiring clients to meet certain related conditions, and providing consulting and assessment of clients' response to ESG/SDG-related areas</li> </ul>
<b>Applicable business areas</b>	<ul style="list-style-type: none"> <li>● Loans, underwriting, investments, asset management</li> </ul>



## Enhancing sustainability solutions

### Finance

#### Mizuho Eco Finance

To promote initiatives and disclosures furthering the shift to a low-carbon society, in June 2019 Mizuho Bank and Mizuho Information & Research Institute developed a new environmental assessment-based finance product entitled Mizuho Environmentally Conscious Finance ("Mizuho Eco Finance"). The product utilizes globally accepted environmental verification and evaluation standards to assess clients' environmental initiatives. Mizuho Bank provides financing to clients who meet a certain minimum score in the assessment.

Through assessment and monitoring, Mizuho Information & Research Institute provides advice to clients to improve and maintain their scores.

**Financing executed as of the end of June 2020:**

**10 deals totaling ¥176.5 billion**

▶ Examples: P36

#### Financing support for renewable energy projects

Since our founding, we have continually assessed project risks and financed a variety of renewable energy projects, including wind, solar, solar thermal, geothermal, and offshore wind. In fiscal 2019, we were involved in arranging approximately ¥380 billion in financing. Our involvement includes serving as a financial advisor to support financing in the growing sector of large-scale offshore wind power projects in Japan and Taiwan and to support JERA's participation in an offshore wind power project in Taiwan. We will apply the expertise we have gained from past deals in Europe and the US, which have led in this field, and continue making multi-faceted, long-term, positive contributions to our clients' renewable energy projects, not only with financing support but also through our advisory business.



(Photo provided by JERA)

#### Sustainability-linked loans

By proposing and providing sustainability-linked loans (SLL) that link loan terms to the borrower's achievement of sustainability performance targets, we are supporting our clients' sustainability strategies both inside and outside Japan. In March 2020, we served as the arranger for an SLL to Cosmo Energy Holdings. Cosmo Energy Holdings' anticipates that the trend away from fossil fuels will accelerate over the long term and so has positioned renewable energy as a key growth area to pursue in its medium- to long-term business strategy. Taking this into account, we held thorough discussions on business strategy and CSR strategy that resulted in our proposal and arrangement of an SLL linked to Cosmo Energy Holdings' sustainability performance targets for renewable energy.



▶ Examples outside Japan: P38 (Photo provided by Cosmo Energy Holdings)

#### Support for issuance of SDG bonds

With the sustainable finance market growing worldwide, Mizuho Securities is further advancing our sustainable finance initiatives. We have partnered with the environmental certification organization Climate Bonds Initiative and in 2019 launched a sustainability team in Mizuho International (London) to gather the latest information on a global basis. In Japan, we have assisted with the structuring of industry-first SDG bonds, such as the first bond in Asia to receive Programmatic Certification from the Climate Bonds Initiative, the first social bond issued by an expressway company, and the first portfolio-type green bond issued by a non-financial company. Outside Japan, we served as a principal dealer for the issuing of a transition bond by a UK gas company, and we are leading the market with our insights backed by a high level of expertise.



(Photo provided by NEXCO EAST)

## Supporting solutions to social issues

At Mizuho, we are supporting companies that are working on providing various solutions to social issues, and we are also developing an SDG-related open innovation platform to facilitate business creation and promotion. Utilizing our broad customer base, we are developing a wide-ranging network of large corporations, middle-market and small- and medium-sized enterprises, and startups to advance open innovation. By doing so, we are aiming to positively contribute to new technology and business creation and solve social issues. To that end, we will also use this platform to undertake initiatives for implementing and expanding impact investment and loans.



Seminar for startups

## Research & Consulting

### Sustainability Promotion Project

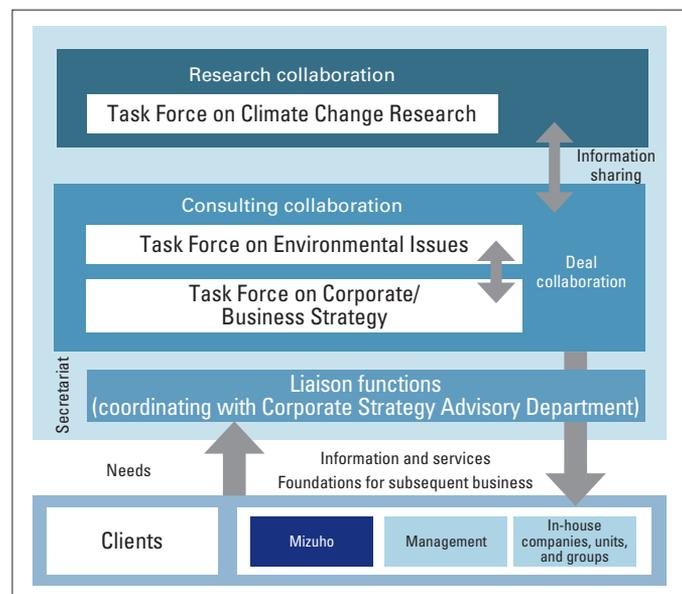
In the Research & Consulting Unit, we have always offered expert insight into sustainability, as demonstrated by our extensive record of consulting in the field of energy and the environment. However, our insights tended to remain scattered within the unit across different entities, and we were looking to improve internal sharing of information and coordination on deals.

To solve this issue and support Mizuho in responding as a united group to clients' varied sustainable business needs, beginning with the SDGs and ESG issues, in 2020 we launched the Sustainability Promotion Project.

The Sustainability Promotion Project is deepening the collaboration within the unit in both the research and consulting fields and, in doing so, enhancing and promoting our sustainable business initiatives, such as expanding the areas in which we can serve clients.

In terms of research collaboration, we are focusing on output usable in consulting and coordination among in-house companies, and we have formed a Task Force on Climate Change Research. In terms of consulting collaboration, we have taken client needs into account and launched a Task Force on Environmental Issues and a Task Force on Corporate/Business Strategy to make positive contributions to business through consulting.

The Task Force on Climate Change Research is composed of employees from Mizuho Research Institute and Mizuho Bank's Industry Research Department and is researching climate change impacts from macroeconomic and industrial perspectives. The task force's work is furthering initiatives that support Mizuho's management and business. In June 2020, the task force published a One Think Tank Report on the true nature and future of climate change issues, discussing the unprecedented changes that interactions between various actors are driving in the business environment.



The Task Force on Environmental Issues is composed of members from Mizuho Information & Research Institute and Mizuho Trust & Banking's Corporate Strategy Advisory Department and is focusing on business collaboration for the environment, with consulting as a starting point. The Task Force on Corporate/Business Strategy is composed of members from Mizuho Research Institute and Mizuho Information & Research Institute and is focusing on co-creation of value, beginning with consulting to promote incorporating the SDGs in corporate management.

## Investment and products: ESG investment

In the Asset Management Company, we are engaging in constructive, purposeful dialogue (engagement) with the companies in which we invest. In addition to supporting improvements in these companies' corporate value and supporting sustainable growth for society, we are also pursuing ESG investment, making investment decisions with not only financial information but also ESG factors and other types of non-financial information. For example, we are offering ESG investment products, such as those using our ESG Low Volatility High Dividend Payment Strategy, in which we select stocks from an ESG perspective with a focus on dividend yields and low volatility and aim to produce stable returns, and our Sustainability Research Strategy, in which we consider positive contributions to solving social issues as revenue opportunities and employ selective investment.

Going forward, we will continue to practice ESG investment, with the goal of creating a positive cycle for society's sustainable development.

## Environmental and climate change measures

At Mizuho, we have supported the intent and aims of the Task Force on Climate-related Financial Disclosures (TCFD)\* Recommendations since 2017, and we are working to engage in initiatives and enhance disclosures in accordance with the recommendations. 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 have bolstered the following initiatives as a result of numerous discussions at bodies including the Executive Management Committee, Risk Committee, and the Board of Directors.

\*A task force led by representatives of the private sector, established in December 2015 based on recommendations from the Financial Stability Board in order to enhance the availability of corporate information related to climate change; issued final report (recommendations) in 2017.

Governance	Establishment of Environmental Policy and enhancement of group-wide promotion structure	Strengthening disclosure
Strategy	Support for clients' environmental and climate change initiatives → P59 to 62 Scenario analysis based on TCFD Recommendations	
Risk management	Strengthening the management of climate change risks ▶ Management of top risks ▶ Responsible investment and financing → P57 to 58	
Indicators and targets	Setting of targets pertaining to risks and opportunities → P57, 60	

### Governance Establishment of Environmental Policy and enhancement of group-wide promotion structure

We conduct business activities and operations based on the Mizuho Code of Conduct to put the tenets of our Corporate Identity into practice, and the Code of Conduct states: "We will act independently and proactively with the awareness that environmental initiatives represent an essential precondition for the existence and activities of our company."

Establishing our Environmental Policy alongside our Human Rights Policy under the Mizuho Code of Conduct in April 2020 clarified our stance on climate change as well as our environmental awareness and specific actions that we will take on environmental initiatives including those targeting climate change as we work toward transitioning to a low-carbon society. The Environmental Policy clearly states that oversight is provided by the Board of Directors, and in addition to building a strong corporate governance system that promotes environmental initiatives as an integral part of our strategy, Mizuho group companies will establish similar policies to enable us to engage in consistent environmental initiatives on a group-wide basis.

### Efforts to address climate change

We recognize climate change as one of the most crucial global issues with the potential to impact the stability of financial markets, representing a threat to the environment, society, people's lifestyles, and businesses.

At the same time, we believe there are new business opportunities arising from the need to transition to a low-carbon society, such as the field of renewable energy and other businesses and innovations which contribute to mitigating and adapting to the impact of climate change.

In light of this, we have included responding to climate change as a key pillar of our business strategy and will take the following actions in order to proactively fulfill our role as a financial services group in the effort to achieve a low-carbon society by 2050.

- We will engage in proactive, constructive dialogue in response to our clients' individual concerns and needs, and in support of their efforts to introduce climate change countermeasures and transition to a low-carbon society in both the medium and long term.
- We will proactively develop and offer financial products and services designed to support clients' efforts to introduce climate change countermeasures and transition to a low-carbon society.
- We understand the importance of climate-related financial disclosures and we utilize the framework under the Recommendations of the TCFD in order to leverage growth opportunities and strengthen risk management as well as disclose information in a transparent manner regarding our progress.

## Strategy Scenario analysis based on TCFD Recommendations

Based on the TCFD Recommendations, we conducted a qualitative evaluation of the risks that climate change poses for each sector, and based on the evaluation results and other data, we conducted scenario analysis of the transition risks and physical risks for certain scenarios. In line with the results of our scenario analysis of transition risks, we will further strengthen constructive dialogue (engagement) with our clients and respond with a deep understanding of their challenges and needs. In doing so, we will capture business opportunities and also strengthen risk management.

Item		Overview
Transition risk	<b>Scenario</b>	International Energy Agency (IEA)'s Sustainable Development Scenario (SDS) <sup>1</sup> /New Policies Scenario (NPS) <sup>2</sup> In our analysis for impacts on our clients' business, we employed two scenarios: a static scenario which assumes that no attempt is made to transform the present business structure, and a dynamic scenario under which the business structure is transformed.
	<b>Targeted sectors</b>	Electric utilities and oil, gas & coal sectors in Japan
	<b>Period</b>	2050 (while the IEA scenario is until 2040, the period for this analysis is until 2050)
	<b>Credit costs</b>	Increase of approx. ¥120 billion (dynamic scenario) to ¥310 billion (static scenario)
	<b>Implications and necessary actions</b>	<ul style="list-style-type: none"> <li>● This analysis reaffirms the importance of addressing this issue starting now in anticipation of medium- to long-term effects as the transition toward a low-carbon society progresses.</li> <li>● Further strengthening engagement with clients and responding with a deep understanding of their challenges and needs will allow us to capture business opportunities and strengthen risk management.</li> </ul>
Physical risk	<b>Scenario</b>	Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5 scenario (4°C scenario)/RCP 2.6 scenario (2°C scenario)
	<b>Details of analysis</b>	We employed a Monte Carlo simulation to calculate the rates at which typhoons and other storms cause wind and water-related building loss or damage. We then analyzed the potential direct (collateral value) and indirect (business stagnation) impacts on Mizuho's credit costs from the loss or damage of mortgaged real estate (buildings) in Japan.
	<b>Target of analysis</b>	Japan only, for impact of business stagnation this is based on the location of the client's headquarters (this analysis targeted middle-market firms and SMEs)
	<b>Credit costs</b>	Direct impacts (impact on mortgage lending value): limited Indirect impacts (impact of business stagnation): ¥52 billion at most
	<b>Implications</b>	The analysis confirmed that there will not be a significant impact compared to our income during the period.

1. Sustainable Development Scenario (SDS): Scenario under which advancement of low-carbon holds the increase in the global average temperature to below 2°C.

2. New Policies Scenario (NPS): Scenario which assumes that the measures pledged to under the Paris Agreement are put into place.

## Risk management Strengthening the management of climate change risks

### Management of top risks

Until recently, we have monitored financing and investment from the perspective of environmental and social responsibility in our management of "top risks", which are risks recognized by management as having major potential impact on the group.

We now position climate change risks as "emerging risks", which we define as major risks that must be addressed in the next few years despite the fact that materialization of the risks will occur over a medium- to long-term time frame, and we have begun periodic monitoring of related indicators.

## Indicators and targets Setting of targets pertaining to risks and opportunities

## Status of Mizuho’s response to TCFD Recommendations

The TCFD Recommendations call for disclosures on governance, strategy, risk management, and metrics and targets relevant to climate change-related risks and opportunities. The current status of our response to the TCFD Recommendations is as follows.

TCFD Recommendations	Status of response at Mizuho
Governance	Disclose the organization’s governance around climate-related risks and opportunities.
<p>a) Describe the board’s oversight of climate-related risks and opportunities.</p> <p>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<ul style="list-style-type: none"> <li>■ We have identified key sustainability areas, including responses to climate change, and incorporated them into our 5-Year Business Plan, based on deliberation by our Executive Management Committee and Board of Directors, to advance our sustainability initiatives as an integral part of our strategy. We review these on an annual basis.</li> <li>■ We have established an <u>Environmental Policy</u>, and we assess our progress on environmental initiatives, including the status of our response to the TCFD Recommendations, under the oversight of the Board of Directors.</li> </ul>
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.
<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p> <p>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</p> <p>c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<ul style="list-style-type: none"> <li>■ We identified climate-related risks and opportunities for each in-house company, unit, and group when designing our business plan.</li> <li>■ We have conducted a qualitative evaluation of climate change-related opportunities, transition risks, and physical risks in each sector, as they will unfold over short-, medium-, and long-term time frames.</li> <li>■ We have identified the following climate-related risks and opportunities and impacts on business activities, and <u>we have strengthened our structure for promoting sustainable business group-wide</u> to support the transition to a low-carbon society. We actively promote financial products and services that help mitigate climate change or facilitate adaptation to it and, at the same time, conduct appropriate risk management based on international concerns, trends, and other factors.</li> <li>● Opportunities <ul style="list-style-type: none"> <li>– Increased business opportunities to provide financing for renewable energy projects or solutions for clients’ efforts to transition to a low-carbon society.</li> <li>– Enhance our reputation in capital markets and society at large through appropriate initiatives and disclosures.</li> </ul> </li> <li>● Risks <ul style="list-style-type: none"> <li>– We are taking into account both transition risks and physical risks.</li> <li>– Our transition risks include credit risk related to financing and investment clients who are impacted by more stringent carbon taxes, fuel efficiency regulations, or other policies or by delays in shifting to low-carbon and other environmental technologies. Our transition risks also include operational risk related to reputational damage from financing fossil fuel projects.</li> <li>– Our physical risks include operational risk related to the possibility of extreme weather causing damage to our assets (such as data centers) and credit risk related to customer assets (such as real estate collateral).</li> </ul> </li> <li>● Scenario analysis <ul style="list-style-type: none"> <li>– Under the definition from the TCFD Recommendations, our credit exposure in carbon-related sectors (electric utilities and oil, gas &amp; coal sectors) comes to 7.3% of our total credit exposure.</li> <li>– <u>For transition risks, we estimated our increase in credit costs through 2050 at approximately ¥120 billion to ¥310 billion, based on a performance outlook utilizing the International Energy Agency’s Sustainable Development Scenario to analyze the electric utilities and oil, gas &amp; coal sectors in Japan.</u></li> <li>– <u>For physical risks, we analyzed the impact on our credit costs through 2050 of typhoons and other storms causing wind and water-related loss or damage to mortgaged real estate (buildings) in Japan and consequent business stagnation, and we found that the impact would be limited to ¥52 billion at most.</u></li> </ul> </li> </ul>

Underlined portions indicate initiatives that we have enhanced since our previous disclosure in July 2019.

TCFD Recommendations	Status of response at Mizuho
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks.
<p>a) Describe the organization’s processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organization’s processes for managing climate-related risks.</p> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</p>	<ul style="list-style-type: none"> <li>● Identification of climate change risks and integration with comprehensive risk management                             <ul style="list-style-type: none"> <li>– By identifying physical and transition risks resulting from climate change and integrating them into our overall risk management framework for credit, operational, and other types of risk, we are ensuring comprehensive risk management.</li> </ul> </li> <li>● Management of top risks                             <ul style="list-style-type: none"> <li>– Until recently, we have monitored financing and investment from the perspective of environmental and social responsibility in our management of “top risks”, which are risks recognized by management as having major potential impact on the group. <u>We now position climate change risks as “emerging risks”, which we define as major risks that must be addressed in the next few years despite the fact that materialization of the risks will occur over a medium- to long-term time frame, and we have begun periodic monitoring of related indicators.</u></li> </ul> </li> <li>● <u>Reviewing our policies in light of climate change risks</u> <ul style="list-style-type: none"> <li>– We managed relevant risks through <u>reviewing our Environmental and Social Management Policy for Financing and Investment Activity (e.g. tightening our policy on coal-fired power generation)</u>, conducting due diligence based on the Equator Principles, and through engagement with clients.</li> </ul> </li> </ul>
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p> <p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<ul style="list-style-type: none"> <li>● Targets                             <ul style="list-style-type: none"> <li>– Sustainable finance &amp; Environmental finance targets</li> <li>– <u>Target to reduce the outstanding credit balance for coal-fired power generation facilities</u></li> <li>– Target to reduce our own environmental footprint</li> </ul> </li> <li>● Monitoring indicators                             <ul style="list-style-type: none"> <li>– Scope 1 (direct) and Scope 2 (indirect) CO<sub>2</sub> emissions and energy usage; Scope 3 (business travel) CO<sub>2</sub> emissions and environmental footprint from new large-scale power generation projects (amount of contribution to CO<sub>2</sub> emissions)</li> <li>– Environmental conservation associated with new large-scale power generation projects (amount of contribution to CO<sub>2</sub> emission reductions)</li> </ul> </li> <li>■ We are also continuing discussions on Science Based Targets (SBTs), including participating in the SBTi road testing for financial institutions where we provided opinions on issues with SBT setting methods.</li> </ul>

Underlined portions indicate initiatives that we have enhanced since our previous disclosure in July 2019.

### Publication of first TCFD Report

In May 2020, we published our first TCFD Report, compiling more detailed information in line with the TCFD Recommendations. Going forward, we will work to further enhance our disclosures while utilizing international disclosure frameworks.

<https://www.mizuho-fg.com/csr/mizuhocr/report/index.html>

