Message from the Group CFO

Mizuho aims to contribute to the sustainable growth of its diverse range of stakeholders, particularly its customers, the economies and industries of Japan and countries around the world, and its shareholders.

To achieve this, our fundamental approach to financial management is to establish a stable profit structure and a robust financial base that can withstand changes in the business environment, and to fulfill our sound risk-taking function to help our customers, economies, and industries realize growth.

Mizuho’s Financial Management Principles

Mizuho’s View of the Business Environment and Financial Targets under the New Medium-term Business Plan

View of the Business Environment

During the term of the new medium-term business plan entitled “Progressive Development of ‘One MIZUHO,’” which was announced in May 2016 and will cover the three-year period ending in fiscal 2018, we cannot look forward to economic growth at the same levels as in the past. Factors accounting for this will be the less favorable growth in the emerging countries, including China, which was a driving force for global economic growth, the stagnation in crude oil and other natural resource prices, and absence of strong growth momentum in the industrialized countries. In Europe and Japan, negative interest rate policies have been introduced, and the business environment for financial institutions is expected to remain challenging. In addition, continuous consideration is being given to strengthen global financial regulations.

Financial Targets

As we work steadily to implement our new medium-term business plan, we will also move forward with reforms in our business structure with a view to the next generation, and build a stable profit structure and a robust financial base and, thereby, establish a resilient financial structure.

Specific financial targets of the New Medium-Term Business Plan include attaining CET1 Capital Ratio*1 of approximately 10%, Consolidated ROE*2 of approximately 8%, RORA (Profit Attributable to Owners of Parent on Risk-weighted Assets) of approximately 0.9%, Group Expense

Summary of Fiscal 2015

As a result of the challenging business environment including increased uncertainties in the domestic and overseas economic environment during the second half of fiscal 2015, Consolidated Net Business Profits amounted to ¥852.8 billion (year-on-year decrease of ¥24.1 billion). On the other hand, Credit-related Costs amounted to ¥30.4 billion, which remained below the planned level, and as a result of progress in cross-shareholdings disposal, Net Gains Related to Stocks amounted to ¥205.6 billion (year-on-year increase of ¥73.7 billion). Therefore, Consolidated Profit Attributable to Owners of Parent was ¥670.9 billion (year-on-year increase of ¥59.0 billion).

Regarding our capital, Consolidated Common Equity Tier 1 Capital Ratio (CET1 Capital Ratio)*1 was 10.85% on a fully-effective basis*2, maintaining a sufficient level.

*1. Calculated by Mizuho including Eleventh Series Class XI Preferred Stock (balance as of March 31, 2015 : ¥213.1 billion, balance as of March 31, 2016: ¥98.9 billion, mandatory conversion date: July 1, 2016)
*2. Calculated by Mizuho based on fully-effective Basel III Rule as of March 2019, deducting total amount of regulatory adjustments

What We Aim to Do
To increase risk and cost return, we will establish a stable profit structure and robust financial base to establish a resilient financial structure through implementing the following financial strategies.

**Establishing a Stable Profit Structure**

**Strengthen Income from Customer Groups Centering on Non-interest Income Business through a Major Shift of Management Resources**

Through fully implementing the “customer first” principle, we will make a major shift of management resources, including risk assets and personnel, to business areas where high profitability and growth are expected, and aim to strengthen profitability in Customer Groups mainly through development of non-interest income business.

**Reforming Productivity and Cost Structure by Pursuing Operational Excellence**

Transcending the framework of in-house companies and head office, we will conduct a thorough review, without exception, of issues faced by the front-lines and existing work procedures and pursue “operational excellence” and proceed with activities to improve productivity and reform the cost structure.

**Establishing a Robust Financial Base**

**Disposal of Cross Shareholdings**

To minimize the potential impact on our financial position due to fluctuations in stock prices, we will reduce book value of such shares by ¥550.0 billion between March 31, 2015 and March 31, 2019, the final year of the new medium-term business plan.

**Cross-Shareholdings Disposal Plan**

- Dispose of at least approximately 70% of the necessary reduction amount by March 31, 2019
- Aim to achieve 40% to 50% of the above disposal plan by March 31, 2017 through accelerating dialogue and negotiation with customers

**Note:**
Other securities which have readily determinable fair values. Acquisition cost basis

**Maintaining an Optimal Balance between Strengthening a Stable Capital Base and Providing Steady Returns to Shareholders**

To strengthen Mizuho’s capabilities for coping with changes in the business environment, including trends in global financial regulations, Mizuho will work to build a stable capital base to a level that is comparable with competing financial groups. In addition, we will continuously aim to make steady dividend payouts with a dividend payout ratio on a consolidated basis of approximately 30% as a guide for our consideration, in order to realize steady returns to shareholders.

In addition, as we maintain a grasp of changes in the business environment, we will work to strengthen control over our balance sheets in order to optimize risk and return by managing risk-weighted assets and controlling liquidity proactively and flexibly.

Note: The above contains statements that constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. See the disclaimer at the bottom of page 3 of this Integrated Report for information regarding factors that could cause actual results to differ from those in the forward-looking statements.