Our Goals

Message from the Group CFO

We aim to contribute to the growth and development of our customers and society by establishing a stable profit structure and robust financial base, while engaging in sound risk-taking and providing optimal solutions.

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

Mizuho’s Financial Management Principles

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

Overview of Fiscal 2016

During fiscal 2016, despite a challenging business environment including the continued negative interest rate policy of the Bank of Japan (BOJ) and increased uncertainty in the global economy, under the newly introduced in-house company system, the group achieved JPY603.5 billion in Profit Attributable to Owners of Parent (exceeding our projection of JPY600 billion) due in part to factors such as profit from cross-shareholding disposal and extraordinary gains as a result of the establishment of Asset Management One.

Under the BOJ’s negative interest rate policy, our loan and deposit rate margin continues to narrow, and it is increasingly
important for us to counteract the reduction in net interest income by increasing non-interest income. In fiscal 2016 we were able to produce solid results such as an increase in solution business-related income from the Customer Groups, but we must seek to further accelerate our initiatives for becoming a financial services consulting group as outlined in our medium-term business plan.

As for our capital, one of our top priorities among the financial targets in the medium-term business plan is achieving a higher Consolidated Common Equity Tier 1 Capital Ratio (CET1 Capital Ratio)\(^1\) and we have made progress by increasing it to 9.27%.

**Medium-term Business Plan Targets and Progress**

In May 2016 Mizuho established and released our current medium-term business plan, “Progressive Development of ‘One MIZUHO’”, which is a three-year plan through to the end of fiscal 2018. In the current economic environment, with the slowdown in emerging economies, unstable commodity prices, developed economies losing steam, and other factors, we cannot expect the same level of economic growth as there has been in the past. Therefore, we are aiming to advance business structure reforms to make us well-prepared for the future, working to establish a stable profit structure and robust financial base.

Regarding specific financial targets, by the end of fiscal 2018 we aim to achieve a CET1 Capital Ratio of approx. 10%, Consolidated ROE\(^2\) of approx. 8%, RORA (Profit Attributable to Owners of Parent) of approx. 0.9%, a Group Expense Ratio\(^3\) of approx. 60% (excluding expenses related to the next-generation IT system, etc.: higher 50% level), and a reduction in cross-shareholdings of JPY550 billion\(^4\). In fiscal 2016 we have made steady progress towards each of these targets.

Currently, the direction of the world economy is more unpredictable and uncertain due to increasing geopolitical risk, structural issues which have materialized, and other factors. In such an environment, it is more critical than ever that we respond quickly and advance business structure reforms in anticipation of what the future holds. In addition to fully implementing the “Customer First” principle in line with our medium-term business plan, we will seek to strengthen income from Customer Groups, primarily non-interest income, by significantly shifting risk assets, personnel, and other management resources to areas with high profit and growth potential.

### Financial Targets for Fiscal 2018

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
<th>Change</th>
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<tbody>
<tr>
<td>CET1 Capital Ratio(^1)</td>
<td>Approx. 10%</td>
<td></td>
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<tr>
<td>Consolidated ROE(^2)</td>
<td>Approx. 8%</td>
<td></td>
</tr>
<tr>
<td>RORA (Profit Attributable to Owners of Parent)</td>
<td>Approx. 0.9%</td>
<td></td>
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<tr>
<td>Group Expense Ratio(^3)</td>
<td>Approx. 60% (excluding expenses related to the next-generation IT system, etc.: higher 50% level)</td>
<td></td>
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<tr>
<td>Cross-shareholdings Disposal</td>
<td>JPY550 billion(^4)</td>
<td></td>
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1. Basel III fully-effective basis (based on current regulations), excluding Net Unrealized Gains on Other Securities
2. Excluding Net Unrealized Gains on Other Securities
3. Group aggregated
4. Shares listed on the Japanese stock markets, acquisition cost basis, cumulative amount from FY2015 to FY2018
Our Goals

Message from the Group CFO

Establishing a Stronger Financial Position

Cost Structure Reform
Under a continually challenging business environment where it is difficult to achieve significant growth in Gross Profits, cost structure reform is more important than ever. The front office and Head Office must work together in the pursuit of operational excellence and increase awareness of cost performance in order to control expenses and ensure effective expenditure.

Also, by utilizing Fintech and taking advantage of the amendments to Japan’s Banking Act in order to consolidate business operations within the group, we will take different and innovative approaches in order to fundamentally improve productivity.

Controlling the Balance Sheet Strategically
Taking into consideration changes to international financial regulations, the increasing uncertainty in the economic climate, and other concerns, it is important that we control the balance sheet flexibly and proactively in anticipation of potential change, and that we achieve an optimal balance of risk and return. By implementing ROE management at the in-house company level as a means of establishing an effective management framework based on customer segments, we aim to enhance awareness of risk and return and actively reallocate assets as we clarify which business areas we will focus on or scale back from based on an analysis of the growth potential and profitability of each area within our business portfolio.

Balance Sheet Control Initiatives for Fiscal 2017

As of March 2017: () represent changes from March 2016

- Improve risk-return
- Reduce low-profitability assets

Yen
- Accelerate the shift from savings to investment/asset building
- Increase investment products balance and accelerate the group-wide integrated business promotion

Non-yen
- Enhance attention toward non-yen funding costs including customer deposits
- Accumulate customer deposits systematically

- Steadily accumulate Retained Earnings in order to achieve CET1 Capital Ratio of approx. 10%

Stocks
- Promote cross-shareholdings disposal to achieve the disposal target on an acquisition cost basis

Bonds
- Fully instill early warning system reflecting the external environment conditions
- Identify the timing to reconstruct bond portfolio

Consolidated Total Assets JPY200 trillion

Loans: JPY78 trillion (+JPY4 trillion)
Deposits: JPY130 trillion (+JPY13 trillion)
Securities: JPY32 trillion (-JPY7 trillion)
Other Assets: JPY89 trillion (+JPY9 trillion)
Other Liabilities: JPY60 trillion (-JPY6 trillion)
Net Assets: JPY9 trillion (-JPY0 trillion)
Disposal of Cross-shareholdings

Regarding cross-shareholdings, we assess the meaning of holding based on criteria such as profitability, and unless we consider these holdings to be meaningful, we will not hold the shares of other companies as cross-shareholdings. In order to maintain a stable financial base, it is essential that we reduce share price fluctuation risk to an appropriate level as it has a significant impact on our financial situation. For the period from March 31, 2015 until March 31, 2019 (the end of the current medium-term business plan), our target is a reduction of JPY550 billion in the book value of cross-shareholdings. We have made steady progress towards this goal as of March 2017.

<table>
<thead>
<tr>
<th>Progress Towards Cross-shareholdings Disposal Targets¹</th>
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<tbody>
<tr>
<td>Reduction amount as of March 2017</td>
</tr>
<tr>
<td>JPY275.3 billion</td>
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<tr>
<td>Reduction target by March 2017</td>
</tr>
<tr>
<td>JPY250 billion</td>
</tr>
<tr>
<td>Reduction target by March 2019</td>
</tr>
<tr>
<td>JPY550 billion</td>
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</table>

¹. Shares listed on the Japanese stock markets, acquisition cost basis

Financial Management to Support Sustainable Growth

Capital Adequacy and Return to Shareholders

A stable capital base is essential to ensuring Mizuho’s sustainable growth and our ability to meet the expectations of stakeholders by maintaining our financial soundness and fulfilling our role as a financial intermediary even during times of economic downturn. At the same time, we understand the importance of our obligation to provide returns to our shareholders and investors. Therefore, Mizuho continues to carry out a disciplined capital management policy which maintains the optimal balance between strengthening our 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.

As for the policy to return profits to shareholders, we have implemented a steady dividend payout policy setting a dividend payout ratio on a consolidated basis of approximately 30% as a guide for our consideration. Based on this policy, we have decided to make cash dividend payments of JPY7.50 for fiscal 2016. Going forward, we continuously aim to realize steady returns to shareholders.

Steady Return to Shareholders

<table>
<thead>
<tr>
<th>Cash Dividend per Share of Common Stock (JPY)</th>
<th>Dividend payout ratio (%)</th>
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<tbody>
<tr>
<td>FY2012</td>
<td>6.0</td>
</tr>
<tr>
<td>FY2013</td>
<td>6.5</td>
</tr>
<tr>
<td>FY2014</td>
<td>7.5</td>
</tr>
<tr>
<td>FY2015</td>
<td>7.5</td>
</tr>
<tr>
<td>FY2016</td>
<td>7.5</td>
</tr>
<tr>
<td>FY2017 estimates</td>
<td>35%</td>
</tr>
</tbody>
</table>

2. Assuming Profit Attributable to Owners of Parent for FY2017 of JPY550.0 billion

Dialogue with Shareholders and Investors

Mizuho places its highest management priorities on continuing to disclose information to our shareholders and investors in a fair, timely, and appropriate manner, in order for them to form relevant judgments and appraisals of the group.

For individual investors, in addition to information posted on our dedicated webpage for individual investors, in October 2016 we held an online informational session with the CFO specifically for individual investors.

For analysts and institutional investors, following periodic announcements of financial results, Mizuho holds online conferences and IR meetings where members of management give presentations on management strategy, financial position, and other topics. Additionally, we have hosted informational sessions on our business strategies regarding individual business areas and have participated in conferences for investors held by securities companies.

Through these events and other opportunities, we hope to increase dialogue with our shareholders and investors and utilize their feedback to improve our corporate management and enhance accountability with the goal of increasing Mizuho’s corporate value.