

Mizuho Group's Downward Revision of Earnings Forecasts – Advancing the Recording of Losses and No Immediate Impact on the Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement made by Mizuho Financial Group, Inc. (security code: 8411) regarding a downward revision made to its earnings estimates.

- (1) Yesterday, Mizuho Financial Group, Inc. (the “Company”) made a downward revision to its consolidated net earnings estimates for the fiscal year ending March 31, 2019 from 570 billion yen to 80 billion yen, mainly due to its decision to record the impairment losses of approximately 500 billion yen on fixed assets as extraordinary loss. The Company did not revise consolidated ordinary income of 805 billion yen set under its business plan for the fiscal year. Factors which caused this revision are impairment losses of approximately 460 billion yen incurred by investments in software attributable to the domestic retail business and of approximately 40 billion yen incurred by branches that are scheduled to be closed, indicating that losses associated with software including new systems being migrated are imposing a large financial burden. In addition, the Company will record approximately 180 billion yen as ordinary expense in response to the sales of foreign bonds with valuation losses in the markets division. Meanwhile, the consolidated common equity Tier 1 ratio excluding other difference in securities valuation after the full-scale implementation of Basel III is projected to remain the same in the end of March, 2019 as the current ratio standing above 10%.
- (2) The scale of this recording of losses is larger than JCR had anticipated in terms of losses for a single fiscal year. However, the recording is just advancing the recognition of such large losses incurred by system integration, and the Company's financial soundness and capital platform which is equivalent to the rating will also be maintained. For this reason, JCR believes that this recording will not have an immediate impact on the Company's creditworthiness. JCR sees that this incident was caused by a change in the balance between the financial burden for system as well as branches and its profitability, and thus will continue to monitor the outcome of its structural reform.

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<Reference>

Issuer: Mizuho Financial Group, Inc.

Long-term Issuer Rating: AA- Outlook: Stable

Issuer: Mizuho Bank, Ltd.

Long-term Issuer Rating: AA Outlook: Stable

Issuer: Mizuho Trust & Banking Co., Ltd

Long-term Issuer Rating: AA Outlook: Stable

Issuer: Mizuho Securities Co., Ltd.

Long-term Issuer Rating: AA Outlook: Stable

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