

MIZUHO FINANCIAL GROUP INC

Form 20-F

July 23, 2013

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report

For the transition period from            to

Commission file number 001-33098

**Kabushiki Kaisha Mizuho Financial Group**

(Exact name of Registrant as specified in its charter)

# Mizuho Financial Group, Inc.

(Translation of Registrant's name into English)

## Japan

(Jurisdiction of incorporation or organization)

5-1, Marunouchi 2-chome

Chiyoda-ku, Tokyo 100-8333

Japan

(Address of principal executive offices)

Yutaka Ueki, +81-3-5224-1111, +81-3-5224-1059, address is same as above

(Name, Telephone, Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Stock, without par value	The New York Stock Exchange*
American depositary shares, each of which represents two shares of	The New York Stock Exchange

common stock

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At March 31, 2013, the following shares of capital stock were issued: (1) 24,164,864,477 shares of common stock (including 19,824,922 shares of common stock held by the registrant as treasury stock), (2) 914,752,000 shares of eleventh series class XI preferred stock (including 574,087,800 shares of eleventh series class XI preferred stock held by the registrant as treasury stock), and (3) 36,690,000 shares of thirteenth series class XIII preferred stock.

# Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other   
If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

\*Not for trading, but only in connection with the registration and listing of the ADSs.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC.****ANNUAL REPORT ON FORM 20-F****Table of Contents**

	<b>Page</b>
<u>Presentation of Financial and Other Information</u>	3
<u>Forward-Looking Statements</u>	3
ITEM 1. <u>Identity of Directors, Senior Management and Advisers</u>	5
ITEM 2. <u>Offer Statistics and Expected Timetable</u>	5
ITEM 3. <u>Key Information</u>	5
3.A. <u>Selected Financial Data</u>	5
3.B. <u>Capitalization and Indebtedness</u>	10
3.C. <u>Reasons for the Offer and Use of Proceeds</u>	10
3.D. <u>Risk Factors</u>	10
ITEM 4. <u>Information on the Company</u>	20
4.A. <u>History and Development of the Company</u>	20
4.B. <u>Business Overview</u>	21
4.C. <u>Organizational Structure</u>	45
4.D. <u>Property, Plant and Equipment</u>	47
ITEM 4A. <u>Unresolved Staff Comments</u>	47
ITEM 5. <u>Operating and Financial Review and Prospects</u>	48
ITEM 6. <u>Directors, Senior Management and Employees</u>	117
6.A. <u>Directors and Senior Management</u>	117
6.B. <u>Compensation</u>	132
6.C. <u>Board Practices</u>	134
6.D. <u>Employees</u>	135
6.E. <u>Share Ownership</u>	136
ITEM 7. <u>Major Shareholders and Related Party Transactions</u>	138
7.A. <u>Major Shareholders</u>	138
7.B. <u>Related Party Transactions</u>	139
7.C. <u>Interests of Experts and Counsel</u>	139
ITEM 8. <u>Financial Information</u>	140
8.A. <u>Consolidated Statements and Other Financial Information</u>	140
8.B. <u>Significant Changes</u>	140
ITEM 9. <u>The Offer and Listing</u>	141
9.A. <u>Listing Details</u>	141
9.B. <u>Plan of Distribution</u>	142
9.C. <u>Markets</u>	142
9.D. <u>Selling Shareholders</u>	143
9.E. <u>Dilution</u>	143
9.F. <u>Expenses of the Issue</u>	143
ITEM 10. <u>Additional Information</u>	144
10.A. <u>Share Capital</u>	144
10.B. <u>Memorandum and Articles of Association</u>	144
10.C. <u>Material Contracts</u>	156
10.D. <u>Exchange Controls</u>	156
10.E. <u>Taxation</u>	157
10.F. <u>Dividends and Paying Agents</u>	163
10.G. <u>Statement by Experts</u>	163
10.H. <u>Documents on Display</u>	163
10.I. <u>Subsidiary Information</u>	163



**Table of Contents**

	<b>Page</b>
ITEM 11. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	164
ITEM 12. <u>Description of Securities Other than Equity Securities</u>	184
12.A. <u>Debt Securities</u>	184
12.B. <u>Warrants and Rights</u>	184
12.C. <u>Other Securities</u>	184
12.D. <u>American Depositary Shares</u>	184
ITEM 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	185
ITEM 14. <u>Material Modifications to the Rights of Securities Holders and Use of Proceeds</u>	185
ITEM 15. <u>Controls and Procedures</u>	185
ITEM 16A. <u>Audit Committee Financial Expert</u>	186
ITEM 16B. <u>Code of Ethics</u>	186
ITEM 16C. <u>Principal Accountant Fees and Services</u>	186
ITEM 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	187
ITEM 16E. <u>Purchase of Equity Securities by the Issuer and Affiliated Purchasers</u>	188
ITEM 16F. <u>Change in Registrant's Certifying Accountant</u>	188
ITEM 16G. <u>Corporate Governance</u>	188
ITEM 17. <u>Financial Statements</u>	190
ITEM 18. <u>Financial Statements</u>	190
ITEM 19. <u>Exhibits</u>	190
<u>Selected Statistical Data</u>	A-1
<u>Index to Consolidated Financial Statements</u>	F-1

---

**Table of Contents**

**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this annual report, we, us, and our refer to Mizuho Financial Group, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries. Mizuho Financial Group refers to Mizuho Financial Group, Inc. Furthermore, unless the context indicates otherwise, these references are intended to refer to us as if we had been in existence in our current form for all periods referred to herein.

In this annual report, our principal banking subsidiaries refer to Mizuho Bank, Ltd. and Mizuho Trust & Banking Co., Ltd. (or with respect to references as of a date, or fiscal year ending, before April 1, 2002, to The Dai-Ichi Kangyo Bank, Limited, The Fuji Bank, Limited, The Industrial Bank of Japan, Limited, Mizuho Trust & Banking and The Yasuda Trust and Banking Co., Ltd.).

On July 1, 2013, a merger between Mizuho Bank and Mizuho Corporate Bank, Ltd. came into effect with Mizuho Corporate Bank as the surviving entity, which was renamed Mizuho Bank upon the merger. In this annual report, Mizuho Bank refers to the post-merger entity, while Pre-Merger Mizuho Bank and Mizuho Corporate Bank refer to pre-merger Mizuho Bank and pre-merger Mizuho Corporate Bank, respectively. Similarly, our principal banking subsidiaries, when addressing periods or points in time before the merger date, refer to Pre-Merger Mizuho Bank, Mizuho Corporate Bank and Mizuho Trust & Banking, unless otherwise noted.

In this annual report, references to U.S. dollars, dollars and \$ refer to the lawful currency of the United States and those to yen and ¥ refer to lawful currency of Japan.

In this annual report, yen figures and percentages have been rounded to the figures shown. However, in some cases, figures presented in tables have been adjusted to match the sum of the figures with the total amount, and such figures may also be referred to in the related text. In addition, yen figures and percentages in Item 3.A. Key Information Selected Financial Data Japanese GAAP Selected Consolidated Financial Information and others that are specified, have been truncated to the figures shown.

Our fiscal year end is March 31. References to years not specified as being fiscal years are to calendar years.

Unless otherwise specified, for purposes of this annual report, we have presented our financial information in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Unless otherwise stated or the context otherwise requires, all amounts in our financial statements are expressed in Japanese yen.

We usually hold the ordinary general meeting of shareholders of Mizuho Financial Group in June of each year in Chiyoda-ku, Tokyo.

**FORWARD-LOOKING STATEMENTS**

We may from time to time make written or oral forward-looking statements. Written forward-looking statements may appear in documents filed with the Securities and Exchange Commission, including this annual report, and other reports to shareholders and other communications.

The U.S. Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking information to encourage companies to provide prospective information about themselves. We rely on this safe harbor in making these forward-looking statements.

This annual report contains forward-looking statements regarding the intent, belief or current expectations of our management with respect to our financial condition and future results of operations. In many cases, but not all, we use such words as aim, anticipate, believe, endeavor, estimate, expect, intend, may, plan, probability, project, risk, seek, should, strive, target and similar expressions in relation to



**Table of Contents**

us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks and uncertainties include, without limitation, the following:

incurrence of significant credit-related costs;

declines in the value of our securities portfolio, including as a result of the declines in stock markets and the impact of the dislocation in the global financial markets;

changes in interest rates;

foreign exchange rate fluctuations;

decrease in the market liquidity of our assets;

revised assumptions or other changes related to our pension plans;

a decline in our deferred tax assets;

the effect of financial transactions entered into for hedging and other similar purposes;

failure to maintain required capital adequacy ratio levels;

downgrades in our credit ratings;

our ability to avoid reputational harm;

our ability to implement our Medium-term Business Plan and other strategic initiatives and measures effectively;

the effectiveness of our operation, legal and other risk management policies;

the effect of changes in general economic conditions in Japan and elsewhere; and

amendments and other changes to the laws and regulations that are applicable to us.

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Our forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. We identify in this annual report in Item 3.D. Key Information Risk Factors, Item 4.B. Information on the Company Business Overview, Item 5. Operating and Financial Review and Prospects and elsewhere, some, but not necessarily all, of the important factors that could cause these differences.

We do not intend to update our forward-looking statements. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

**Table of Contents**

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**3.A. Selected Financial Data**

The following tables set forth our selected consolidated financial data.

The first table below sets forth selected consolidated financial data of Mizuho Financial Group as of and for the fiscal years ended March 31, 2009, 2010, 2011, 2012 and 2013 which have been derived from the audited consolidated financial statements of Mizuho Financial Group prepared in accordance with U.S. GAAP included in this annual report.

The second table below sets forth selected consolidated financial data of Mizuho Financial Group as of and for the fiscal years ended March 31, 2009, 2010, 2011, 2012 and 2013 derived from Mizuho Financial Group's consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP.

The consolidated financial statements of Mizuho Financial Group as of and for the fiscal years ended March 31, 2011, 2012 and 2013 prepared in accordance with U.S. GAAP have been audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) by Ernst & Young ShinNihon LLC, independent registered public accounting firm.

You should read the U.S. GAAP selected consolidated financial information presented below together with the information included in Item 5. Operating and Financial Review and Prospects and the audited consolidated financial statements, including the notes thereto, included in this annual report. The information presented below is qualified in its entirety by reference to that information.

**Table of Contents****U.S. GAAP Selected Consolidated Financial Information**

	2009	As of and for the fiscal years ended March 31, 2010 2011 2012			2013
		(in millions of yen, except per share data and percentages)			
<b>Statement of income data:</b>					
Interest and dividend income	¥ 2,384,191	¥ 1,632,282	¥ 1,460,184	¥ 1,437,086	¥ 1,423,375
Interest expense	1,102,015	528,159	448,857	415,959	412,851
Net interest income	1,282,176	1,104,123	1,011,327	1,021,127	1,010,524
Provision (credit) for loan losses	567,396	222,102	647	(23,044)	139,947
Net interest income after provision (credit) for loan losses	714,780	882,021	1,010,680	1,044,171	870,577
Noninterest income	452,227	1,330,847	1,036,532	1,090,135	1,439,419
Noninterest expenses	1,525,101	1,526,413	1,435,855	1,471,471	1,424,816
Income (loss) before income tax expense (benefit)	(358,094)	686,455	611,357	662,835	885,180
Income tax expense (benefit)	761,908	(360,195)	193,227	13,878	4,024
Net income (loss)	(1,120,002)	1,046,650	418,130	648,957	881,156
Less: Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(61,555)	46,961	5,461	(7,432)	5,744
Net income (loss) attributable to MHFG shareholders	¥ (1,058,447)	¥ 999,689	¥ 412,669	¥ 656,389	¥ 875,412
Net income (loss) attributable to common shareholders	¥ (1,077,787)	¥ 988,603	¥ 403,231	¥ 647,717	¥ 867,191
<b>Amounts per share<sup>(2)</sup>:</b>					
Basic earnings per common share net income (loss) attributable to common shareholders	¥ (95.96)	¥ 70.55	¥ 20.44	¥ 28.07	¥ 36.05
Diluted earnings per common share net income (loss) attributable to common shareholders	¥ (95.96)	¥ 61.64	¥ 19.22	¥ 26.78	¥ 34.47
Number of shares used to calculate basic earnings per common share (in thousands)	11,231,269	14,013,058	19,722,818	23,073,544	24,053,282
Number of shares used to calculate diluted earnings per common share (in thousands)	11,231,269	16,200,812	21,415,109	24,469,539	25,365,229
Cash dividends per share declared during the fiscal year <sup>(3)</sup> :					
Common stock	¥ 10.00	¥ 10.00	¥ 8.00	¥ 6.00	¥ 6.00
	\$ 0.10	\$ 0.11	\$ 0.10	\$ 0.07	\$ 0.06
Eleventh series class XI preferred stock	¥ 20.00	¥ 20.00	¥ 20.00	¥ 20.00	¥ 20.00
	\$ 0.20	\$ 0.21	\$ 0.24	\$ 0.24	\$ 0.21
Thirteenth series class XIII preferred stock	¥ 30.00	¥ 30.00	¥ 30.00	¥ 30.00	¥ 30.00
	\$ 0.30	\$ 0.32	\$ 0.36	\$ 0.36	\$ 0.32

**Table of Contents**

	2009	As of and for the fiscal years ended March 31,			2013
		2010	2011	2012	
		(in millions of yen, except per share data and percentages)			
<b>Balance sheet data:</b>					
Total assets	¥ 155,083,031	¥ 158,351,456	¥ 161,985,670	¥ 166,361,633	¥ 178,746,994
Loans, net of allowance	71,787,309	62,903,418	63,955,284	65,306,370	69,060,526
Total liabilities	154,045,851	155,019,438	157,950,314	161,714,609	172,889,899
Deposits	87,075,727	86,776,251	89,215,627	91,234,380	100,221,556
Long-term debt	8,017,770	8,482,434	8,953,496	8,461,818	8,802,223
Common stock	3,386,792	4,324,705	5,164,160	5,427,992	5,460,821
Total MHFG shareholders' equity	846,047	2,966,215	3,673,487	4,470,766	5,728,120
<b>Other financial data:</b>					
<b>Return on equity and assets:</b>					
Net income (loss) attributable to common shareholders as a percentage of total average assets	(0.70)%	0.62%	0.25%	0.39%	0.50%
Net income (loss) attributable to common shareholders as a percentage of average MHFG shareholders' equity	(37.56)%	39.99%	12.63%	15.56%	18.76%
Dividends per common share as a percentage of basic earnings per common share	(10.42)%	11.34%	29.35%	21.38%	16.64%
Average MHFG shareholders' equity as a percentage of total average assets	1.86%	1.56%	2.01%	2.53%	2.67%
Net interest income as a percentage of total average interest-earning assets	0.96%	0.82%	0.75%	0.71%	0.66%

Notes:

- (1) Net income (loss) attributable to noncontrolling interests was relocated from minority interest in consolidated subsidiaries included within noninterest expenses in the fiscal year ended March 31, 2010 as we adopted ASC 810. For purposes of comparability, the figures of the previous fiscal years are adjusted accordingly.
- (2) Under the central book-entry transfer system in Japan, which became effective in January 2009, fractional shares are not eligible for book-entry transfer. Accordingly, an allotment of shares or fractions of a share without consideration was made to all shareholders and holders of fractional shares at the rate of 999 shares per 1 share and 9.99 shares per every 0.01 of a share, effective on January 4, 2009. The amounts per share for the fiscal years ended March 31, 2009 has been adjusted to reflect such allotment.
- (3) Yen amounts for cash dividends per share for the fiscal years ended March 31, 2009, 2010, 2011, 2012 and 2013 are expressed in U.S. dollars at the rate of ¥99.15 = \$1.00, ¥93.40 = \$1.00, ¥82.76 = \$1.00, ¥82.41 = \$1.00 and ¥94.16 = \$1.00, respectively. These rates are the noon buying rates on March 31, 2009, 2010, 2011, 2012 and 2013 in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York.

**Table of Contents****Japanese GAAP Selected Consolidated Financial Information**

	2009	As of and for the fiscal years ended March 31,			2013
		2010	2011	2012	
(in millions of yen, except per share data and percentages)					
<b>Statement of income data:</b>					
Interest income	¥ 2,144,436	¥ 1,571,994	¥ 1,457,687	¥ 1,423,564	¥ 1,421,609
Interest expense	1,075,584	420,287	348,242	335,223	345,710
Net interest income	1,068,851	1,151,707	1,109,444	1,088,340	1,075,898
Fiduciary income	55,891	49,100	49,388	49,014	48,506
Net fee and commission income <sup>(1)</sup>	416,653	466,040	458,824	458,933	507,378
Net trading income	301,521	312,330	243,983	150,317	215,033
Net other operating income (loss)	(35,951)	17,436	163,680	256,468	324,899
General and administrative expenses <sup>(1)</sup>	1,192,701	1,317,247	1,277,848	1,283,847	1,244,647
Other income	260,568	266,125	156,212	263,024	198,063
Other expenses	1,280,711	567,728	268,261	265,803	407,299
Income (loss) before income taxes and minority interests	(405,877)	377,765	635,425	716,449	717,832
Income taxes:					
Current <sup>(2)</sup>	48,247	18,040	18,336	55,332	50,400
Deferred	109,103	25,108	120,123	97,494	7,461
Income (loss) before minority interests <sup>(3)</sup>	(563,227)	334,617	496,965	563,621	659,970
Minority interests in net income	25,586	95,212	83,736	79,102	99,454
Net income (loss)	¥ (588,814)	¥ 239,404	¥ 413,228	¥ 484,519	¥ 560,516
<b>Net income (loss) per share:</b>					
Basic	¥ (54.14)	¥ 16.29	¥ 20.47	¥ 20.62	¥ 22.96
Diluted	(4)	15.57	19.27	19.75	22.05
<b>Cash dividends per share declared during the fiscal year<sup>(5)(6)</sup>:</b>					
Common stock <sup>(7)</sup>	¥ 10,000	¥ 10	¥ 8	¥ 6	¥ 6
	\$ 100.86	\$ 0.11	\$ 0.10	\$ 0.07	\$ 0.06
Eleventh series class XI preferred stock <sup>(7)</sup>	¥ 20,000	¥ 20	¥ 20	¥ 20	¥ 20
	\$ 201.71	\$ 0.21	\$ 0.24	\$ 0.24	\$ 0.21
Thirteenth series class XIII preferred stock <sup>(7)</sup>	¥ 30,000	¥ 30	¥ 30	¥ 30	¥ 30
	\$ 302.57	\$ 0.32	\$ 0.36	\$ 0.36	\$ 0.32
<b>Balance sheet data:</b>					
Total assets	¥ 152,723,070	¥ 156,253,572	¥ 160,812,006	¥ 165,360,501	¥ 177,411,062
Loans and bills discounted <sup>(8)</sup>	70,520,224	62,164,579	62,777,757	63,800,509	67,536,882
Securities	30,173,632	43,096,460	44,782,067	51,392,878	53,472,399
Deposits <sup>(9)</sup>	86,539,020	86,627,588	88,884,158	90,636,656	99,568,737
Net assets	4,186,606	5,837,053	6,623,999	6,869,295	7,736,230
<b>Risk-adjusted capital data (Basel II)<sup>(10)</sup>:</b>					
Tier 1 capital	¥ 3,765,045	¥ 5,173,496	¥ 6,170,210	¥ 6,398,953	n.a.
Total risk-based capital	6,223,693	7,658,062	7,910,970	7,775,093	n.a.
Risk-weighted assets	59,056,218	56,863,252	51,693,835	50,144,934	n.a.
Tier 1 capital ratio	6.37%	9.09%	11.93%	12.76%	n.a.
Capital adequacy ratio	10.53	13.46	15.30	15.50	n.a.

**Table of Contents**

	As of and for the fiscal years ended March 31,				
	2009	2010	2011	2012	2013
	(in millions of yen, except per share data and percentages)				
<b>Risk-adjusted capital data (Basel III)<sup>(10)</sup>:</b>					
Common Equity Tier 1 capital	n.a.	n.a.	n.a.	n.a.	¥ 4,803,820
Tier 1 capital	n.a.	n.a.	n.a.	n.a.	6,487,449
Total capital	n.a.	n.a.	n.a.	n.a.	8,344,509
Risk-weighted assets	n.a.	n.a.	n.a.	n.a.	58,823,585
Common Equity Tier 1 capital ratio	n.a.	n.a.	n.a.	n.a.	8.16%
Tier 1 capital ratio	n.a.	n.a.	n.a.	n.a.	11.02
Total capital ratio	n.a.	n.a.	n.a.	n.a.	14.18

## Notes:

- (1) For the fiscal year ended March 31 2012, certain items in expenses regarding stock transfer agency business and pension management business, which had been recorded as General and administrative expenses by Mizuho Trust & Banking until the previous fiscal year, have been included in Net fee and commission income as Fee and commission expenses, and reclassification of prior year figures has been made accordingly.
- (2) Includes refund of income taxes.
- (3) In accordance with certain amendments to Regulation on Terminology, Forms and Preparation of Financial Statements and other regulations which may be applied at our option from the fiscal year ended March 31, 2010, based on Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), we have started to present Income before minority interests from the fiscal year ended March 31, 2010. For reference purposes, we have also included the figures of the same for the fiscal years ended March 31, 2009 in the table above.
- (4) Diluted net income per share is not shown due to net loss per share for the fiscal year ended March 31, 2009.
- (5) Under the central book-entry transfer system in Japan, which became effective in January 2009, fractional shares are not eligible for book-entry transfer. Accordingly, an allotment of shares or fractions of a share without consideration was made to all shareholders and holders of fractional shares at the rate of 999 shares per 1 share and 9.99 shares per every 0.01 of a share, effective on January 4, 2009. Cash dividends per share declared through the fiscal year ended March 31, 2009, in the table above do not reflect such allotment.
- (6) Yen amounts are expressed in U.S. dollars at the rate of, ¥99.15 = \$1.00, ¥93.40 = \$1.00, ¥82.76 = \$1.00, ¥82.41 = \$1.00 and ¥94.16 = \$1.00 for the fiscal years ended March 31, 2009, 2010, 2011, 2012 and 2013, respectively. These rates are the noon buying rates on the respective fiscal year-end dates in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York.
- (7) In June 2013, we declared and paid annual dividends of ¥6 per share of common stock, ¥20 per share of eleventh series class XI preferred stock and ¥30 per share of thirteenth series class XIII preferred stock for the fiscal year ended March 31, 2013. As to the thirteenth series class XIII preferred stock, we acquired and canceled all of the relevant stock as of July 11, 2013.
- (8) Bills discounted refers to a form of financing in Japan under which promissory notes obtained by corporations through their regular business activities are purchased by banks prior to their payment dates at a discount based on prevailing interest rates.
- (9) Includes negotiable certificates of deposit.
- (10) Risk-adjusted capital data are calculated on a Basel II basis until the fiscal year ended March 31, 2012, and on a Basel III basis for the fiscal year ended March 31, 2013. We adopted the advanced internal ratings-based approach (the AIRB approach) for the calculation of risk-weighted assets associated with credit risk from the fiscal year ended March 31, 2009. We also adopted the advanced measurement approach (the AMA) for the calculation of operational risk from the fiscal year ended March 31, 2010. For more details on capital adequacy requirements set by the Bank for International Settlements (BIS), and the guideline implemented by the Financial Services Agency in compliance thereto, see Item 5. Operating and Financial Review and Prospects Capital Adequacy.

**Table of Contents**

There are certain differences between U.S. GAAP and Japanese GAAP. The differences between U.S. GAAP and Japanese GAAP applicable to us primarily relate to the accounting for derivative financial instruments and hedging activities, investments, loans, allowances for loan losses and off-balance-sheet instruments, premises and equipment, real estate sales and leasebacks, land revaluation, business combinations, noninterest-earning deposits made under government-led restructuring, pension liabilities, consolidation of variable interest entities and deferred taxes. See Item 5. Operating and Financial Review and Prospects Reconciliation with Japanese GAAP.

**Exchange Rate Information**

The following table sets forth, for each period indicated, the noon buying rate in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per \$1.00. The exchange rates are reference rates and are not necessarily the rates used to calculate ratios or the rates used to convert yen to U.S. dollars in the financial statements contained in this annual report.

Fiscal years ended (ending) March 31,	High	Low	Average <sup>(1)</sup> (yen per dollar)	Period end
2009	¥ 110.48	¥ 87.80	¥ 100.85	¥ 99.15
2010	100.71	86.12	92.49	93.40
2011	94.68	78.74	85.00	82.76
2012	85.26	75.72	78.86	82.41
2013	96.16	77.41	83.26	94.16
2014 (through July 19)	103.52	92.96	99.47	100.30
<b>Calendar year 2013</b>				
January	¥ 91.28	¥ 86.92		
February	93.64	91.38		
March	96.16	93.32		
April	99.61	92.96		
May	103.52	97.28		
June	100.15	94.29		
July (through July 19)	101.08	98.80		

Note:

(1) Calculated by averaging the exchange rates on the last business day of each month during the respective periods. The noon buying rate as of July 19, 2013 was ¥100.30 = \$1.00.

**3.B. Capitalization and Indebtedness**

Not applicable.

**3.C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**3.D. Risk Factors**

*Investing in our securities involves a high degree of risk. You should carefully consider the risks described below as well as the other information in this annual report, including our consolidated financial statements and related notes, Item 5. Operating and Financial Review and Prospects, Item 11. Quantitative and Qualitative Disclosures about Market Risk and Selected Statistical Data.*





## **Table of Contents**

*Our business, financial condition and operating results could be materially adversely affected by any of the factors discussed below. The trading price of our securities could decline due to any of these factors. This annual report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this annual report. See Forward-Looking Statements.*

### ***Risks Relating to Our Business***

#### **We may incur significant credit-related and other costs in the future due to problem loans.**

We are the primary bank lender for a large number of our corporate customers, and the amount of our loans and other claims to each of our major customers is significant. In addition, while we have made efforts to diversify our credit exposure along industry lines, the proportion of credit exposure to customers in the construction and real estate, banks and other financial institutions, and wholesale and retail industries is relatively high. We manage our credit portfolio by regularly monitoring the credit profile of each of our customers, the progress made on restructuring plans and credit exposure concentrations in particular industries or corporate groups, and we also utilize credit derivatives for hedging and credit risk mitigation purposes. In addition, we regularly assess the value of collateral and guarantees. However, depending on trends in the domestic and global economic environment, the business environment in particular industries and other factors, the amount of our problem loans and other claims could increase significantly, including as a result of the deterioration in the credit profile of customers for which we are the primary bank lender, other major customers or customers belonging to industries to which we have significant credit exposure, and the value of collateral and guarantees could decline. There can be no assurance that credit-related and other costs will not increase in the future as a result of the foregoing or otherwise.

#### **Our equity investment portfolio exposes us to market risks that could adversely affect our financial condition and results of operations.**

We hold substantial investments in marketable equity securities, mainly common stock of Japanese listed companies. In addition to the partial hedges that we apply as we deem necessary in recent years, we sold a portion of such investments, and we may make further sales in the future. However, significant declines in Japanese stock prices in the future would lead to unrealized losses, losses on impairment and losses from sales of equity securities which could have a material adverse effect on our financial condition and results of operations. In addition, net unrealized gains and losses on such investments, based on Japanese GAAP, are taken into account when calculating the amount of capital for purposes of the calculation of our capital adequacy ratios, and as a result, a decline in the value of such investments would negatively affect such ratios. Accordingly, our financial condition and results of operations could be materially and adversely affected.

#### **Changes in interest rates could adversely affect our financial condition and results of operations.**

We hold a significant amount of bonds, consisting mostly of Japanese government bonds, and other instruments primarily for the purpose of investment. As a result of such holdings, an increase in interest rates, primarily yen interest rates, could lead to unrealized losses of bonds or losses from sales of bonds. In addition, due mainly to differences in maturities between financial assets and liabilities, changes in interest rates could have an adverse effect on our average interest rate spread. We manage interest rate risk under our risk management policies, which provide for adjustments in the composition of our bond portfolio and the utilization of derivatives and other hedging methods to reduce our exposure to interest rate risk. However, in the event of significant changes in interest rates, including as a result of a change in Japanese monetary policy, increased sovereign risk due to deterioration of public finances and market trends, our financial condition and results of operations could be materially and adversely affected.

## **Table of Contents**

### **Our financial condition and results of operations could be adversely affected by foreign exchange rate fluctuations.**

A portion of our assets and liabilities is denominated in foreign currencies, mainly the U.S. dollar. The difference between the amount of assets and liabilities denominated in foreign currencies leads to foreign currency translation gains and losses in the event of fluctuations in foreign exchange rates. Although we hedge a portion of our exposure to foreign exchange rate fluctuation risk, our financial condition and results of operations could be materially and adversely affected if future foreign exchange rate fluctuations significantly exceed our expectations.

### **We may incur further losses relating to decreases in the market liquidity of assets that we hold.**

The market liquidity of the various marketable assets that we hold may decrease significantly due to turmoil in financial markets and other factors, and the value of such assets could decline as a result. If the market liquidity of our assets decreases significantly in the future, including as a result of the European debt problem causing significant disruptive effects on the global financial markets, our financial condition and results of operations could be materially and adversely affected.

### **Our pension-related costs could increase as a result of revised assumptions or changes in our pension plans.**

Our pension-related costs and projected benefit obligations are calculated based on assumptions regarding projected returns on pension plan assets and various actuarial assumptions relating to the plans. If actual results differ from our assumptions or we revise our assumptions in the future, due to changes in the stock markets, interest rate environment or otherwise, our pension-related costs and projected benefit obligations could increase. In addition, any future changes to our pension plans could also lead to increases in our pension-related costs and projected benefit obligations. As a result, our financial condition and results of operations could be materially and adversely affected.

### **A decline in deferred tax assets due to a change in our estimation of future taxable income or change in Japanese tax policy could adversely affect our financial condition and results of operations.**

We recorded deferred tax assets based on a reasonable estimation of future taxable income in accordance with applicable accounting standards. Our financial condition and results of operations could be materially and adversely affected if our deferred tax assets decline due to a change in our estimation of future taxable income, a change in tax rate as a result of tax system revision and other factors.

### **Financial transactions entered into for hedging and other similar purposes could adversely affect our financial condition and results of operations.**

The accounting and valuation methods applied to credit and equity derivatives and other financial transactions that we enter into for hedging and credit risk mitigation purposes are not always consistent with the accounting and valuation methods applied to the assets that are being hedged. Consequently, in some cases, due to changes in the market or otherwise, losses related to such financial transactions during a given period may adversely affect net income, while the corresponding increases in the value of the hedged assets do not have an effect on net income for such period. As a result, our financial condition and results of operations could be materially and adversely affected during the period.

### **Failure to maintain capital adequacy ratios above minimum required levels, as a result of the materialization of risks or regulatory changes, could result in restrictions on our business activities.**

We endeavor to maintain sufficient levels of capital adequacy ratios, which are calculated pursuant to standards set forth by Japan's Financial Services Agency and based on Japanese GAAP, taking into account our plans for investments in risk-weighted assets, the efficiency of our capital structure and other factors. However,

---

## **Table of Contents**

our capital adequacy ratios could decline in the future, including as a result of the materialization of any of the risks enumerated in these Risk Factors and changes to the methods we use to calculate capital adequacy ratios. Also, there are regulatory adjustments such as goodwill and other intangibles, deferred tax assets, investments in the capital of banking, financial and insurance entities etc., that are deducted from our regulatory capital under certain conditions. Our or our banking subsidiaries' regulatory capital and capital adequacy ratios could decline due to such regulations.

In addition, if the framework set by the Basel Committee on Banking Supervision, upon which the Financial Services Agency's rules concerning banks' capital adequacy ratios are based, is changed or if the Financial Services Agency otherwise changes its banking regulations, we might not be able to meet the minimum regulatory requirements for capital adequacy ratios. For example, in December 2010, the Basel Committee on Banking Supervision issued its Basel III rules text, which presents the details of global regulatory standards on bank capital adequacy and liquidity. In March 2012, the Financial Services Agency published revisions to its capital adequacy guidelines which generally reflect rules in the Basel III text and became effective as of March 31, 2013. Furthermore, we were included in the list of global systemically important financial institutions (G-SIFIs) that were named by the Financial Stability Board in November 2012. The group of G-SIFIs will be updated annually and published by the Financial Stability Board each November. If we are deemed a SIFI in or after November 2014, we may be subject to additional capital requirements. See Item 5. Operating and Financial Review and Prospects Capital Adequacy.

If the capital adequacy ratios of us and our banking subsidiaries fall below specified levels, the Financial Services Agency could require us to take corrective actions, including, depending on the level of deficiency, submission of an improvement plan that would strengthen our capital base, a reduction of our total assets or a suspension of a portion of our business operations. In addition, some of our banking subsidiaries are subject to capital adequacy regulations in foreign jurisdictions such as the United States, and our business could be adversely affected if their capital adequacy ratios fall below specified levels.

### **Downgrades in our credit ratings could have negative effects on our funding costs and business operations.**

Credit ratings are assigned to Mizuho Financial Group, our banking subsidiaries and a number of our other subsidiaries by major domestic and international credit rating agencies. The credit ratings are based on information furnished by us or obtained by the credit rating agencies from independent sources and are also influenced by credit ratings of Japanese government bonds and general views regarding the Japanese financial system as a whole. The credit ratings are subject to revision, suspension or withdrawal by the credit rating agencies at any time. A downgrade in our credit ratings could result in, among other things, the following:

increased funding costs and other difficulties in raising funds;

the need to provide additional collateral in connection with financial market transactions; and

the termination or cancellation of existing agreements.

For example, the additional collateral requirement in connection with our derivative contracts, absent other changes, assuming a downgrade occurred on March 31, 2013, would have been approximately \$67 million for a one-notch downgrade and approximately \$323 million for a two-notch downgrade. The foregoing figures do not take into account the minority of derivative contracts for which additional collateral requirements are not specifically prescribed and are thus subject to individual negotiations.

As a result, our business, financial condition and results of operations could be materially and adversely affected.

### **Our business will be adversely affected if we encounter difficulties in raising funds.**

We rely principally on deposits and debentures as our funding sources. In addition, we also raise funds in the financial markets. Our efforts to maintain stable funding, such as setting maximum limits on financial market

## **Table of Contents**

funding and monitoring our liquidity position to apply appropriate funding policies, may not be sufficient to prevent significant increases in our funding costs or cash flow problems if we encounter difficulties in attracting deposits or otherwise raising funds. Such difficulties could result, among other things, from any of the following:

adverse developments with respect to our financial condition and results of operations;

downgrading of our credit ratings or damage to our reputation; or

a reduction in the size and liquidity of the debt markets due for example to the decline in the domestic and global economy, concerns regarding the financial system or turmoil in financial markets and other factors.

### **Our Medium-term Business Plan and other strategic initiatives and measures may not result in the anticipated outcome.**

We have been implementing strategic initiatives and measures in various areas. In February 2013, we announced our new Medium-term Business Plan for the three fiscal years ending March 31, 2016, in which we set forth various strategic initiatives and measures and also established a number of key target figures that we aim to achieve by the end of the fiscal year ending March 31, 2016.

However, we may not be successful in implementing such initiatives and measures, or even if we are successful in implementing them, the implementation of such initiatives and measures may not have their anticipated effects. In addition, we may not be able to meet the key target figures announced in the Medium-term Business Plan due to these or other factors, including, but not limited to, differences in the actual economic environment compared to our assumptions underlying the Medium-term Business Plan, as well as the risks enumerated in these Risk Factors.

### **We will be exposed to new or increased risks as we expand the range of our products and services.**

We offer a broad range of financial services, including banking, trust, securities and other services. As the needs of our customers become more sophisticated and broader in scope, and as the Japanese financial industry continues to be deregulated, we have been entering into various new areas of business, including through various business and equity alliances, which expose us to new risks. While we have developed and intend to maintain risk management policies that we believe are appropriate to address such risks, if a risk materializes in a manner or to a degree outside of our expectations, our business, financial condition and results of operations could be materially and adversely affected.

### **We are subject to various laws and regulations, and violations could result in penalties and other regulatory actions.**

Our business and employees in Japan are subject to various laws and regulations, including those applicable to financial institutions as well as general laws applicable to our business activities, and we are under the regulatory oversight of the Financial Services Agency. Our businesses outside of Japan are also subject to the laws and regulations of the jurisdictions in which they operate and are subject to oversight by the regulatory authorities of those jurisdictions.

Our compliance and legal risk management structures are designed to prevent violations of such laws and regulations, but they may not be effective in preventing all future violations. Future violations of laws and regulations could result in regulatory action and harm our reputation, and our business, financial condition and results of operations could be materially and adversely affected.

### **Employee errors and misconduct could subject us to losses and reputational harm.**

Because we process a large number of transactions in a broad range of businesses, we are subject to the risk of various operational errors and misconduct, including those caused by employees. Our measures to reduce

## **Table of Contents**

employee errors, including establishment of operational procedures, regular reviews regarding compliance with these procedures, employee training and automation of our operations, may not be effective in preventing all employee errors and misconduct. Significant operational errors and misconduct in the future could result in losses, regulatory actions or harm to our reputation. As a result, our business, financial condition and results of operations could be materially and adversely affected.

### **Problems relating to our information technology systems could significantly disrupt our business operations.**

We depend significantly on information technology systems with respect to almost all aspects of our business operations. Our information technology systems network, including those relating to bank accounting and cash settlement systems, interconnects our branches and other offices, our customers and various clearing and settlement systems located worldwide. Our efforts to sustain stable daily operations and development of contingency plans for unexpected events, including the implementation of backup and redundancy measures, may not be effective in preventing significant disruptions to our information technology systems caused by, among other things, human error, accidents, hacking, computer viruses, cyber attacks, and development and renewal of computer systems. In the event of any such disruption, our business, financial condition and results of operations could be materially and adversely affected due to disruptions in our business operations, liability to customers and others, regulatory actions or harm to our reputation.

### **Our reputation could be harmed and we may be subject to liabilities and regulatory actions if we are unable to protect personal and other confidential information.**

We handle various confidential or non-public information, including those of our individual and corporate customers, in the ordinary course of our business. The information management policies we maintain and enforce to prevent information leaks and improper access to such information, including those designed to meet the strict requirements of the Personal Information Protection Law of Japan, may not be effective in preventing all such problems. Leakage of important information in the future could result in liabilities and regulatory actions and may also lead to significant harm to our reputation. As a result, our business, financial condition and results of operations could be materially and adversely affected.

### **Our business would be harmed if we are unable to attract and retain skilled employees.**

Many of our employees possess skills and expertise that are important to maintain our competitiveness and to operate our business efficiently. We may not be successful in attracting and retaining sufficient skilled employees through our hiring efforts and training programs aimed to maintain and enhance the skills and expertise of our employees, in which event our competitiveness and efficiency could be significantly impaired. As a result, our business, financial condition and results of operations could be materially and adversely affected.

### **Our failure to establish, maintain and apply adequate internal controls over financial reporting could negatively impact investor confidence in the reliability of our financial statements.**

As a New York Stock Exchange-listed company and an SEC registrant, we have developed disclosure controls and procedures and internal control over financial reporting pursuant to the requirements of the Sarbanes-Oxley Act of 2002 and rules and regulations of the SEC promulgated pursuant thereto. Our management reports on, and our independent registered public accounting firm attests to, the effectiveness of our internal controls over financial reporting, as required, in our annual report on Form 20-F. In addition, our management is required to report on our internal control over financial reporting, and our independent registered public accounting firm is required to provide its opinion concerning the report of our management, in accordance with the Financial Instruments and Exchange Law of Japan. To the extent any issues are identified through the foregoing processes, there can be no assurance that we will be able to address them in a timely manner or at all. Furthermore, even if our management concludes that our internal control over financial reporting are effective,

## **Table of Contents**

our independent registered public accounting firm may still be unable to issue a report that concludes that our internal control over financial reporting are effective. In either case, we may lose investor confidence in the reliability of our financial statements.

### **We are subject to risk of litigation and other legal proceedings.**

As a financial institution engaging in banking and other financial businesses in and outside of Japan, we are subject to the risk of litigation for damages and other legal proceedings in the ordinary course of our business. Adverse developments related to future legal proceedings could have a material adverse effect on our financial condition and results of operations.

### **Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.**

We devote significant resources to strengthening our risk management policies and procedures. Despite this, and particularly in light of the rapid evolution of our operations, our policies and procedures designed to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risks are based upon our use of observed historical market behavior. As a result, these methods may not accurately predict future risk exposures, which could be significantly greater than the historical measures indicate. If our risk management policies and procedures do not function effectively, our financial condition and results of operations could be materially and adversely affected.

### **Transactions with counterparties in Iran and other countries designated by the U.S. Department of State as state sponsors of terrorism may lead some potential customers and investors to avoid doing business with us or investing in our securities or have other adverse effects.**

U.S. law generally prohibits U.S. persons from doing business with countries designated by the U.S. Department of State as state sponsors of terrorism (the Designated Countries ), which includes Iran, Cuba, Sudan and Syria, and we maintain policies and procedures to comply with U.S. law. Our non-U.S. offices engage in transactions relating to the Designated Countries on a limited basis and in compliance with applicable laws and regulations, including trade financing with respect to our customers' export or import transactions and maintenance of correspondent banking accounts. In addition, we maintain a representative office in Iran. We do not believe our operations relating to the Designated Countries are material to our business, financial condition or results of operations. We maintain policies and procedures to ensure compliance with applicable Japanese and U.S. laws and regulations.

We are aware of government initiatives to strengthen laws and regulations, such as the U.S. Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 and the National Defense Authorization Act for Fiscal Year 2012 and Fiscal Year 2013, applicable to entities with dealings in the Designated Countries. While we maintain policies and procedures to ensure compliance with such initiatives, including Japanese laws and regulations, should the U.S. government regard our measures as inadequate, we may be subject to regulatory action which could materially and adversely affect our business. In addition, we may become unable to retain or acquire customers or investors in our securities, or our reputation may suffer, potentially having adverse effects on our business or the price of our securities.

### **Our common stock may be subject to dilution as a result of conversion of our convertible preferred stock.**

Holders of our eleventh series class XI preferred stock may convert their shares to common stock by requesting us to acquire such shares and issue or transfer common stock to them at any time between July 1, 2008 and June 30, 2016, with mandatory conversion on July 1, 2016. Due to the dilution of our common stock that occurs as a result of the increase in the number of outstanding shares of common stock upon such conversion, the price of our common stock could decline.

## **Table of Contents**

### **We may be subject to risks related to dividend distributions.**

As a holding company, we rely on dividend payments from our banking and other subsidiaries for almost all of our income. As a result of restrictions, such as those on distributable amounts under Japan's Company Law, or otherwise, our banking and other subsidiaries may decide not to pay dividends to us. In addition, we may experience difficulty in making, or become unable to make, dividend payments to our shareholders and dividend payments on the preferred securities issued by our overseas special purpose companies due to the deterioration of our results of operations and financial condition and/or the restrictions under the Company Law or due to the strengthening of bank capital regulations. For more information on restrictions to dividend payments under the Company Law, see Item 10.B. Additional Information Memorandum and Articles of Association.

### **We may be adversely affected if economic or market conditions in Japan or elsewhere deteriorate.**

We conduct business operations in Japan as well as overseas, including in the United States, Europe and Asia. If general economic conditions in Japan or other regions were to deteriorate or if the financial markets become subject to turmoil, we could experience weakness in our business, as well as deterioration in the quality of our assets. Future deterioration in general economic conditions or financial market turmoil could materially and adversely affect our financial condition and results of operations.

### **Amendments and other changes to the laws and regulations that are applicable to us could have an adverse effect on us.**

We are subject to general laws, regulations and accounting rules applicable to our business activities in and outside of Japan. We are also subject to various laws and regulations applicable to financial institutions such as the Banking Law, including capital adequacy requirements, in and outside of Japan. If the laws and regulations that are applicable to us are amended or otherwise changed, such as in a way that restricts us from engaging in business activities that we currently conduct, our business, financial condition and results of operations could be materially and adversely affected.

### **Intensification of competition in the market for financial services in Japan could have an adverse effect on us.**

Ongoing deregulation in Japan has lowered the barriers to entry with respect to the provision of banking, trust, securities and other financial services. While such deregulation has the effect of increasing our own business opportunities, it also allows other major financial groups, foreign financial institutions, non-bank finance companies, government-affiliated entities such as Japan Post Bank and other financial services providers to enter into new business areas or expand existing businesses, resulting in the intensification of competition in the financial services industry. If we are unable to respond effectively to current or future competition, our business, financial condition and results of operations could be adversely affected. In addition, intensifying competition and other factors could lead to reorganization within the financial services industry, and this could have an adverse effect on our competitive position or otherwise adversely affect the price of our securities.

### **Our business could be significantly disrupted due to natural disasters, accidents or other causes.**

Our headquarters, branch offices, information technology centers, computer network connections and other facilities are subject to the risk of damage from natural disasters such as earthquakes and typhoons as well as from acts of terrorism and other criminal acts. In addition, our business could be materially disrupted as a result of an epidemic such as new or reemerging influenza infections. Our business, financial condition and results of operations could be adversely affected if our recovery efforts, including our implementation of contingency plans that we have developed such as establishing back-up offices, are not effective in preventing significant disruptions to our business operations caused by natural disasters and criminal acts. Additionally, massive natural disasters such as the March 2011 Great East Japan Earthquake may have various adverse effects, including a deterioration in economic conditions, declines in the business performance of many of our corporate customers



## **Table of Contents**

and declines in stock prices. As a result, our financial condition and results of operations could be materially and adversely affected due to an increase in the amount of problem loans and credit-related costs as well as an increase in unrealized losses on, or losses from sales of, equity securities and financial products.

### **Negative rumors about us could have an adverse effect on us.**

Our business depends on maintaining the trust of depositors and other customers and market participants. Negative rumors about us, spread through media coverage, communications between market participants, Internet postings or otherwise, could lead to our customers and market participants believing factually incorrect information about us and harm our reputation. In the event we are unable to dispel such rumors or otherwise restore our reputation, our business, financial condition, results of operations and the price of our securities could be materially and adversely affected.

### ***Risks Related to Owning Our Shares***

#### **Rights of shareholders under Japanese law may be more limited than under the law of other jurisdictions.**

Our articles of incorporation, our regulations of board of directors and Japan's Company Law govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from or less clearly defined than those that would apply if we were incorporated in another jurisdiction. For example, under the Company Law, only holders of 3% or more of the total voting rights or total outstanding shares are entitled to examine our accounting books and records. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the law of jurisdictions within the United States or other countries. For more information on the rights of shareholders under Japanese law, see Item 10.B. Additional Information Memorandum and Articles of Association.

#### **It may not be possible for investors to effect service of process within the United States upon us or our directors, senior management or corporate auditors, or to enforce against us or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.**

We are a joint stock corporation incorporated under the laws of Japan. Almost all of our directors, senior management and corporate auditors reside outside the United States. Many of the assets of us and these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce, against us or these persons, judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or in actions to enforce judgments of U.S. courts, of claims predicated solely upon the federal securities laws of the United States.

### ***Risks Related to Owning Our ADSs***

#### **As a holder of ADSs, you have fewer rights than a shareholder and you must act through the depository to exercise these rights.**

The rights of our shareholders under Japanese law to take actions such as voting their shares, receiving dividends and distributions, bringing derivative actions, examining our accounting books and records and exercising appraisal rights are available only to shareholders of record. Because the depository, through its custodian, is the record holder of the shares underlying the ADSs, a holder of ADSs may not be entitled to the same rights as a shareholder. In your capacity as an ADS holder, you are not able to bring a derivative action, examine our accounting books and records or exercise appraisal rights, except through the depository.

**Table of Contents**

**Foreign exchange rate fluctuations may affect the U.S. dollar value of our ADSs and dividends payable to holders of our ADSs.**

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

## **Table of Contents**

### **ITEM 4. INFORMATION ON THE COMPANY**

#### **4.A. History and Development of the Company**

##### **The Mizuho Group**

The Mizuho group was created on September 29, 2000 through the establishment of Mizuho Holdings, Inc. as a holding company of our three predecessor banks, The Dai-Ichi Kangyo Bank, The Fuji Bank and The Industrial Bank of Japan. On October 1, 2000, the respective securities subsidiaries of the predecessor banks merged to form Mizuho Securities Co., Ltd., and the respective trust bank subsidiaries merged on the same date to form Mizuho Trust & Banking.

A further major step in the Mizuho group's development occurred in April 2002 when the operations of our three predecessor banks were realigned through a corporate split and merger process under Japanese law into a wholesale banking subsidiary, Mizuho Corporate Bank, and a banking subsidiary serving primarily retail and small and medium-sized enterprise customers, Pre-Merger Mizuho Bank. As an additional step for realigning the group structure, Mizuho Financial Group was established on January 8, 2003 as a corporation organized under the laws of Japan, and on March 12, 2003, it became the holding company for the Mizuho group through a stock-for-stock exchange with Mizuho Holdings, which became an intermediate holding company focused on management of the Mizuho group's banking and securities businesses. The legal and commercial name of the company is Mizuho Financial Group, Inc.

In May 2003, we initiated a project to promote early corporate revitalization of customers in need of revitalization or restructuring and to separate the oversight of restructuring borrowers from the normal credit origination function. In July 2003, our three principal banking subsidiaries, Mizuho Corporate Bank, Pre-Merger Mizuho Bank and Mizuho Trust & Banking each transferred loans, equity securities and other claims outstanding relating to approximately 950 companies to new subsidiaries that they formed. In October 2005, based on the significant reduction in the balance of impaired loans held by these new subsidiaries, which we call the revitalization subsidiaries, we deemed the corporate revitalization project to be complete, and each of the revitalization subsidiaries was merged into its respective banking subsidiary parent.

In the fiscal year ended March 31, 2006, we realigned our entire business operations into a Global Corporate Group, Global Retail Group and Global Asset and Wealth Management Group. In October 2005, in connection with this realignment, we established Mizuho Private Wealth Management Co., Ltd., a private banking subsidiary, and converted Mizuho Holdings on October 1, 2005 from an intermediate holding company into Mizuho Financial Strategy Co., Ltd., an advisory company that provides advisory services to financial institutions.

In May 2009, Mizuho Securities and Shinko Securities Co., Ltd. conducted their merger, with the aim of improving our service-providing capabilities to our clients and to offer competitive cutting-edge financial services on a global basis.

In September 2011, Mizuho Trust & Banking became a wholly-owned subsidiary of Mizuho Financial Group, Mizuho Securities became an unlisted subsidiary of Mizuho Corporate Bank and Mizuho Investors Securities Co., Ltd. became a wholly-owned subsidiary of Pre-Merger Mizuho Bank, through their respective stock-for-stock exchanges. The purpose of these stock-for-stock exchanges is to further enhance the group collective capabilities by integrating group-wide business operations and optimizing management resources such as workforce and branch network.

In January 2013, Mizuho Securities and Mizuho Investors Securities merged in order to provide integrated securities services as the full-line securities company of the Mizuho group. Mizuho Securities aims to further strengthen collaboration among banking, trust banking and securities businesses of the group, expand the company's customer base to enhance the domestic retail business, and rationalize and streamline management infrastructure.

## **Table of Contents**

In April 2013, we turned Mizuho Securities, a consolidated subsidiary of Mizuho Financial Group, into a directly-held subsidiary of Mizuho Financial Group, whereby we moved to a new group capital structure, placing banking, trust banking, securities and other major group companies under the direct control of the holding company.

In July 2013, Pre-Merger Mizuho Bank and Mizuho Corporate Bank merged, and Mizuho Corporate Bank, the surviving company, changed its trade name to Mizuho Bank, Ltd. The purpose of the merger is to become able to provide directly and promptly diverse and functional financial services to both Pre-Merger Mizuho Bank and Mizuho Corporate Bank customers, utilizing the current strengths and advantages of Pre-Merger Mizuho Bank and Mizuho Corporate Bank, and to continue to improve customer services by further enhancing group collaboration among the banking, trust and securities functions and, at the same time, to realize further enhancement of the consolidation of group-wide business operations and optimization of management resources, such as workforce and branch network, by strengthening group governance and improving group management efficiency.

## **Principal Capital Expenditures and Divestitures**

Since 2007, Pre-Merger Mizuho Bank has been purchasing common stock of Crédit Saison from time to time, in furtherance of our aim to promote the alliance with Credit Saison. Pre-Merger Mizuho Bank and Mizuho Corporate Bank together owned 13.36% of the total outstanding shares of common stock of Credit Saison as of March 31, 2013.

## **Other Information**

Our registered address is 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8333, Japan, and our telephone number is 81-3-5224-1111.

## **4.B. Business Overview**

### **General**

We engage in banking, trust banking, securities and other businesses related to financial services.

### ***Banking Business: Mizuho Bank***

Mizuho Bank provides a wide range of financial products and services mainly in relation to deposits, lending and exchange settlement to individuals, SMEs, large corporations, financial institutions, public sector entities and foreign corporations, including foreign subsidiaries of Japanese corporations. We maintain one of the largest branch and ATM networks in Japan and a broad range of Internet banking services. We also maintain a comprehensive office network which covers major cities worldwide.

### ***Banking Business***

Mizuho Bank provides a wide range of financial products and services to individual and corporate customers:

*Deposits*; ordinary deposits, time deposits, foreign currency deposits, etc.

*Lending*; loans for working capital or capital expenditure of corporate customers, initiatives for strategic financial raising such as syndicated loans, housing loans and card loans for individual customers, etc.

*Domestic exchange settlement*; exchange for remittance, credit to current accounts, money collection services, etc.

*Foreign exchange transaction services*; various foreign exchange services relating to international transactions such as imports, exports and foreign remittance, etc.

*Other financial products and services*

## **Table of Contents**

### ***Trust Banking Business: Mizuho Trust & Banking***

Mizuho Trust & Banking is a trust bank that provides individual and corporate customers with financial services utilizing trusts. We provide our customers with distinct products and services developed based on our specialized expertise, consulting capabilities and abundant know-how cultivated over the years. We meet our customers' needs by unifying the banking, trust banking and securities functions of the Mizuho group and aim to become our customers' medium- to long-term partner of choice by differentiating ourselves through the provision of trust and asset management services that will be valued by our customers, utilizing the full strength of our group.

### ***Asset Management Business***

We provide mainly corporate customers with a wide range of services and solutions in the following business areas:

real estate business, including real estate sales agent services and real estate securitizations;

structured product business, including securitization transactions that utilize trusts;

asset management business relating to various assets, including pension plans;

pension plan business, including acting as trustee, providing consulting services, actuarial services and administration services;

asset administration business, including trustee services for investment trusts and management and administration of investments in securities; and

equity strategy business, including acting as a stock transfer agent and providing advice on practical issues related to stock.

### ***Wealth Management Business***

We provide primarily individual customers with the following services related to wealth management:

consulting services regarding investment and management of customer assets;

businesses relating to the asset inheritance such as testamentary trusts;

consulting services regarding apartment leasing business, providing apartment loans, etc.;

deposits, investment trusts and other investment products that utilize trusts; and

real estate business such as brokerage of housing sales and land development.

### ***Others***

We provide deposit and loan services to our corporate customers and engage in treasury business.

***Securities Business: Mizuho Securities***

Mizuho Securities, as the general securities company and investment bank of our group, closely collaborates with Mizuho Bank, Mizuho Trust & Banking and other group companies and aims to provide growth capital through markets and contribute to the economic growth of Japan, Asia and the world through sound development of markets as a participant of financial and capital markets, and to become a company that supports its customers to build up their assets and enhance their corporate value, and shares the joy with them.

We provide one-stop financial services to customers by providing financial services at joint branches of Mizuho Securities and Mizuho Bank (called Planet Booth) as well as engaging in the financial products brokerage business with Mizuho Bank and the trust agency business with Mizuho Trust & Banking.

## **Table of Contents**

### *Investment Banking Business*

We provide comprehensive support for customers in establishing their management strategies and financing by engaging in businesses related to equity underwriting, support for initial public offerings, investor relations consulting and provision of solutions such as advisory services for financial and capital strategies in addition to the bond underwriting and structured finance businesses, regarding which we obtained the position of market leader in Japan, and the mergers and acquisitions and financial advisory business, regarding which we established a top-class market presence in Japan.

In addition, with an aim to provide advanced solutions in banking and securities business, we have also introduced a double-hat structure with Mizuho Bank and meet our customers' needs by unifying the banking, trust banking and securities functions of the Mizuho group.

### *Product Development and Sales Business*

In the product development and sales business, we mainly engage in sales and trading of stocks and bonds, research and funds (investment trusts) and offer value-added product solutions by providing quality information in a timely manner in response to the various investment needs of domestic and overseas customers. We focus on globally integrating our business by utilizing our network of overseas subsidiaries.

### *Other business related to financial services*

We provide other financial services through major group companies.

### *Trust & Custody Services Bank*

Trust & Custody Services Bank, Ltd., as a trust bank specialized in asset administration, provides a wide range of products, including trust services and various custody services, to promptly meet the diversifying needs of customers such as financial institutions and institutional investors.

### *Mizuho Asset Management & DIAM*

Mizuho Asset Management Co., Ltd. and DIAM Co., Ltd. (an equity method affiliate of ours), provide quality products and services for our group companies and customers that reflect their respective strengths. Each company offers a variety of investment trust products that meet the increasingly sophisticated and diverse needs of our customers.

### *Mizuho Research Institute*

Mizuho Research Institute Ltd. offers information and services mainly to corporations, financial institutions and public sector entities to meet their increasingly diverse and sophisticated needs by integrating its research, funded research and membership services that provide various information related to, among others, managerial and economic issues.

### *Mizuho Information & Research Institute*

Mizuho Information & Research Institute, Inc. mainly provides our corporate customers with the following three services:

system integration services;

outsourcing services that support the operation of information technology systems of our customers; and

consulting services related to, among others, environmental issues.

We provide customers with a combination of the above services to meet their respective needs.





## **Table of Contents**

### ***Mizuho Financial Strategy***

Mizuho Financial Strategy engages in advisory services for financial institutions regarding their management and revitalization of their borrowers.

### ***Mizuho Private Wealth Management***

Mizuho Private Wealth Management offers consulting services tailored to the needs of its ultra high net worth customers. These services range from consulting on customers' financial needs, such as wealth management, arranging for business and assets succession and related services to advice on customers' individual matters, including health of the customers themselves and family members and children's education.

We were established ahead of other major Japanese financial groups under a financial holding company structure in September 2000. Since an internal reorganization in April 2002, we have strived to enhance our profitability by providing customers with quality financial services through mutual cooperation among our legally separate group companies based on customer segments and functions centered on the holding company.

In the fiscal year ended March 31, 2013, being the final year of the Mizuho's Transformation Program, the Medium-term Management Policy, which started in May 2010, the Mizuho group has been making steady progress in the three initiatives: Improving Profitability, Enhancing the Financial Base and Strengthening Front-line Business Capabilities in order to realize the strengthening of the Group's competitive advantage, the strengthening of the Group's capital base and improvement of asset efficiency and the strengthening of the Group's front-line business capabilities through improving efficiency and optimization. Consequently, we achieved all of the target figures in relation to profitability, efficiency and soundness, including consolidated net income, expense ratio and capital adequacy ratio, except for the reduction target of our stock portfolio. Regarding our stock portfolio, we reduced our portfolio by ¥491.3 billion on an acquisition cost basis, taking into account declines in book value due to impairments, or approximately ¥786.0 billion, including the portion of our stock portfolio for which we received customer's consent to sell, which represents an achievement ratio of approximately 80% of our target of ¥1 trillion.

We launched our substantive one bank structure in April 2012 and implemented initiatives to realize synergy effects preemptively and promptly in advance of the merger of Pre-Merger Mizuho Bank and Mizuho Corporate Bank, which was completed in July 2013.

By completing a single bank and single securities structure through the merger of our securities subsidiaries in January 2013 and the merger of Pre-Merger Mizuho Bank and Mizuho Corporate Bank in July 2013, we are strengthening group cooperation among banking, trust banking, securities and other business areas. As well as aiming to maximize group profitability, this will enable us to provide a wide range of seamless financial services to our customers in a direct and timely manner.

Based on the benefits and challenges emerging through these actions and in response to structural and regulatory changes in the economy and society in both Japan and overseas, we have formulated a new medium term business plan for the three years from fiscal year 2013. This proactive business plan has been named the One MIZUHO New Frontier Plan Stepping up to the Next Challenge, and it aims to launch the new Mizuho toward the new frontier of the next generation of finance.

We will (i) move to a new, advanced group management structure, which includes the single bank and single securities structure, (ii) develop a new corporate identity as part of our initiatives to form a common corporate culture throughout the group, and (iii) position the One MIZUHO New Frontier Plan as one of the three pillars of our new group strategy. By doing this, we will further advance our business model toward the new frontier of finance.

## **Table of Contents**

### *One MIZUHO New Frontier Plan: Stepping up to the Next Challenge*

We commenced our new medium-term business plan for the three years from the fiscal year ending March 31, 2014. We named this proactive business plan the *One MIZUHO New Frontier Plan Stepping up to the Next Challenge*, and it aims to launch the new Mizuho toward the new frontier of the next generation of finance, in response to structural and regulatory changes in the economy and society both in Japan and overseas. As part of this plan, we have developed five basic policies reflecting Mizuho's vision for our future, the necessary elements for the new frontier of finance, and our future direction based on an analysis of our current situation, and also, adding more detail to these five basic policies, we have developed ten basic strategies in terms of business strategy and management foundations as follows:

#### *Mizuho's Vision*

As well as establishing a new, common corporate identity (further details below) for the group as part of our actions toward forming a new, common corporate culture as we push forward toward the new Mizuho as a unified group, we have developed the following vision for our future as part of our new corporate identity, and we have set the same vision for our medium-term business plan:

The most trusted financial services group with a global presence and a broad customer base, contributing to the prosperity of the world, Asia, and Japan.

The most trusted financial services group

The best financial services provider

The most cohesive financial services group

#### *Five Basic Policies*

Based on Mizuho's vision, the necessary elements for the new frontier of finance, and our future direction based on an analysis of Mizuho's current situation, we have developed the following five basic policies as part of the medium-term business plan:

Further develop integrated strategies across the group for each customer segment to respond to the diverse needs of our customers.

Contribute to sustainable development of the world and Japan by proactively responding to change.

Mizuho Means Asia: accelerate globalizations.

Build strong financial and management foundations to support the essence of Mizuho.

Form strong corporate governance and culture in the spirit of One MIZUHO.

#### *Ten Basic Strategies*

Adding more detail to the five basic policies under the medium-term business plan, we have also developed ten basic strategies in terms of business strategy and management foundations as follows:

#### *Business Strategy*

Strengthen integrated financial services by unifying banking, trust banking and securities functions to respond to finely delineated corporate and personal banking segments.

Perform consulting functions taking advantage of our industry and business knowledge and forward-looking perspective.

Support formation of personal financial assets in Japan and invigorate their investment.

## Table of Contents

Strengthen proactive risk-taking functions for growth industries and corporations.

Strengthen and expand Asia-related business in Japan and on a global basis.

Cultivate multi-level transactions by capturing the accelerating global capital and trade flows.

*Business Management, Management Foundations, etc.*

Strengthen stable financial foundations based on abundant liquidity and appropriate capital levels.

Establish the optimal management foundations (human resources and business infrastructure) to support business strategy.

Further strengthen proactive governance and risk management.

Embed the new Mizuho corporate identity toward forming a common culture throughout the group and take actions toward being the best financial services provider.

*Advanced Group Management Structure*

In April 2013, we turned Mizuho Securities, which had been a consolidated subsidiary of Mizuho Financial Group, into a directly-held subsidiary of Mizuho Financial Group, and moved to a new group capital structure which places banking, trust banking, securities and other major group companies under the direct control of the holding company. Also, in July 2013, Pre-Merger Mizuho Bank and Mizuho Corporate Bank conducted their merger.

Further, from April 2013, for the purpose of promoting timely and unified group strategic planning under the strong governance of the holding company, in addition to the strengthening of group governance, we moved to a new group operational structure. Specifically, the executive officers in charge of corporate planning and management at the holding company have been serving in four-way concurrent positions at Mizuho Financial Group, Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities, and also, we have clarified their positioning as the group chief officers. In addition, the holding company established ten business units and head-office coordination division to determine strategies and initiatives across the group-wide banking, trust banking, securities and other business areas based on the ten business units across Pre-Merger Mizuho Bank and Mizuho Corporate Bank under the substantive one bank structure. For further information about ten business units, See Group Operations.

We also established at the holding company five group strategy conferences concerning the strategies for retail (personal), wholesale (corporate), international (overseas), asset management, and markets as forums to comprehensively deliberate on important matters in terms of group business strategy among units. With the establishment of these strategy conferences, the existing three global groups were abolished.

### *New Mizuho Corporate Identity*

As part of our actions toward establishing a common group culture, we have established a new Mizuho corporate identity to push forward toward the new, unified Mizuho. The new Mizuho corporate identity consists of the following components: Corporate Philosophy: Mizuho's fundamental approach to business activities, Vision: Mizuho's vision for the Future and The Mizuho Values: The shared values and principles of Mizuho's people.

### *Brand Strategy*

We have reviewed our brand strategy from the perspective of building the optimal brand for the new Mizuho based on the move to our advanced group management structure and establishment of Mizuho's corporate identity. We will change our brand slogan from Channel to Discovery to One MIZUHO: Building the future with you.



## **Table of Contents**

### **Group Operations**

#### *New Group Operational Structure*

As shown below, we moved to a new group operational structure under which we will be able to determine strategy and initiatives and formulate business plans corresponding to each unit responsible for business strategy promotion across group-wide banking, trust banking, securities and other business areas. We established ten business units to determine strategy and initiatives across group-wide banking, trust banking, securities and other business areas based on the ten business units across Pre-Merger Mizuho Bank and Mizuho Corporate Bank under the substantive one bank structure.

#### *Personal Banking Unit*

The Personal Banking Unit provides products and services to individuals.

In the asset management business area, we provide a range of financial products such as investment trusts and individual insurance products to meet our customers' needs.

We also handle trust products at Mizuho Bank branches and Mizuho Securities branches as agents of Mizuho Trust & Banking and provide trust-oriented services such as testimony trust and real estate related services by setting up Trust Lounge in Mizuho Bank branches. We have 167 of Mizuho Securities Planet Booths, which are located in the branches and offices of Mizuho Bank as of March 31, 2013, and we respond to our customers' needs relating to securities products.

With respect to loan business, we offer various products and services such as Flat 35, a housing loan product with a fixed interest rate for a maximum of 35 years offered in cooperation with and securitized by the Japan Housing Finance Agency, in addition to our own housing loan products. Also, we provide Captive Loans in cooperation with Orient Corporation and aim to improve customer convenience of Mizuho Bank Card Loans.

In addition to expanding our staffed branches throughout Japan (Mizuho Bank: 429, Mizuho Trust & Banking: 52, Mizuho Securities: 299 as of March 31, 2013) and our ATM network, we are enhancing our Internet banking services and strengthening marketing by call centers.

We provide executives and employees of our corporate customers with products and services such as opening new deposit accounts for salaries upon employment, housing loans and asset management services for retirement allowances, etc.

We undertake the business related to lottery tickets, such as, the sales of lottery tickets issued by prefectures and government-ordinance-designated cities.

#### *Retail Banking Unit*

The Retail Banking Unit provides products and services mainly to business owners, land owners, lease holders, and SMEs.

We aim to be a Long-term Business Partner of our customers in relation to both corporate and individual matters by providing comprehensive consulting services of business and assets inheritance and asset management for business owners, landowners and lease holders, and by providing overall banking services for SMEs.

In addition, we stably supply customers with ample funds while securing appropriate levels of interest rates in accordance with their risks, through concentrating our overall lending operations for small-scale companies in Mizuho Business Financial Center, a subsidiary that specializes in making loans.

## **Table of Contents**

### *Corporate Banking Unit (Large Corporations)*

The Corporate Banking Unit (Large Corporations) engages in relationship management for large corporations and their affiliates in Japan.

By integrating the group's specialty functions, including banking, trust banking and securities, and based on our solid relationship with our domestic customers and utilizing our global industry knowledge, we offer a full range of financial solutions on a global basis to meet our customers' needs in fund-raising, management and financial strategies.

Mizuho Bank and Mizuho Securities have introduced the double-hat structure in several offices in Japan. Mizuho Bank and Mizuho Securities collaborate globally to implement our securities strategy on a global basis and to provide our customers solutions based on their capital management, business strategy and financial strategy.

Mizuho Bank and Mizuho Trust & Banking together provide solutions in relation to real estate (regarding which we have a leading track record in Japan), pension, securitization of assets, securities management, stock transfer agent, consulting, etc., to our customers' diversified needs for investment and asset reduction.

Further, we are proactively providing risk money to develop next-generation industries and growth industries.

### *Corporate Banking Unit*

The Corporate Banking Unit provides products and services mainly to relatively larger SMEs (quasi listed companies).

We implement our consulting functions through unifying banking, trust banking and securities functions. We provide a range of solution businesses in accordance with the growth strategy of our corporate customers: we provide solutions for stable fund-raising, mergers and acquisitions and initial public offerings for customers in their start-up or growth stages, and management buy-out, business inheritance, entry to new business and business restructuring for customers in mature or transition stages.

With an aim to provide financial services together with sophisticated advisory that are appropriate in light of the customers' business strategies, we respond to customers' needs through various solution businesses such as offering syndicated loans targeted at SMEs, advisory services related to overseas expansions, mergers and acquisitions-related services, business matching services. On top of this, we develop financial products brokerage business and strengthen the initiatives to enhance customer base for trustee business for defined contribution pension plans and support for start-up companies in cooperation with Mizuho Capital Co., Ltd.

### *Financial Institutions & Public Sector Business Unit*

The Financial Institutions & Public Sector Business Unit provides products and services mainly to financial institutions and central and local governments.

For financial institution customers in Japan, we offer advisory services and solutions, such as advice on financial strategy and risk management, support for overseas business, support for revitalization of regional economies, and proposals on various investment products, by concentrating our various financial expertise from each group company to meet the increasingly sophisticated and varied needs of customers.

For public sector entities, we provide comprehensive financial services that include funding support via the subscription and underwriting of public bonds, cooperation between the public and private sectors, i.e., services as a designated financial institution, PFI and PPP, and arrangement of syndicated loans.



## **Table of Contents**

Regarding our bond-related businesses, with our extensive experience and track record as a leading bank in this area, we support our customers financing needs by underwriting bonds issued by public sector entities and working as the commissioned bank or fiscal agent for bonds issued by corporations, financial institutions and public sector entities.

### *International Banking Unit*

The International Banking Unit is responsible for business with non-Japanese companies and Japanese companies that conduct business overseas.

In this business area, we provide unified support both in Japan and overseas for our Japanese corporate customers to expand their overseas operations. We do this by providing highly specialized services that use our advanced financial technologies and expertise. Particularly in the Asia region, we support Japanese corporate customers in connection with their entry into these markets by offering advisory and other services. We also actively promote business with non-Japanese corporate customers in various countries through our global network.

Further, we actively implement initiatives to meet the diverse needs of our overseas customers in product areas such as project finance and trade finance.

We are expanding our overseas office network to strengthen our overseas support framework for our customers.

In April 2012, Mizuho Corporate Bank established a representative office in Yangon in Myanmar. Myanmar has been attracting increasing world attention due to its remarkable economic growth even compared to others within the Greater Mekong Sub-region in recent years. In addition, we expanded the range of businesses that we are able to handle at the Yangon Representative Office in January 2013, on the back of the steady increase in customers considering entering the Myanmar market or expanding their businesses there.

In April 2013, Mizuho Corporate Bank opened its Bangalore-Devanahalli Branch, which is the third branch for us in India, following our branches in Mumbai and New Delhi. This is also the first branch for a Japanese Bank in the Bangalore area. Further, in January 2013, Mizuho Corporate Bank received formal approval from the local authorities to open a branch in Chennai. We are expanding our branch network in India to be able to provide a range of banking services near our customers operating there.

In January 2013, Mizuho Corporate Bank (China), Ltd., a wholly-owned subsidiary of Mizuho Corporate Bank, opened sub-branches in the Heping District of Tianjin City and in Kunshan City in China. Further, Mizuho Corporate Bank (China) has obtained formal approval from the local authorities to prepare for opening of a branch in Hefei City in China.

We will continue to strengthen our overseas support framework through actions such as providing local information and supplementing services by forming business alliances with government-affiliated organizations and local financial institutions mainly in emerging nations where Japanese corporations are considering expanding their businesses.

### *Investment Banking Unit*

The Investment Banking Unit provides sophisticated financial solutions mainly in the business areas of M&A, real estate, securitization, natural resource/infrastructure/energy and fund-raising support. We are responding to the needs of our broad customer base such as multi-national companies and SMEs by unifying banking, trust banking and securities functions, whereby, we aim to maximize customers' satisfaction.

## **Table of Contents**

In the M&A business, with an aim to increase the corporate value of our customers, we offer sophisticated M&A solutions mainly in relation to support for M&A strategies, such as cross-border M&A, business inheritance and going private transactions.

In the real estate business, we, by taking full advantage of our knowledge and skills of real estate-related project developed through the various deals we have arranged over the years, offer the best solutions such as various financing methods by use of their real estate and real estate-related investment strategies.

In the securitization business, by arranging customers' asset securitization, we satisfy their demands such as diversification of fund-raising sources and improvement of financial indices through removing assets from their balance sheet.

In the natural resource/infrastructure/energy business, we provide various financial products and services such as project finance deals that enable the procurement of long-term capital for natural resource development abroad, the building of electric power generation projects and the construction of public infrastructure, support for promoting the wider use of renewable energy and arrangement of PFI/PPP deals for financing transportation and other types of public infrastructure.

In the business area of support for fund-raising, we proactively provide a wide variety of fund-raising-related solutions in the syndicated loan market, debt capital markets and equity capital markets.

We are further expanding our range of services through cooperation with our group companies, including Mizuho Corporate Advisory Co., Ltd. and Mizuho Capital Partners Co., Ltd.

### *Transaction Banking Unit*

The Transaction Banking Unit engages in businesses related to domestic exchange settlement, foreign exchange, cash management, trade finance, yen correspondence settlement custody and stock transfer agent services.

Mainly to corporate customers, we offer various financial services and products such as Internet banking, cash management solutions, Renminbi-denominated services and trade finance on a global basis.

For financial institution and institutional investors, we provide custody and yen correspondence settlement services. In particular, we maintain a strong market position regarding our local custody services for non-Japanese residents.

With respect to trust banking business, we proactively engage in global custody services and securities agent services.

We meet our customers' needs by unifying banking, trust banking and securities functions.

### *Asset Management Unit*

The Asset Management Unit provides products and services that correspond to the needs of a broad customer base ranging from individuals to institutional investors by unification of banking, trust banking and securities functions as well as the businesses of our asset management group companies through the synergy effects arising from the integrated operation of the planning, development and sales of businesses relating to the asset management.

In the pension related business, we provide comprehensive pension proposals that include services and products related to defined contribution as well as defined benefit pension plans to meet the needs of customers by collaborating with asset management group companies such as Mizuho Asset Management, DIAM and Shinko Asset Management Co., Ltd. in promoting the business.

## **Table of Contents**

In the alternative investment business, we provide our customers with the most relevant products by collaborating with our group companies, including Mizuho Alternative Investments, LLC in the United States, Mizuho Global Alternative Investments, Ltd. in Tokyo, which selects and introduces hedge funds, etc., and EurekaHedge Pte, LTD. in Singapore, which is our subsidiary providing hedge fund research and data services.

In addition, we develop global financial products by collaborating with BlackRock. Inc.

### *Market Unit*

The Market Unit engages in the business of sales and trading of financial products related to, among others, interest rates, foreign exchange, commodities and credit, as well as investments in interest rates, equities, credit, etc.

We offer customers that have extensive overseas operations a range of market services through a network covering international financial centers such as Tokyo, London, New York, Singapore, Hong Kong, Bangkok, Seoul, Taipei and Shanghai. Moreover, we have systems for offering timely services under favorable conditions, including 24-hours market-making capabilities relating to foreign exchange services.

We continue to enhance our portfolio management and diversify our investments to make our portfolio more sound and profitable.

### **Competition**

During the past several years, competition in the Japanese financial market has increased as the Japanese government has enhanced deregulation, such as reducing the separation of banking, securities and insurance businesses and promoting new entry into the financial businesses.

Our major competitors in Japan include:

Japan's other major banking groups: Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group.

Other banking institutions: These include city banks, trust banks, regional banks, shinkin banks (or credit associations), credit cooperatives, agricultural cooperatives, foreign banks and retail-oriented online banks.

Securities companies and investment banks: These include both domestic securities companies and the Japanese affiliates of global investment banks.

Government financial institutions: These include Japan Finance Corporation, Japan Post Bank, Development Bank of Japan and Japan Bank for International Cooperation.

Non-bank finance companies: These include credit card issuers, installment shopping credit companies and other non-bank finance companies.

Other financial services providers: We also compete with private equity funds and other types of investors.

In global markets, we face competition with other commercial banks and other financial institutions, particularly major global banks and the leading local banks in those financial markets outside Japan in which we conduct business.

### **Japanese Banking and Securities Industry**

Private banking institutions in Japan are normally classified into two categories (the following numbers are based on information published by the Financial Services Agency, available as of July 1, 2013): (i) ordinary banks, of which there were 125 not including foreign commercial

banks with banking operations in Japan; and (ii) trust banks, of which there were 16, including Japanese subsidiaries of foreign financial institutions and subsidiaries of Japanese financial institutions.

## **Table of Contents**

Ordinary banks consist mainly of city banks and regional banks. City banks, including Mizuho Bank, are based in large cities, operate domestically on a nation-wide scale through networks of branch offices and have strong links with large corporate customers in Japan. In light of deregulation and other competitive factors, however, many of these banks have placed increasing emphasis on other markets, including retail banking, small and medium-sized enterprise banking, international operations and investment banking. Regional banks are based in one of the prefectures of Japan and are generally much smaller in terms of total assets than city banks. In recent years, some regional banks have allied with each other and formed holding companies to operate in several prefectures. Customers of regional banks, other than local retail customers, include mostly regional enterprises and local public utilities, although regional banks also lend to large corporations. In addition to these types of banks, new retail-oriented banks have emerged in recent years, including Internet banks and banks specializing in placing their ATMs in convenience stores and supermarkets without maintaining a branch network.

Trust banks, including Mizuho Trust & Banking, are engaged in trust services in relation to, among others, money trust, pension trust and real estate trust services, in addition to banking business.

As of July 1, 2013, there were 57 foreign banks operating banking businesses in Japan. These banks are subject to a statutory framework similar to the regulations applicable to Japanese domestic banks. Their principal sources of funds come from their overseas head offices or other branches.

A number of government financial institutions, organized in order to supplement the activities of the private banking institutions, have been in the process of business and organizational restructuring in recent years. In October 2008, some of the government financial institutions were consolidated to form Japan Finance Corporation, which mainly provides financing for small and medium-sized enterprises and those engaged in agriculture, forestry and fishery, and also provides export financing for Japanese corporations. In October 2008, Development Bank of Japan, which mainly engages in corporate financing, and Shoko Chukin Bank, which mainly engages in financing for small and medium-sized enterprises, were transformed into joint stock corporations. Japan Housing Finance Agency supports housing loans of private institutions through the securitization of such loans.

In April 2012, Japan Bank for International Cooperation, which provides policy-based finance with a mission to contribute to the sound development of Japan and the international economy and society, was spun off from Japan Finance Corporation and was established as a joint stock company wholly owned by the Japanese government.

Another distinctive element of the Japanese banking system is the role of the postal savings system. Postal savings deposits are gathered through the network of governmental post offices scattered throughout Japan, and their balance of deposits totaled over 200 trillion yen in the past. In recent years, the governmental postal business has been in the process of organizational restructuring. In 2003, the governmental postal business was transferred to Japan Post, a government-owned entity established in the same year, and in 2007, Japan Post was transformed into a government-owned joint stock corporation holding four operating companies including Japan Post Bank, which currently operates as an ordinary bank. Privatization of the banking and insurance subsidiaries, which was originally planned to be completed by 2017, was suspended in December 2009. In April 2012, a law was enacted under which Japan Post was retransformed into a joint stock corporation holding three operating companies in October 2012, and the deadline of the privatization of banking and insurance subsidiaries was abolished and replaced with a statement that the privatization is to be conducted in the near future.

In the Japanese securities market, a large number of registered entities are engaged in securities businesses, such as sales and underwriting of securities, investment advisory and investment management services. As deregulation of the securities market progressed, several of the country's banking groups have entered into this market through their subsidiaries. In addition, foreign financial institutions have been active in this market.

## **Table of Contents**

### **Supervision and Regulation**

#### ***Japan***

Pursuant to the Banking Law (*Ginkou Hou*) (Law No. 59 of 1981, as amended), the Prime Minister of Japan has authority to supervise banks in Japan and delegates certain supervisory control over banks in Japan to the Commissioner of the Financial Services Agency. The Bank of Japan also has supervisory authority over banks in Japan, based primarily on its contractual agreements and transactions with the banks.

#### ***Financial Services Agency***

Although the Prime Minister has supervisory authority over banks in Japan, except for matters prescribed by government order, this authority is generally entrusted to the Commissioner of the Financial Services Agency. Additionally, the position of Minister for Financial Services was established by the Cabinet to direct the Commissioner of the Financial Services Agency and to support the Prime Minister.

Under the Banking Law, the Prime Minister's authority over banks and bank holding companies in Japan extends to various areas, including granting and cancellation of licenses, ordering the suspension of business in whole or in part and requiring submission of business reports or materials. Under the prompt corrective action system, the Financial Services Agency, acting on behalf of the Prime Minister, may take corrective action in the case of capital deterioration of banks, their subsidiaries and companies having special relationships prescribed by the cabinet order. These actions include requiring a financial institution to formulate and implement reform measures, requiring it to reduce assets or take other specific actions and issuing an order to suspend all or part of its business operations.

Under the prompt warning system introduced in December 2002, the Financial Services Agency may take precautionary measures to maintain and promote the sound operations of financial institutions, even before those financial institutions become subject to the prompt corrective action system. These measures require a financial institution to reform profitability, credit risk management, stability and cash flow.

#### ***The Bank of Japan***

The Bank of Japan is Japan's central bank and serves as the principal instrument for the execution of Japan's monetary policy. The principal measures by which the Bank of Japan implements monetary policy are the adjustment of its discount rate, its operations in the open market and the imposition of deposit reserve requirements. Banks in Japan are allowed to obtain borrowings from, and rediscount bills with, the Bank of Japan. Moreover, most banks in Japan maintain current accounts under agreements with the Bank of Japan pursuant to which the Bank of Japan is entitled to supervise, examine and audit the banks. The supervisory functions of the Bank of Japan are intended to enable it to ensure smooth settlement of funds among banks and other financial institutions, thereby contributing to the maintenance of an orderly financial system, whereas the supervisory practices of the Prime Minister or the Commissioner of the Financial Services Agency are intended to maintain the sound operations of banks and promote the security of depositors.

#### ***Examination of Banks***

The Banking Law authorizes the Prime Minister to inspect banks and bank holding companies in Japan at any time. By evaluating banks' systems of self-assessment, auditing their accounts and reviewing their compliance with laws and regulations, the Financial Services Agency monitors the financial soundness of banks, including the status and performance of their control systems for business activities. The inspection of banks is performed pursuant to a Financial Inspection Manual published by the Financial Services Agency. Currently, the Financial Services Agency takes the "better regulation" approach in its financial regulation and supervision. This consists of four pillars: optimal combination of rules-based and principles-based supervisory approaches; timely recognition of priority issues and effective response; encouraging voluntary efforts by financial institutions and placing greater emphasis on providing them with incentives; and improving the transparency and predictability of

## Table of Contents

regulatory actions, in pursuit of improvement of the quality of financial regulation and supervision. In addition to individual financial institutions, the Financial Services Agency also supervises financial groups as financial conglomerates based on its Guidelines for Financial Conglomerates Supervision that focus on management, financial soundness and operational appropriateness of a financial conglomerate as a whole.

The Bank of Japan also conducts examinations of banks similar to those undertaken by the Financial Services Agency. The examinations are normally conducted once every few years, and involve such matters as examining asset quality, risk management and reliability of operations. Through these examinations, the Bank of Japan seeks to identify problems at an early stage and give corrective guidance where necessary.

In addition, the Securities and Exchange Surveillance Commission examines banks in connection with their financial instruments business activities in accordance with the Financial Instruments and Exchange Law of Japan (*Kinyu Shouhin Torihiki Hou*) (Law No. 25 of 1948, as amended).

### *Examination and Reporting Applicable to Shareholders*

Under the Banking Law, a person who intends to hold 20% (in certain exceptional cases, 15%) or more of the voting rights of a bank is required to obtain prior approval of the Commissioner of the Financial Services Agency. In addition, the Financial Services Agency may request reports or submission of materials from, or inspect, any principal shareholder who holds 20% (in certain exceptional cases, 15%) or more of the voting rights of a bank, if necessary in order to secure the sound and appropriate operation of the business of such bank. Under limited circumstances, the Financial Services Agency may order such principal shareholder to take such measures as the Financial Services Agency deems necessary.

Furthermore, under the Banking Law, any person who becomes a holder of more than 5% of the voting rights of a bank holding company or bank must report its ownership of voting rights to the director of the relevant local finance bureau within five business days. In addition, a similar report must be made in respect of any subsequent change of 1% or more in any previously reported holding or any change in material matters set forth in reports previously filed, with some exceptions.

### *Deposit Insurance System*

Under the Deposit Insurance Law (*Yokin Hoken Hou*) (Law No. 34 of 1971, as amended), depositors are protected through the Deposit Insurance Corporation in cases where financial institutions fail to meet their obligations. The Deposit Insurance Corporation is supervised by the Prime Minister and the Minister of Finance. Subject to limited exceptions, the Prime Minister's authority is entrusted to the Commissioner of the Financial Services Agency.

The Deposit Insurance Corporation receives annual insurance premiums from insured banks, the amount of which is, from April 2010, equivalent to 0.107% of the amount of deposits that bear no interest, are redeemable upon demand and are used by depositors primarily for payment and settlement purposes, and 0.082% of the amount of other deposits. However, for the fiscal year ended March 31, 2013, because there were no insured bank failures, the insurance premium rate of 0.089% for deposits that bear no interest, are redeemable upon demand and are used by depositors primarily for payment and settlement purposes and the insurance premium rate of 0.068% for other deposits were applied retroactively from the beginning of such fiscal year, and the amount paid in excess of such rates was reimbursed to insured banks without interest.

The insurance money may be paid out in case of a suspension of deposits repayments, banking license revocation, dissolution or bankruptcy of the bank. Pay outs are generally limited to a maximum of ¥10 million of principal amount, together with any interest accrued with respect to each depositor. Only non-interest bearing deposits, redeemable on demand and used by depositors primarily for payment and settlement functions are protected in full.

## Table of Contents

Participation in the deposit insurance system is compulsory for city banks (including Mizuho Bank), regional banks, long-term credit banks, trust banks (including Mizuho Trust & Banking), credit associations and co-operatives, labor banks and other financial institutions.

### *Governmental Measures to Treat Troubled Institutions*

Under the Deposit Insurance Law, a Financial Reorganization Administrator can be appointed by the Prime Minister if the bank is unable to fully perform its obligations with its assets or may suspend or has suspended repayment of deposits. The Financial Reorganization Administrator will take control of the assets of the bank, dispose of the assets and search for another institution willing to take over its business. Its business may also be transferred to a bridge bank established by the Deposit Insurance Corporation for the purpose of the temporary maintenance and continuation of operations of these types of institutions, and the bridge bank will seek to transfer the bank's assets to another financial institution or dissolve the bank. The financial aid provided by the Deposit Insurance Corporation to assist another financial institution with succeeding the failed bank's business may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock, or subordinated bonds, lending of subordinated loan, or loss sharing.

Where the Prime Minister recognizes that the failure of a bank which falls into any of (i) through (iii) below may cause an extremely grave problem in maintaining the financial order in Japan or the region where such bank is operating ( systemic risk ), without taking any of the measures described in (i) through (iii) below, the Prime Minister may determine to take any of the following measures, after the deliberation at the Financial Crisis Management Meeting: (i) if the bank does not fall into either of the banks described in (ii) or (iii), the Deposit Insurance Corporation may subscribe for shares or subordinated bonds of, or lend subordinated loans to the bank, or subscribe for shares of the bank holding company of the bank, in order to enhance capital adequacy of the bank; (ii) if the bank may suspend or has suspended repayment of deposits or is unable to fully perform its obligations with its assets, financial aid exceeding the pay-off cost may be available to such bank; and (iii) if the bank may suspend or has suspended repayment of deposits and is unable to fully perform its obligations with its assets, and the systemic risk cannot be avoided by the measure mentioned in (ii) above, the Deposit Insurance Corporation may acquire all of the bank's shares. The expenses for implementation of the above measures will be borne by the bank industry, with an exception under which the Government of Japan may provide partial subsidies for such expenses.

New orderly and effective resolution regimes for financial institutions have been discussed internationally and Key Attributes of Effective Resolution Regimes for Financial Institutions was published by the Financial Stability Board in November 2011 and endorsed by the G20 leaders at the Cannes summit held in November 2011. Reflecting this global trend, by certain amendments to the Deposit Insurance Law (the Amended Deposit Insurance Law ) that were promulgated in June 2013 and are scheduled to become effective before March 2014, a new resolution regime will be introduced in Japan.

Although the further details of the new resolution regime will require implementing ordinances which have not yet been published, under the new resolution regime stipulated in the amendments to Deposit Insurance Law, financial institutions including banks, insurance companies and securities companies and their holding companies will be subject to the regime.

Further, under the new resolution regime, among other things, (i) where the Prime Minister recognizes that the failure of a financial institution which falls into either of (a) or (b) below may cause significant disruption in the financial markets or other financial systems in Japan without taking any of the measures described in (a) (specified item 1 measures)(*tokutei dai ichigo sochi*) or the measures described in (b) (specified item 2 measures)(*tokutei dai nigo sochi*), the Prime Minister may make determination (specified determination)(*tokutei nintei*) to take any of the following measures, after the deliberation at the Financial Crisis Management Meeting; (a) if the financial institution does not fall into a financial institution which is unable to fully perform its obligations with its assets, the Deposit Insurance Corporation shall supervise the operation of the business of and



## Table of Contents

the management and disposal of assets of that financial institution (*tokubetsu kanshi*), and may provide it with loans or guarantees necessary to avoid the risk of significant disruption in the financial systems in Japan (*shikin no kashitsuke nado*), or subscribe for shares or subordinated bonds of, or lend subordinated loans to the financial institutions (*tokutei kabushiki nado no hikiuke nado*), in each case to be taken as necessary taking into consideration of the financial conditions of the financial institution; and (b) if the financial institution is or is likely to be unable to fully perform its obligations with its assets or has suspended or is likely to suspend repayment of its obligations, the Deposit Insurance Corporation shall supervise that financial institution (*tokubetsu kanshi*), and may provide financial aid necessary to assist merger, business transfer, corporate split or other reorganization in respect to such failed financial institution (*tokutei shikin enjo*); and (ii) the Prime Minister must make determinations as to the capital treatment of the preferred shares, subordinated bonds or loans issued or entered into by such financial institution, prior to making determination that it is necessary to take the measures set out in (i)(a) or (b) above (but limited only to cases as set forth in implementing ordinances to established pursuant to the Amended Deposit Insurance Law). The expenses for implementation of the measures under this regime will be borne by the financial industry, with an exception under which the Government of Japan may provide partial subsidies for such expenses. If a measure set out in (i)(b) above is determined to be taken with respect to a financial institution, the Prime Minister may order that the financial institution's operation and assets be under the control of the Deposit Insurance Corporation. The business or liabilities of the financial institution subject to the supervision (*tokubetsu kanshi*) by the Deposit Insurance Corporation as set forth above may also be transferred to a bridge bank established by the Deposit Insurance Corporation for the purpose of the temporary maintenance and continuation of operations of, or repayment of the liabilities of, such financial institutions, and the bridge bank will seek to transfer the bank's business or liabilities to another financial institution or dissolve the bank. The financial aid provided by the Deposit Insurance Corporation to assist merger, business transfer, corporate split or other reorganization in respect to the financial institution set out in (i)(b) may take the form of a monetary grant, loan or deposit of funds, purchase of assets, guarantee or assumption of debts, subscription of preferred stock or subordinated bonds, lending of subordinated loan, or loss sharing.

### *Recovery and Resolution Plan*

In November 2012, the Financial Stability Board published the latest list of global systemically important financial institutions (G-SIFIs). The list is annually updated by the Financial Stability Board each November, and the list as of November 2012 includes us. A recovery and resolution plan must be put in place for each G-SIFI, and be regularly reviewed and updated. In Japan, under the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc., as part of crisis management, financial institutions identified as G-SIFIs must prepare and submit a recovery plan, which includes the triggers to implement the recovery plan and an analysis of recovery options, to the Financial Services Agency, and the Financial Services Agency must prepare a resolution plan for each G-SIFI.

### *Capital Injection by the Government*

The Strengthening Financial Functions Law (*Kinyu Kinou no Kyouka no tame no Tokubetsu Sochi ni kansuru Houritsu*) (Law No. 128 of 2004) was enacted on June 18, 2004 in order to establish a scheme of public money injection into financial institutions and thereby enhance the soundness of such financial institutions on or prior to March 31, 2008 and revitalize economic activities in the regions where they do business. On December 17, 2008, certain amendments to the Strengthening Financial Functions Law took effect. These amendments relaxed certain requirements for public money injection into Japanese banks and bank holding companies and other financial institutions under the prior scheme and extended the period of application therefor, which had expired on March 31, 2008, to March 31, 2012. These amendments aim to promote not only the soundness of such financial institutions but also the extension of loans or other forms of credit to small and medium-sized enterprises in order to revitalize local economies. In response to the Great East Japan Earthquake, the law was amended in June 2011 to extend the period for application to March 31, 2017 and to include special exceptions for disaster-affected financial institutions. None of the financial institutions within the Mizuho group are subject to such special exceptions.

## **Table of Contents**

### *Bank Holding Companies*

Under the Banking Law, a bank holding company is prohibited from carrying out businesses other than administrating the businesses of its subsidiaries and matters incidental to such businesses. Business activities for subsidiaries of bank holding companies are limited to finance-related businesses and incidental businesses.

The Anti-Monopoly Law (*Shiteki Dokusen no Kinshi oyobi Kousei Torihiki no Kakuho ni kansuru Houritsu*) (Law No. 54 of 1947, as amended) prohibits a bank from holding more than 5% of another company's voting rights. This does not apply to a bank holding company, although the bank holding company is subject to general shareholding restrictions under the Anti-Monopoly Law. The Banking Law does, however, prohibit a bank holding company and its subsidiaries, on an aggregate basis, from holding more than 15% (in contrast to 5% in the case of a bank and its subsidiaries) of the voting rights of certain types of companies not permitted to become subsidiaries of bank holding companies.

### *Financial Instruments and Exchange Law*

The Financial Instruments and Exchange Law (*Kinyu Shouhin Torihiki Hou*) requires Mizuho Financial Group to file with the Director General of the Kanto Local Finance Bureau an annual securities report including consolidated and non-consolidated financial statements in respect of each financial period, supplemented by quarterly and extraordinary reports.

Under the Financial Instruments and Exchange Law, registered Financial Instruments Business Operators (*kinyu-shouhin torihiki gyousha*), such as Mizuho Securities, as well as Registered Financial Institutions (*touroku kinyu kikan*), such as Mizuho Bank and Mizuho Trust & Banking, are required to provide customers with detailed disclosure regarding the financial products they offer and take other measures to protect investors, including a delivery of explanatory documents to such customers prior to and upon the conclusion of transactional agreements.

Financial Instrument Business Operators and Registered Financial Institutions are subject to the supervision of the Financial Services Agency pursuant to delegation by the Prime Minister of Japan. Some of the supervisory authority of the Financial Services Agency is further delegated to the Securities and Exchange Surveillance Commission, which exercises its supervisory power over such registered institutions by conducting site inspections and requesting information necessary for such inspections. Non-compliance or interference with such inspection may result in such registrants being subject to criminal penalty under the Financial Instruments and Exchange Law.

Certain amendments to the Financial Instruments and Exchange Law and the Banking Law, which came into effect on June 1, 2009, revamped the firewall regulations regarding the holding of concurrent offices or posts among banks, securities firms and insurance firms and required banks, securities firms and insurance firms to establish systems for managing conflicts of interest in order to protect customers' interests and expanded the types of business services that banks and certain other financial firms can provide.

### *Sales of Financial Products*

As a result of financial deregulation, more financial products, including highly structured and complicated products, can now be more freely marketed to customers. In response to this, the Law of Sales of Financial Products (*Kinyu Shouhin no Hanbai tou ni kansuru Houritsu*) (Law No. 101 of 2000, as amended), effective from April 2001, introduced measures to protect financial service customers by: requiring financial service providers to provide customers with certain important information, including risks with respect to deficit of principal associated with the financial products they offer and any restrictions on the period for exercising rights or the period for rescission, unless the customers fall within the ambit of professional investors or express their intent to the contrary; and holding financial service providers liable for damages caused by a failure to follow those requirements. The amount of loss of principal is rebutably presumed to be the amount of damages. Additionally, the law requires financial service providers to follow certain regulations on solicitation measures as well as to endeavor to solicit customers in an appropriate manner and formulate and publicize a solicitation policy.

**Table of Contents***Self-Assessment and Reserves*

The prompt corrective action system requires financial institutions to establish a self-assessment program that complies with the Inspection Manual issued by the Financial Services Agency and related laws such as the Financial Reconstruction Law (*Kinyu Kinou no Saisei no tameno Kinkyu Sochi ni kansuru Houritsu*) (Law No. 132 of 1998, as amended). Financial institutions are required to analyze their assets, giving due consideration to accounting principles and other applicable rules and to classify their assets into four categories according to asset recovery risk and risk of impairment based on the classification of the obligor (normal obligors, watch obligors, intensive control obligors, substantially bankrupt obligors and bankrupt obligors) taking into account the likelihood of repayment and the risk of impairment to the value of the assets. The results of self-assessment should be reflected in the write-off and allowance according to the standard established by financial institutions pursuant to the guidelines issued by the Japanese Institute of Certified Public Accountants and Inspection Manual issued by the Financial Services Agency. Based on the results of the self-assessment, financial institutions may establish reserve amounts for their loan portfolio as may be considered adequate at the relevant balance sheet date, even if all or part of such reserves may not be immediately tax deductible under Japanese tax law.

Based on the accounting standards for banks issued by the Japanese Bankers Association, a bank is required to establish general reserves, specific reserves and reserves for probable losses on loans relating to restructuring countries.

*Credit Limits*

The Banking Law restricts the aggregate amount of loans to any single customer or customer group for the purposes of avoiding excessive concentration of credit risks and promoting the fair and extensive utilization of bank credit. The limits applicable to a bank holding company and bank with respect to their aggregate lending to any single customer or customer group are established by a cabinet order and by the Banking Law. The current limits are, in case of a single customer, 25%, and in case of a customer group, 40% of the total qualifying capital with certain adjustments of the bank holding company or bank and its subsidiaries and affiliates. In April 2013, the Financial Services Agency announced that the current credit limit restrictions will be tightened in line with the international standards, by, among other things, reducing the credit limit applicable to a customer group from 40% to 25% of the total qualifying capital with certain adjustments of the bank holding company or bank and its subsidiaries and affiliates. The amended credit limit restrictions are expected to be implemented by December, 2014.

*Restriction on Shareholdings*

The Law Concerning Restriction on Shareholdings by Banks (*Ginkou tou no Kabushiki tou no Hoyu no Seigen tou ni kansuru Houritsu*) (Law No. 131 of 2001, as amended) requires Japanese banks (including bank holding companies) and their subsidiaries to limit the aggregate market value (excluding unrealized gains, if any) of their holdings in equity securities to an amount equal to 100% of their Tier 1 capital in order to reduce exposure to stock price fluctuations.

*Share Purchase Program*

The Banks Shareholdings Purchase Corporation was established in January 2002 in order to purchase shares from banks and other financial institutions until September 30, 2006 pursuant to the Law Concerning Restriction on Shareholdings by Banks. Bank's Shareholdings Purchase Corporation is allowed to resume purchases of shares held by financial institutions as well as shares of financial institutions held by non-financial institutions, up to a maximum amount of ¥20 trillion between March 12, 2009 and March 31, 2017. The Bank's Shareholdings Purchase Corporation purchased ¥907.4 billion of shares during the period from March 12, 2009 through May 31, 2013. The Bank's Shareholdings Purchase Corporation will dispose of the purchased shares by March 31, 2027 by taking into consideration the effects on the stock market.

**Table of Contents**

The Bank of Japan also purchased ¥387.8 billion of shares held by banks and other financial institutions during the period from February 23, 2009 through April 30, 2010. The Bank of Japan generally will not sell the purchased shares until March 31, 2014. The Bank of Japan will dispose of the purchased shares by September 30, 2019 by taking into consideration the effects on the stock market.

*Capital Adequacy*

The capital adequacy guidelines applicable to Japanese banks and bank holding companies with international operations supervised by the Financial Services Agency closely follow the risk-adjusted approach proposed by the Bank for International Settlements and are intended to further strengthen the soundness and stability of Japanese banks. Under the risk-based capital framework of these guidelines, balance sheet assets and off-balance-sheet exposures are assessed according to broad categories of relative risk, based primarily on the credit risk of the counterparty, country transfer risk and the risk regarding the category of transactions.

In December, 2010, the Basel Committee on Banking Supervision issued its Basel III rules text, which builds on the International Convergence of Capital Measurement and Capital Standards document ( Basel II ), to strengthen the regulation, supervision, and risk management of the banking sector. Basel III text presents the details of global regulatory standards on bank capital adequacy and liquidity. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. For further information of the two global liquidity standards, see Liquidity below.

The Financial Services Agency's revisions to its capital adequacy guidelines became effective from March 31, 2013, which generally reflect rules in the Basel III text that have been applied from January 1, 2013.

Under the revised guidelines, the minimum capital adequacy ratio is 8% on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho Bank, or on a consolidated basis for bank holding companies with international operations, such as Mizuho Financial Group. Within the minimum capital adequacy ratio, the Common Equity Tier 1 capital requirement is 3.5%, which will be raised in phases to 4.5% when fully effective in March 2015, and the Tier 1 capital requirement is 4.5%, which will be raised in phases to 6% when fully effective in March 2015.

Japanese banks with only domestic operations and bank holding companies the subsidiaries of which operate only within Japan are subject to Japanese capital adequacy requirements that are similar to those discussed above, except that those banks and bank holding companies are required to have a minimum capital adequacy ratio of 4%, at least half of which must consist of Tier 1 capital, and are not required to apply capital charges to their market risks. Under the revised capital adequacy guidelines that will be applied from March 31, 2014, those banks and bank holding companies will be required to have a minimum Core Capital of 4%, and will become required to apply capital charges to their market risks as in the case of banks with international operations.

Under the revised capital adequacy guidelines based on the Basel III rules that have been applied to banks and bank holding companies each with international operations from March 31, 2013, there are regulatory adjustments such as goodwill and other intangibles, deferred tax assets, investments in the capital of banking, financial and insurance entities etc. shall be deducted under certain conditions for the purpose of calculating capital adequacy ratios, and the requirements of regulatory adjustments were enhanced under the revised capital adequacy guidelines. For example, under the capital adequacy guidelines prior to the revision thereto under the Basel III rules, the maximum amount of net deferred tax assets under Japanese GAAP that major Japanese banks, including bank holding companies, could record without diminishing the amount of Tier 1 capital for purposes of calculating capital adequacy ratio was 20% of Tier 1 capital. Under the revised capital adequacy guidelines based on the Basel III rules, deferred tax assets that arise from temporary differences will be recognized as part of Common Equity Tier 1 capital, with recognition capped at 10% of Common Equity Tier 1 capital under certain

---

## **Table of Contents**

conditions, while other deferred tax assets, such as those relating to net loss carryforwards, will be deducted in full from Common Equity Tier 1 capital net of deferred tax liabilities. These regulatory adjustments based on the Basel III rules will begin at 20% of the required deductions in the calculation of Common Equity Tier 1 capital in March 2014 and will be increased by 20% increments per year through March 2018 when the regulatory adjustments reach 100%.

The revised capital adequacy guidelines related to other requirements under the Basel III rules, such as the capital conservation buffer, have not yet been published.

Under the capital adequacy guidelines, banks and bank holding companies are required to measure and apply capital charges with respect to their credit risks, market risks and operational risks.

Under the guidelines, banks and bank holding companies have several choices for the methodologies to calculate their capital requirements for credit risk, market risk and operational risk. Approval of the Financial Services Agency is necessary to adopt advanced methodologies for calculation, and Mizuho Financial Group started to apply the AIRB approach for the calculation of credit risk from the fiscal year ended March 31, 2009 and also apply the AMA for the calculation of operational risk from September 30, 2009.

For further information of the Capital Adequacy, see Item 5. Operating and Financial Review and Prospects Capital Adequacy Regulatory Capital Requirements.

### *Liquidity*

Two minimum standards for funding liquidity will be introduced. The liquidity coverage ratio ( LCR ) is intended to promote resilience to potential liquidity disruptions over a thirty-day horizon and help ensure that global banks have sufficient, unencumbered, high-quality liquid assets ( HQLA ) to offset the net cash outflows it could encounter under an acute short-term stress scenario. The Group of Governors and Heads of Supervision agreed on a revised LCR standard on January 6, 2013, and the Basel Committee on Banking Supervision issued the text of the revised LCR standard on January 7, 2013. In accordance with the revised LCR standard, the stock of unencumbered HQLA is to comprise Level 1 assets, which include cash, central bank reserves and certain marketable securities backed by sovereigns and central banks, and Level 2 assets, which include certain government securities, covered bonds, corporate debt securities and, to a limited extent, lower-rated corporate bonds, residential mortgage-backed securities and equities that meet certain conditions. Level 2 assets will be subject to certain haircuts based on types of securities and credit ratings. The revised LCR standard is subject to phase-in arrangements pursuant to which the LCR is to be introduced on January 1, 2015 with a minimum requirement of 60%, rising in equal annual steps of 10 percentage points to reach 100% on January 1, 2019. The net stable funding ratio ( NSFR ) requires a minimum amount of stable sources of funding at a bank relative to the liquidity profiles of the assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments, over a one-year horizon. A minimum standard for NSFR, including any revision, will be introduced in January 2018. The Basel Committee on Banking Supervision will put in place rigorous reporting processes to monitor the ratios during the observation period that began in 2011.

### *Protection of Personal Information*

The Personal Information Protection Law (*Kojin Jouhou no Hogo ni kansuru Houritsu*) (Law No. 57 of 2003, as amended) and related guidelines impose various requirements on businesses, including us, that use databases containing personal information, such as appropriate custody of such information and restrictions on information sharing with third parties. Non-compliance with the order issued by the Financial Services Agency to take necessary measures to comply with the law will subject us to criminal and/or administrative sanctions.

### *Prevention of Money Laundering*

Under the Law Preventing Transfer of Profits Generated from Crime (*Hanzai ni yoru Syueki no Iten Boushi ni kansuru Houritsu*) (Law No. 22 of 2007, as amended), which addresses money laundering and terrorism

**Table of Contents**

concerns, financial institutions and other entities such as credit card companies are required to perform customer identification, submit suspicious transaction reports and maintain records of transactions. Certain amendments to the law became effective in April 2013, which tightened, among other things, customer identification requirements.

*Law Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards*

The Law Concerning Protection of Depositors from Illegal Withdrawals Made by Forged or Stolen Cards (*Gizou Kaado tou oyobi Tounan Kaado tou wo Mochiite Okonawareru Fuseina Kikaishiki Yochokin Haraimodoshi tou karano Yochokinsha no Hogo tou ni kansuru Houritsu*) (Law No. 94 of 2005, as amended) requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits using forged or stolen bank cards. The law also requires financial institutions, among other matters, to compensate depositors for any amount illegally withdrawn using forged bankcards, unless the financial institution can verify that it acted in good faith without negligence and that there was gross negligence on the part of the relevant account holder.

*United States*

As a result of our operations in the United States, we are subject to extensive U.S. federal and state supervision and regulation. We engage in U.S. banking activities through Mizuho Bank's New York, Chicago and Los Angeles branches and Houston and Atlanta representative offices. We also own one bank in the United States, Mizuho Corporate Bank (USA), as well as controlling interests in several other subsidiaries, including Mizuho Trust & Banking Co. (USA), which is engaged primarily in the trust and custody business, and Mizuho Securities USA Inc., a U.S. broker dealer engaged in the securities business.

The USA PATRIOT Act of 2001 (the PATRIOT Act) contains measures to prevent, detect and prosecute terrorism and international money laundering by imposing significant compliance and due diligence obligations, creating new crimes and penalties and expanding the extraterritorial jurisdiction of the United States. The enactment of the PATRIOT Act and other events have resulted in heightened scrutiny of compliance with the Bank Secrecy Act and anti-money laundering rules by federal and state regulatory and law enforcement authorities.

Mizuho Financial Group and Mizuho Bank are financial holding companies (FHCs), and Mizuho Trust & Banking is a bank holding company, within the meaning of the U.S. Bank Holding Company Act of 1956, as amended (the BHCA), and are subject to regulation and supervision thereunder by the Board of Governors of the Federal Reserve System (the Federal Reserve Board). As a matter of law, these three companies are expected to act as a source of financial strength to Mizuho Bank (USA) and Mizuho Trust & Banking Co. (USA). The BHCA generally prohibits us from acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting shares of any company engaged in the United States in activities other than banking or activities that are financial in nature or incidental or complementary to financial activity. This general prohibition is subject to certain exceptions, including an exception that permits us to acquire up to 100% of the voting interests in any company engaged in nonfinancial activities under our merchant banking authority. In addition, U.S. regulatory approval is generally required for us to acquire more than 5% of any class of voting shares of a U.S. bank, savings association or bank holding company.

Mizuho Financial Group and Mizuho Corporate Bank, now Mizuho Bank, became FHCs in December 2006. FHC status under the BHCA permits banking groups in the United States to engage in comprehensive investment banking businesses, such as the underwriting of and dealing in corporate bonds, equities and other types of securities. FHC status enables our group to promote our investment banking business on a broader basis in the United States.

As a financial holding company, we are also subject to additional regulatory requirements. For example, we and each of our U.S. insured depository institution subsidiaries with operations in the United States must be well capitalized, meaning a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of

## **Table of Contents**

at least 10%. We and each of our U.S. insured depository institution subsidiaries must also be well managed, including that they maintain examination ratings that are at least satisfactory. Further, Mizuho Financial Group and Mizuho Bank must also meet such capital standards as calculated under its home country standards (which must be comparable to the capital required for a U.S. bank) and must be well managed under standards comparable to those required for a U.S. bank. Failure to comply with such requirements would require us to prepare a remediation plan, and we would not be able to undertake new business activities or acquisitions based on our status as a financial holding company during any period of noncompliance without the prior approval of the Federal Reserve Board, and divestiture or termination of certain business activities, or termination of our U.S. branches and agencies, may be required as a consequence of failing to correct such conditions within 180 days.

U.S. branches, agencies and representative offices of foreign banks must be licensed, and are also supervised and regulated, by either a state banking authority or by the Office of the Comptroller of the Currency, the federal bank regulatory agency that charters and regulates national banks and federal branches and agencies of foreign banks. Each branch and representative office in the United States of Mizuho Bank is state-licensed. Under U.S. federal banking laws, state-licensed branches and agencies of foreign banks may engage only in activities that would be permissible for their federally-licensed counterparts, unless the Federal Reserve Board determines that the additional activity is consistent with sound practices. U.S. federal banking laws also subject state-licensed branches and agencies to the single-borrower lending limits that apply to federal branches and agencies, which generally are the same as the lending limits applicable to national banks, but are based on the capital of the entire foreign bank.

The New York branch of Mizuho Bank is subject to supervision, examination and regulation by the New York State Department of Financial Services as well as by the Federal Reserve Board. Except for a prohibition on such branch accepting retail deposits, a state-licensed branch generally has the same powers as a state-chartered bank in such state. New York State has an asset pledge requirement for branches equal to the greater of 1% of average total liabilities for the previous month or \$2 million, provided that an institution designated as a well-rated foreign banking corporation is permitted to maintain a reduced asset pledge with a cap of \$100 million. The New York State Department of Financial Services may require higher amounts for supervisory reasons. Each U.S. branch and representative office of Mizuho Bank is subject to regulation and examination by the state banking authority of the state in which it is located.

The deposits of Mizuho Corporate Bank (USA) are insured by the Federal Deposit Insurance Corporation (FDIC), and it is a state-chartered bank that is a member of the Federal Reserve System. As such, Mizuho Corporate Bank (USA) is subject to regulation, supervision and examination by the Federal Reserve Board and the New York State Department of Financial Services, as well as to relevant FDIC regulation.

The deposits of Mizuho Trust & Banking Co. (USA) are also FDIC-insured, and it is a state-chartered bank and trust company that is not a member of the Federal Reserve System. As such, Mizuho Trust & Banking Co. (USA) is subject to regulation, supervision and examination by the FDIC and the New York State Department of Financial Services.

In the United States, U.S.-registered broker-dealers are regulated by the U.S. Securities and Exchange Commission (the SEC). As a U.S.-registered broker-dealer, Mizuho Securities USA is subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, recordkeeping, the financing of customers' purchases and the conduct of directors, officers and employees.

In the United States, comprehensive financial regulatory reform legislation, titled the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), was signed into law by President Obama on July 21, 2010. Among other things, the Dodd-Frank Act directs the federal banking regulators to establish minimum leverage and risk-based capital requirements for insured depository institutions and depository institution holding companies.

---

**Table of Contents**

The Dodd-Frank Act provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk and bank holding companies with greater than \$50 billion in consolidated assets. In imposing such heightened prudential standards on foreign banking organizations such as Mizuho Bank, the Federal Reserve Board is directed to take into account the principle of national treatment and equality of competitive opportunity, and the extent to which the foreign bank holding organization is subject to comparable home country standards. On December 14, 2012, the Federal Reserve Board proposed regulations that would impose enhanced prudential standards on the foreign banking organization it supervises, such as Mizuho Bank, and would extend in some aspects to the foreign banking organizations' parent companies, such as us. In particular, under the proposal, the U.S. branches of foreign banking organizations would also be subject to liquidity, single counterparty credit limits and, in certain circumstances, asset maintenance requirements. In addition, we may be required to create a separately capitalized top-tier U.S. intermediate holding company ( IHC ) that would hold all of its U.S. subsidiaries and be subject to certain capital, liquidity and other enhanced prudential standards on an IHC consolidated basis.

Under the so-called Volcker Rule provisions of the Dodd-Frank Act, insured depository institutions; insured depository institution holding companies; non-U.S. banks with branches in the United States, such as Mizuho Bank; and affiliates and subsidiaries of such entities (collectively, banking entities ) will be prohibited from engaging in proprietary trading or from investing in or sponsoring private equity or hedge funds, subject to certain limited exceptions. The Volcker Rule became effective on July 21, 2012, kicking off a two-year conformance period. Banking entities are expected to bring their activities and investments into compliance by July 21, 2014, absent an extension by the Federal Reserve Board. The Volcker Rule is highly complex and many aspects remain unclear, and the U.S. banking and financial agencies are expected to issue final implementing regulations in 2013. Accordingly, the full impact of the Volcker Rule on our business will not be known with certainty until final regulations have been adopted.

The Dodd-Frank Act also provides an extensive framework for the regulation of over-the-counter ( OTC ) derivatives, including mandatory clearing and transaction reporting of certain OTC derivatives. In addition, entities that are swap dealers, security-based swap dealers, major swap participants, or major security-based swap participants are required to register with the SEC or the U.S. Commodity Futures Trading Commission (the CFTC ), or both, and comply with capital, margin, business conduct, recordkeeping, and other requirements applicable to such entities. Under the so-called swap push-out provisions of the Dodd-Frank Act, the derivatives activities of U.S. banks and U.S. branch offices of foreign banks will be restricted, which may necessitate changes to how we conduct our derivatives activities. On June 5, 2013, the Federal Reserve Board approved an interim final rule clarifying the treatment of uninsured U.S. branches and agencies of foreign banks under this push-out provision. The interim final rule clarified that uninsured U.S. branches and agencies of foreign banks will be treated as insured depository institutions with respect to this push-out provision, including eligibility for a transition period of up to 24 months to comply and for certain statutory exceptions. The interim final rule is effective as of June 5, 2013.

The CFTC and SEC have not yet finalized many of the regulations under the Dodd-Frank Act relating to OTC derivatives, including regulations and guidance with respect to the extraterritorial application of many provisions. As a result, the effects of such unfinalized provisions could vary depending on the final rules and guidance adopted.

Mizuho Capital Markets Corporation and Mizuho Securities USA are registered with the CFTC as swap dealers as a result of their swap activities with US persons. As a result, Mizuho Capital Markets Corporation and Mizuho Securities USA are subject to certain entity-level and transaction-level regulation by the CFTC, including with respect to recordkeeping, reporting, risk management, clearing, trade execution, and internal and external business conduct standards, and will become subject to additional regulations under the Dodd-Frank Act as such regulations go into effect in 2013 or following adoption of additional applicable regulations by the CFTC and/or SEC.



---

**Table of Contents***Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act*

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ( Section 219 ) added Section 13(r) to the U.S. Securities Exchange Act of 1934, requiring each SEC reporting issuer to disclose in its annual and, if applicable, quarterly reports whether it or any of its affiliates have knowingly engaged in specified activities, transactions or dealings relating to Iran or with the Government of Iran or certain designated persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by such filing. Section 219 requires disclosure even of certain activities not prohibited by U.S. or other law and even if such activities were conducted outside the United States by non-U.S. affiliates in compliance with local law.

Our affiliate Mizuho Bank (including when operating as Mizuho Corporate Bank prior to its merger with the Pre-merger Mizuho Bank) is our only affiliate to have engaged in activity that is relevant for this purpose. Mizuho Bank maintains compliance policies and procedures to conform its operations to all applicable economic sanctions laws and regulations, and has dedicated substantial resources to this effort. In that context, and only after confirming that such transactions did not involve prohibited or sanctionable activity under U.S. or other economic sanctions, non-U.S. branches of Mizuho Bank, which at the time was named Mizuho Corporate Bank, engaged in a limited number of activities reportable under Section 219 during the period covered by this annual report, as described below. No U.S. branches of Mizuho Bank were involved in any of these activities.

*Legacy Guarantees and Loan Obligations*

During the period covered by this disclosure, Mizuho Bank was party to three legacy counter guarantees that were opened in connection with activities of its customers for the benefit of Iranian banks. When such guarantees were entered into, the banks in question had not been designated under U.S. Executive Orders ( E.O. ) 13224 or 13382, although they were subsequently so designated. Mizuho Bank maintained these guarantees post-designation only after confirming that such transactions did not involve prohibited or sanctionable activity under U.S. or other economic sanctions and after obtaining licenses issued by Japan's Ministry of Finance where necessary. As contractual obligations, these guarantees cannot be exited by Mizuho Bank unilaterally until there is full performance under the contract that is supported by the counter guarantees. In the fiscal year ended March 31, 2013, Mizuho Bank received fees of approximately \$8,000 attributable to these guarantees and net profits of less than that amount. Mizuho Bank cancelled one of these counter guarantees during the fiscal year ended March 31, 2013 and continues to seek to terminate the remaining two. Mizuho Bank has no intention to enter into any further similar guarantees.

In addition, Mizuho Bank acted as an administrative agent under a syndicated loan extended to an Iranian bank that was later designated under E.O. 13382. Mizuho Bank transferred a repayment from this Iranian bank in the fiscal year ended March 31, 2013, in accordance with applicable laws and regulations. The loan expired in 2013 upon repayment of the debt and its transfer to the lender. Mizuho Bank also acted as a sub-participant in another syndicated loan extended to an Iranian petrochemical company owned by the Government of Iran but not designated under E.O. 13224 and 13382. The loan expired in 2012 upon repayment of the debt in accordance with applicable laws and regulations. During the fiscal year ended March 31, 2013, Mizuho Bank received gross revenue of approximately \$3,000 and net profits of less than that amount attributable to these syndicated loans. Mizuho Bank does not intend to enter into any further similar loans.

*Activities through Correspondent Banking Accounts*

In the fiscal year ended March 31, 2013, Mizuho Bank conducted a limited number of transfers through accounts it maintains for or at a limited number of Iranian banks designated under E.O. 13224 or 13382 and a limited number of other banks related to the Government of Iran. Mizuho Bank processed these transfers only after confirming that such transactions did not involve prohibited or sanctionable activity under U.S. or other economic sanctions and obtaining licenses issued by Japan's Ministry of Finance where necessary. Estimated gross revenue to Mizuho Bank in the fiscal year ended March 31, 2013 attributable to this activity was approximately \$2,000, with the net profit of less than that amount. Mizuho Bank will continue processing

## **Table of Contents**

transfers through these accounts only under the limited circumstances where the transfer would conform to Mizuho Bank's compliance policies and procedures, applicable international sanctions laws, and after obtaining a license issued by Japan's Ministry of Finance where necessary.

### ***Other Jurisdictions***

Our operations elsewhere in the world are subject to regulation and control by local supervisory authorities, including local central banks.

### **4.C. Organizational Structure**

The following diagram shows our basic corporate structure as of March 31, 2013:

Notes:

- (1) Mizuho Securities and Mizuho Investors Securities which belonged to the Global Corporate Group and the Global Retail Group respectively, merged in January 2013. The new Mizuho Securities belongs to both the Global Corporate Group and the Global Retail Group.
- (2) Two asset management companies consist of Mizuho Asset Management and DIAM. DIAM, in which we have a 50.0% equity interest, is an equity-method affiliate of ours.

Beginning on April 1, 2013, we moved to a new group operational structure and established ten business units such as personal banking unit, retail banking unit, corporate banking unit, etc., and head-office coordination divisions to determine strategies and initiatives across the group-wide banking, trust banking, securities and other business areas, based on the ten business units across Pre-Merger Mizuho Bank and Mizuho Corporate Bank under the substantive one bank structure, and the existing three global groups were abolished.

In February 2013, we announced that Pre-Merger Mizuho Bank and Mizuho Corporate Bank signed a merger agreement, and on July 1, 2013, we conducted the merger.

**Table of Contents**

The following table sets forth information with respect to our principal consolidated subsidiaries as of March 31, 2013:

Name	Country of organization	Main business	Proportion of ownership interest (%)	Proportion of voting interest (%)
<b>Domestic</b>				
Mizuho Bank, Ltd. <sup>(1)</sup>	Japan	Banking	100.0%	100.0%
Mizuho Corporate Bank, Ltd. <sup>(1)</sup>	Japan	Banking	100.0	100.0
Mizuho Securities Co., Ltd.	Japan	Securities	95.8	95.8
Mizuho Trust & Banking Co., Ltd.	Japan	Trust and banking	100.0	100.0
Trust & Custody Services Bank, Ltd.	Japan	Trust and banking	54.0	54.0
Mizuho Asset Management Co., Ltd.	Japan	Investment management	98.7	98.7
Mizuho Research Institute Ltd.	Japan	Research and consulting	98.6	98.6
Mizuho Information & Research Institute, Inc.	Japan	Information technology	91.5	91.5
Mizuho Financial Strategy Co., Ltd.	Japan	Consulting	100.0	100.0
Mizuho Private Wealth Management Co., Ltd.	Japan	Consulting	100.0	100.0
Mizuho Factors, Limited	Japan	Factoring	100.0	100.0
Mizuho Credit Guarantee Co., Ltd.	Japan	Credit guarantee	100.0	100.0
Mizuho Capital Co., Ltd.	Japan	Venture capital	50.0	50.0
Defined Contribution Plan Services Co., Ltd.	Japan	Pension plan-related business	60.0	60.0
<b>Overseas</b>				
Mizuho Bank (Switzerland) Ltd	Switzerland	Trust and banking	100.0	100.0
Mizuho Capital Markets Corporation	U.S.A.	Derivatives	100.0	100.0
Mizuho Corporate Bank (China), Ltd.	China	Banking	100.0	100.0
Mizuho Corporate Bank (USA)	U.S.A.	Banking	100.0	100.0
Mizuho Corporate Bank Nederland N.V.	Netherlands	Banking and securities	100.0	100.0
Mizuho International plc	U.K.	Securities and banking	100.0	100.0
Mizuho Securities USA Inc.	U.S.A.	Securities	100.0	100.0
Mizuho Trust & Banking (Luxembourg) S.A.	Luxembourg	Trust and banking	100.0	100.0
Mizuho Trust & Banking Co. (USA)	U.S.A.	Trust and banking	100.0	100.0
PT. Bank Mizuho Indonesia	Indonesia	Banking	99.0	99.0

Note:

- (1) In February 2013, we announced that Pre-Merger Mizuho Bank and Mizuho Corporate Bank signed a merger agreement, and on July 1, 2013, we conducted the merger.

**Table of Contents****4.D. Property, Plant and Equipment**

The following table shows the breakdown of our premises and equipment at cost as of March 31, 2012 and 2013:

	At March 31,	
	2012	2013
	(in millions of yen)	
Land	¥ 271,083	¥ 268,948
Buildings	735,188	743,473
Equipment and furniture	480,068	418,647
Leasehold improvements	89,200	90,306
Construction in progress	11,575	23,875
Software	668,448	657,702
<b>Total</b>	<b>2,255,562</b>	<b>2,202,951</b>
Less: Accumulated depreciation and amortization	1,150,693	1,110,962
<b>Premises and equipment net</b>	<b>¥ 1,104,869</b>	<b>¥ 1,091,989</b>

Our head office is located at 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan with 14,134 square meters of office space. The headquarter buildings of Mizuho Financial Group, Mizuho Corporate Bank and Pre-Merger Mizuho Bank are each leased from third parties.

The total area of land related to our material office and other properties at March 31, 2013 was approximately 750,000 square meters for owned land and approximately 16,000 square meters for leased land.

Our owned land and buildings are primarily used by our branches. Most of the buildings and land owned by us are free from material encumbrances.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**Table of Contents****ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*The following discussion and analysis should be read in conjunction with Item 3.A. Key Information Selected Financial Data, Selected Statistical Data and our consolidated financial statements, including the notes thereto, included elsewhere in this annual report.*

**Table of Contents for Item 5.**

	<b>Page</b>
<u>Overview</u>	48
<u>Critical Accounting Estimates</u>	60
<u>Operating Results</u>	63
<u>Business Segments Analysis</u>	75
<u>Geographical Segment Analysis</u>	86
<u>Financial Condition</u>	89
<u>Liquidity</u>	100
<u>Capital Adequacy</u>	101
<u>Off-balance-sheet Arrangements</u>	108
<u>Tabular Disclosure of Contractual Obligations</u>	112
<u>Recent Accounting Pronouncements</u>	112
<u>Reconciliation with Japanese GAAP</u>	113
<b>Overview</b>	

***The Mizuho Group***

We provide a broad range of financial services in domestic and overseas markets. The principal activities and subsidiaries are the following:

Mizuho Bank provides a wide range of financial products and services mainly in relation to deposits, lending and exchange settlement to individuals, SMEs, large corporations, financial institutions, public sector entities and foreign corporations, including foreign subsidiaries of Japanese corporations;

Mizuho Trust & Banking provides products and services related to trust, real estate, securitization and structured finance, pension and asset management and stock transfer agency; and

Mizuho Securities provides full-line securities services to individuals, corporations, financial institutions and public sector entities. We also provide products and services such as those related to trust and custody, asset management, private banking, research services, information technology-related services and advisory services for financial institutions through various subsidiaries and affiliates.

In November 2011, we announced that we determined to conduct a merger between Pre-Merger Mizuho Bank and Mizuho Corporate Bank by around the end of the first half of the fiscal year ending March 31, 2014, on the assumption that, among other things, filings will have been made to and permission will have been obtained from the relevant authorities in Japan and any foreign countries, and signed a memorandum of understanding for further consideration and discussion of the details. Through the merger, we aim to become able to provide directly and promptly diverse and functional financial services to customers of Pre-Merger Mizuho Bank and Mizuho Corporate Bank, to continue to improve customer services by further enhancing group-wide collaboration among the banking, trust and securities functions, and to realize further enhancement of the consolidation of group-wide business operations and optimization of management resources by strengthening

## **Table of Contents**

group governance and improving group management efficiency. In addition to the merger, we announced that we would consider the possibility of an integration that includes Mizuho Trust & Banking. In April 2012, we integrated various business functions of Pre-Merger Mizuho Bank and Mizuho Corporate Bank prior to the effective date of the merger and implemented the substantive one bank structure, which included establishing a new organizational structure by unifying and reorganizing certain units, in order to realize the synergy effects of the merger as early as possible and ultimately to enhance our group profitability. In February 2013, we announced that Pre-Merger Mizuho Bank and Mizuho Corporate Bank signed a merger agreement, and on July 1, 2013, we conducted the merger.

In May 2012, we announced that Mizuho Securities and Mizuho Investors Securities signed a merger agreement, and on January 4, 2013, we conducted the merger. The merger is intended to enhance our retail securities business in Japan, rationalize and streamline management infrastructure, and provide securities functions in a unified manner through a single full-line securities company.

In December 2012, we announced that we determined to turn Mizuho Securities into a directly-held subsidiary of Mizuho Financial Group and to conduct a transformation into a new group management structure, which enables each business strategy promotion unit to pursue planning and promotion of a group-wide strategy across the banking, trust and securities functions and other business areas, on the assumption that the change and the transformation will have been approved at the general meeting of shareholders of each of Pre-merger Mizuho Bank and Mizuho Corporate Bank, and among other things, filings will have been made to, and permission will have been obtained from, the relevant authorities in Japan and any foreign countries. On April 1, 2013, we turned Mizuho Securities into a directly-held subsidiary of Mizuho Financial Group.

For a further discussion of our business and group organization, see Item 4.B. Information on the Company Business Overview.

### ***Principal Sources of Income and Expenses***

#### ***Net Interest Income***

Net interest income arises principally from the lending and deposit-taking and securities investment activities of our banking subsidiaries and is a function of:

the amount of interest-earning assets and interest-bearing liabilities;

the average interest rate spread (the difference between the average yield of interest earned on interest-earning assets and the average rate of interest paid on interest-bearing liabilities); and

the general level of interest rates.

Principal items constituting interest-earning assets include loans, investments, trading account assets, receivables under resale agreements and receivables under securities borrowing transactions. Principal items constituting interest-bearing liabilities include deposits, trading account liabilities, short-term borrowings (such as payables under repurchase agreements and payables under securities lending transactions) and long-term debt.

#### ***Provision (Credit) for Loan Losses***

Provision (credit) for loan losses is charged against (or credited to) income to keep the allowance for loan losses at a level that is appropriate to absorb probable losses inherent in the credit portfolio. For a description of the approach and methodology used to establish the allowance for loan losses, see Financial Condition Allowance for loan losses.

#### ***Noninterest Income***

Noninterest income consists mainly of fees and commissions, investment gains (losses) net, trading account gains (losses) net and foreign exchange gains (losses) net.



## **Table of Contents**

Fees and commissions include the following:

fees and commissions from securities-related business, including brokerage fees and commissions related to securities underwriting, fees and commissions related to investment trusts and individual annuities and other securities-related activities;

fees and commissions from deposits, debentures and lending business, which consist mostly of fees and commissions related to our loan businesses, including fees related to the arrangement of syndicated loans and other financing transactions such as arrangement fees related to management buy-out transactions and fees related to deposits such as account transfer charges;

fees and commissions from remittance business, including service charges for domestic and international funds transfers and collections;

trust fees, including trust fees earned primarily through fiduciary asset management and administration services for corporate pension plans and investment funds; and

fees for other customer services, including fees related to our agency businesses, such as administration fees related to Japan's principal public lottery program, as well as guarantee fees and others.

Investment gains (losses) net primarily include net gains and losses on sales of marketable securities, such as equity and bond investments. In addition, impairment losses are recognized when management concludes that declines in fair value of investments are other-than-temporary.

Trading account gains (losses) net include gains and losses from transactions undertaken for trading purposes, including both market making for customers and proprietary trading, or transactions through which we seek to capture gains arising from short-term changes in market value. Trading account gains (losses) net also include gains and losses related to changes in the fair value of derivatives and other financial instruments not eligible for hedge accounting under U.S. GAAP that are utilized to offset mainly interest rate risk related to our various assets and liabilities, as well as gains and losses related to changes in the fair value of foreign currency-denominated available-for-sale securities that are elected for fair value treatment under ASC 825. For further information on the fair value option, see note 27 to our consolidated financial statements included elsewhere in this annual report.

Foreign exchange gains (losses) net mainly include translation gains and losses related to our foreign currency-denominated assets and liabilities and gains and losses related to foreign exchange trading activities, including market making for customers and proprietary trading.

### *Noninterest Expenses*

Noninterest expenses primarily include salaries and employee benefits, general and administrative expenses, occupancy expenses and fees and commission expenses.

Salaries and employee benefits include expenses incurred for salaries, bonuses and compensation to directors and employees. They also include expenses related to pension and other employee retirement benefit plans.

The principal items included in general and administrative expenses are amortization of software, tax expenses such as consumption tax and property tax that are not income taxes and other expenses, including premiums for deposit insurance.

The principal items included in occupancy expenses are expenses related to premises and equipment, including depreciation, losses on disposal and lease expenses.

The principal items included in fees and commission expenses are fees and commission expenses for remittance services, which mainly include commission expenses paid in connection with remittance transactions and securities-related businesses, which mainly include transactions costs such as brokerage fees paid.





## Table of Contents

### *Operating Environment*

We operate principally in Japan, and our performance has generally tracked the macro economy of Japan. Since the fiscal year ended March 31, 2008, the global economy has weakened due mainly to the effects of the global financial market turmoil. The global economy continued to worsen in the fiscal year ended March 31, 2009, and financial results in the financial and industrial sectors deteriorated significantly. However, the global economy emerged from its worst and maintained a gradual recovery in the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011, the global economy generally continued on a gradual recovery while the fiscal problems faced by certain countries in Europe became an increasing cause for concern. The recovery remained weak during the fiscal year ended March 31, 2012 due to destabilization of the international financial and capital markets caused by the fiscal problems in Europe.

In the fiscal year ended March 31, 2013, despite the continuing weakness in the recovery of the global economy and the further slowdown of the economy being felt particularly in Europe and China last summer, there are visible signs of recovery as concerns over the Euro region's debt problems have been eased to some degree. In the United States, gradual recovery in the economy appears to be continuing, while the risk of a slackening in the economy remains with the budget sequestration set in motion in March 2013 as part of a large-scale austerity measure known as the fiscal cliff. In Europe, the economy is gradually slowing down, with the fiscal problems experienced by certain countries impacting the real economy. Although the concerns in the financial markets have eased to some degree due to such measures as the establishment of the European Stability Mechanism, it is expected that the circumstances continue in which a reduced budget may result in an economic slowdown or political instability, particularly among southern European countries, and it is difficult to predict the effects on the global economy. In Asia, although the economy was slowing as a whole, with the impact including the decline in exports to Europe, mainly ASEAN countries are showing a gradual economic recovery due mainly to increased public investments. However, in China, the pace of the economic recovery has been slow against the backdrop of the remaining downward pressure from inventory adjustment and a weak economic recovery in the major industrialized countries, and developments in real estate prices and export levels merit continued monitoring. In Japan, although the economy had long showed little improvement with decreased exports and production following the slowdown in overseas economies, there are visible signs of a gradual recovery. There have been significant changes in the Japanese political and economic situation since the Liberal Democratic Party's landslide victory in the Lower House elections last November upon which the president of the party, Shinzo Abe, was nominated as the Prime Minister. Prime Minister Abe announced his three-arrows strategy, or *Abenomics*, consisting of an aggressive monetary policy, flexible fiscal policy and growth strategies that promote private investment. As for the future direction of the economy, while there are causes for concern, such as the downturn in overseas economies, which pose a risk of acting as a drag on economic growth, there are prospects for the economy to be back on course for recovery due mainly to the improved export situation following the depreciation of the yen against other currencies and the effects of economic measures implemented by the new government and the Bank of Japan's monetary policies led by Haruhiko Kuroda, the new governor of the Bank of Japan.

Key indicators of Japanese economic conditions in recent periods include the following:

Japan's real gross domestic product on a year-on-year basis decreased by 3.7% and 2.0% in the fiscal years ended March 31, 2009 and 2010, respectively, and increased by 3.4%, 0.2% and 1.2% in the fiscal years ended March 31, 2011, 2012 and 2013, respectively. Japan's real gross domestic product on a quarterly basis, compared to the corresponding period of the previous year, increased consecutively from the first quarter of calendar 2012 through the first quarter of calendar 2013. The Japanese government stated in its monthly economic report in January 2013 that while the Japanese economy shows weakness recently, signs of bottoming out can be seen in some areas. The report in February 2013 strengthened the positive tone and stated that the Japanese economy is bottoming out, while weakness can be seen in some areas, and in March and April 2013, it stated that the Japanese economy is showing movements of picking up recently, while weakness can be seen in some areas. Furthermore, in May 2013, it stated that the Japanese economy is picking up slowly, and in June

---

**Table of Contents**

2013, it stated that the Japanese economy is picking up steadily. Japan's core nationwide consumer price index increased by 1.2% in the fiscal year ended March 31, 2009 but decreased by 1.6% and 0.8% in the fiscal years ended March 31, 2010 and 2011, respectively, and the index was unchanged in the fiscal year ended March 31, 2012, but decreased again by 0.2% in the fiscal year ended March 31, 2013 compared to the previous year. The Japanese government has been stating in its monthly economic reports from November 2009 onwards that the Japanese economy is in a mild deflationary phase, but the report in May 2013 began to state that signs of change can be seen in some areas recently.

The following chart shows the growth rates of Japan's gross domestic product on a year-on-year basis and Japan's core nationwide consumer price indices from the first quarter of 2008 through the first quarter of 2013:

In October 2010, the Bank of Japan lowered its target for the uncollateralized overnight call rate from 0.1% to around 0 to 0.1%, which has since remained unchanged. In April 2013, the Bank of Japan announced that it would change the main operating target for money market operations from the uncollateralized overnight call rate to the monetary base, which is to be increased at an annual pace of about ¥60-70 trillion. In December 2009, the Bank of Japan announced that it would provide approximately ¥10 trillion in short-term funds to commercial banks at a low fixed rate, in order to boost liquidity and recover stability in the financial markets, and increased the amount to approximately ¥20 trillion and ¥30 trillion in March and August 2010, respectively. These measures were succeeded by an asset purchase program of approximately ¥35 trillion established by the Bank of Japan in October 2010, and it gradually increased the amount of the asset purchase program, mainly for the purchase of risk assets, to approximately ¥101 trillion by December 2012. In June 2010, the Bank of Japan announced that it would establish a Growth-Supporting Funding Facility, a fund-provisioning measure under which it would provide long-term funds to financial institutions at a low fixed rate in order to support the strengthening of the foundations for economic growth, and in June 2011, it also announced that it would establish a new line of credit to financial institutions for making equity investments and lending against liquid assets as collateral in order to further encourage financial institutions' efforts to support economic growth. In February 2012, the Bank of Japan announced that it would pursue a price stability goal in the medium to long term, under which it would aim to maintain inflation at a rate consistent with price stability that is sustainable in the medium to long term, and provisionally set the goal at 1%. In March 2012, the Bank of Japan announced that it would establish special rules for a new arrangement for loans for small-lot investments and loans that had not been deemed eligible in the rules settled in June 2011 mentioned above, and it also announced that it would establish special rules for a new arrangement for U.S. dollar loans for investments and loans.

**Table of Contents**

denominated in foreign currencies. In October 2012, the Bank of Japan announced that it would establish a Stimulating Bank Lending Facility, a fund-provisioning measure under which it would provide long-term funds at a low interest rate, without any limit, to financial institutions at their request.

In January 2013, the Bank of Japan announced that it would set a price stability target at 2% in terms of the year-on-year rate of change in the consumer price index and introduced the open-ended asset purchasing method under the asset purchase program, pursuant to which financial assets will be purchased on a monthly basis without setting any termination date, for the purpose of taking additional steps to provide monetary accommodation decisively. Furthermore, the Japanese government and the Bank of Japan released a joint statement that they would strengthen their policy coordination and work together in order to overcome deflation early and achieve sustainable economic growth with price stability. In April 2013, the Bank of Japan announced that it would introduce the quantitative and qualitative monetary easing to enter a new phase of monetary easing both in terms of quantity and quality, and that it would continue with the quantitative and qualitative monetary easing which aims to achieve the price stability target of 2% until that target is maintained in a stable manner. Under the quantitative and qualitative monetary easing, the Bank of Japan would change the main operating target for monetary market operations from the uncollateralized overnight call rate to the monetary base, as mentioned above. In addition, the Bank of Japan would expand the purchases of the Japanese government bonds, with all maturities including 40-year bonds, to be increased at an annual pace of about ¥50 trillion and terminate the asset purchase program which would be absorbed into those purchases of the bonds. Furthermore, the Bank of Japan announced that it would expand the purchases of ETFs and Japan real estate investment trusts so that their amounts outstanding would be increased at an annual pace of ¥1 trillion and ¥30 billion, respectively.

The following charts show movements in long-term rates from January 2010 to June 2013, represented by the yield on newly issued 10-year Japanese government bonds, and in short-term interest rates from January 2010 to June 2013, represented by the three-month Tokyo interbank offered rate, or TIBOR, and the uncollateralized overnight call rate used in the interbank market:

**Table of Contents**

According to the Bank of Japan, the aggregate monthly average balance of bank loans compared with that of the previous year started to increase in August 2005. The growth generally peaked in December 2008, and the aggregate monthly average balance of bank loans began showing a declining trend beginning December 2009. Thereafter, it again started to increase in October 2011.

The CDS index called Markit iTraxx Japan, which is composed of 50 of the most liquid investment grade CDSs for Japanese entities, fell to 113.9 basis points as of March 29, 2013 from 154.5 basis points as of March 30, 2012, and fell to 110.7 basis points as of June 28, 2013. For information on financial transactions for hedging in relation to credit derivatives, see Item 3.D. Key Information Risk Factors Risks Relating to Our Business Financial transactions entered into for hedging and other similar purposes could adversely affect our financial condition and results of operations.

According to Teikoku Databank, a Japanese research institution, there were approximately 11,500 corporate bankruptcies in the fiscal year ended March 31, 2011, involving approximately ¥4.6 trillion in total liabilities, approximately 11,400 corporate bankruptcies in the fiscal year ended March 31, 2012, involving approximately ¥3.9 trillion in total liabilities, and approximately 10,700 corporate bankruptcies in the fiscal year ended March 31, 2013, involving approximately ¥2.9 trillion in total liabilities. The number of corporate bankruptcies decreased from a year earlier for the fourth consecutive year, and the amount of total liabilities marked the lowest level in the past ten years.

According to the Tokyo Stock Exchange, or the TSE, the aggregate ordinary profits and net income of all companies listed on the TSE with a March 31 fiscal year end, excluding financial institutions and companies newly listed during the relevant fiscal year, decreased from ¥26.3 trillion and ¥12.0 trillion, respectively, for the fiscal year ended March 31, 2011, to ¥22.1 trillion and ¥8.9 trillion, respectively, for the fiscal year ended March 31, 2012, and increased to ¥23.5 trillion and ¥10.4 trillion, respectively, for the fiscal year ended March 31, 2013.

**Table of Contents**

According to the Bank of Japan, total financial assets of households increased from ¥1,500.1 trillion as of March 31, 2011 to ¥1,516.6 trillion as of March 31, 2012 and increased to ¥1,570.6 trillion as of March 31, 2013. The following chart shows the amount of total financial assets of households and breakdown based on type of financial asset as of the ends of the first quarter of 2009 through the first quarter of 2013:

**Table of Contents**

The Nikkei Stock Average, which is an average of the price of 225 stocks listed on the Tokyo Stock Exchange, decreased by 12.0% to ¥9,755.10 during the fiscal year ended March 31, 2011, but increased by 3.4% to ¥10,083.56 during the fiscal year ended March 31, 2012, followed by a 23.0% increase to ¥12,397.91 during the fiscal year ended March 31, 2013. Thereafter, the Nikkei Stock Average increased to ¥13,677.32 as of June 28, 2013. The following chart shows the daily closing price of the Nikkei Stock Average from January 2010 to June 2013:

The Japanese yen to U.S. dollar spot exchange rate, according to the Bank of Japan, was ¥82.84 to \$1.00 as of March 31, 2011, ¥82.17 to \$1.00 as of March 30, 2012 and ¥94.04 to \$1.00 as of March 29, 2013. Thereafter, the yen weakened to ¥98.83 to \$1.00 as of June 28, 2013. The following chart shows the yen/dollar spot rate of 5 p.m. Tokyo time published by the Bank of Japan from January 2010 to June 2013:

---

## **Table of Contents**

According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, housing starts in Japan decreased by 25.4% in the fiscal year ended March 31, 2010 and increased by 5.6%, 2.7% and 6.2% in the fiscal years ended March 31, 2011, 2012 and 2013, respectively.

According to the Ministry of Land, Infrastructure, Transport and Tourism of Japan, the average published land prices in Japan rose by 0.1% during calendar year 2006, which was the first increase in 16 years, and rose again by 1.3% during calendar year 2007, but decreased by 3.2%, 4.2%, 2.7%, 2.3% and 1.6% during calendar years 2008, 2009, 2010, 2011 and 2012, respectively.

### ***Capital Improvements***

All yen figures in this subsection are truncated.

We have been implementing disciplined capital management by pursuing the optimal balance between strengthening of stable capital base and steady returns to shareholders as described below.

#### ***Strengthening of Our Stable Capital Base***

In the fiscal year ended March 31, 2013, we strengthened our capital base mainly as a result of earning ¥560.5 billion of consolidated net income (under Japanese GAAP).

With respect to redemptions of previously issued securities, since April 2012, we have made redemptions of various securities that qualify as Tier 1 and Tier 2 capital under Basel II upon the arrival of their respective early optional redemption dates. In June 2012, we redeemed ¥171.0 billion of non-dilutive Tier 1 preferred securities that were issued by our overseas special purpose company in February 2002. In July 2013, we acquired and subsequently cancelled all ¥36.9 billion of the shares of the thirteenth series class XIII preferred stock. With respect to Tier 2 capital, in October 2012, we redeemed ¥53.0 billion of dated subordinated bonds that were issued by Pre-Merger Mizuho Bank in October 2009.

With respect to new issuances, in June 2012, Pre-Merger Mizuho Bank issued ¥47.0 billion of dated subordinated bonds through public offerings to wholesale investors in Japan. In July 2012, our overseas special purpose company issued \$1.5 billion of dated subordinated bonds. In October 2012, Pre-Merger Mizuho Bank issued ¥80.0 billion of dated subordinated bonds through a public offering in Japan.

The new capital regulations under Basel III were implemented beginning March 31, 2013. Our Common Equity Tier 1 capital ratio under Basel III as of March 31, 2013 was 8.16%. We estimate that it was above our mid-8% level target after including the outstanding balance of the eleventh series class XI preferred stock (¥340.6 billion as of March 31, 2013) that will become mandatorily converted into common stock, and will thus be fully recognized as Common Equity Tier 1 capital, by July 2016. We aim to increase our Common Equity Tier 1 capital ratio under Basel III stably to 8% or higher (fully-effective basis, including the outstanding balance of the eleventh series class XI preferred stock) by March 31, 2016. We believe that we will be able to secure a sufficient Common Equity Tier 1 capital ratio under Basel III as of March 31, 2019 when it becomes fully effective pursuant to its phase-in implementation. The foregoing target is based on publicly-available materials that have been issued so far.

The foregoing statements include forward-looking statements and are subject to risks, uncertainties and assumptions. See *Forward-looking Statements* and *Item 3.D. Key Information Risk Factors*.

#### ***Steady Returns to Shareholders***

We paid cash dividends with respect to the fiscal year ended March 31, 2013 of ¥6 per share of common stock (including interim dividend payments of ¥3), unchanged from those in the previous fiscal year.



---

**Table of Contents*****Business Trends***

Based on our current operating environment and management focus, we believe that the trends that are most significant to our current and future results of operations include the following:

***Loans and Deposits******Loan volume***

Our total loan balance increased on a year-on-year basis in the fiscal year ended March 31, 2013 due mainly to an increase in overseas loans. The increase in overseas loans was due mainly to increases in loans to commercial and industrial, mainly in Asia, and the translation impact of the depreciation of the yen against other major currencies.

***Margins between loans and deposits***

In April 2013, the Bank of Japan announced that it would introduce the quantitative and qualitative monetary easing to enter a new phase of monetary easing both in terms of quantity and quality, while it maintained its target for the uncollateralized overnight call rate at around 0 to 0.1%, which has remained unchanged since October 2010. Reflecting a decline in yen interest rate levels, the average yield on domestic loans decreased from 1.31% in the fiscal year ended March 31, 2012 to 1.27% in the fiscal year ended March 31, 2013, and the average rate on domestic interest-bearing deposits decreased from 0.09% to 0.08%.

***Provision (credit) for loan losses***

We recorded a provision for loan losses of ¥140 billion in the fiscal year ended March 31, 2013 compared to a credit for loan losses of ¥23 billion in the fiscal year ended March 31, 2012. The change was due primarily to an increase in allowance for loan losses as a result of an increase in foreign impaired loans that required an allowance for loan losses and of increased estimated loss reflecting changes in business environment surrounding some domestic obligors, offset in part by the effects of the continuing gradual recovery of the Japanese economy as described in Overview Operating Environment. The amount of provision for loan losses in future fiscal years will depend largely on trends in the credit quality of borrowers, which in turn will be affected by the domestic and global economic environment and other factors, and changes in the value of collateral on our loans.

***Fees and Commissions***

For the fiscal year ended March 31, 2012, fees and commissions were ¥575 billion, a slight decrease compared to the fiscal year ended March 31, 2011 due mainly to a decline in commissions such as brokerage commissions and underwriting and selling fees at Mizuho Securities caused by the downturn in the stock market, offset in part by an increase in noninterest income from overseas business, income associated with sales of investment trusts and individual annuities to individual customers and solution-related income from corporate customers. For the fiscal year ended March 31, 2013, fees and commissions increased by ¥38 billion from the previous fiscal year to ¥613 billion due mainly to an increase in fees and commissions from securities-related business, such as those related to equity securities transactions, investment trust and individual annuities as a result of a recovery of the stock markets, and an increase in fees and commissions from deposits, debentures and lending business, such as those associated with domestic syndicated loans.

***Debt and Equity Securities Portfolio***

The amount of our funding through deposits significantly exceeds our total loans. As a result, we allocate a significant portion of such excess among investments in debt securities, including Japanese government bonds and investments in equity securities consisting mainly of common stock of Japanese listed company customers. We also hold some credit and alternative investments for the purpose of diversifying our risks and expanding our income sources.

**Table of Contents**

Increases in long-term interest rates generally lead to a decline in the fair value of our portfolio of debt securities, a vast majority of which consists of Japanese government bonds. As of March 31, 2013, we had a total of ¥36,275 billion of available-for-sale debt securities within our investments, of which ¥30,783 billion was Japanese government bonds. Changes in fair value of such available-for-sale debt securities are reflected in accumulated other comprehensive income, net of tax in equity or, in the case of other-than-temporary impairments, charged to income as an impairment loss. We had ¥38,467 billion and ¥36,275 billion of available-for-sale debt securities as of March 31, 2012 and 2013, respectively, and unrealized gains of ¥62 billion and ¥148 billion were reflected in accumulated other comprehensive income, net of tax as of such dates, respectively. We earned investment gains related to bonds of ¥42 billion in the fiscal year ended March 31, 2012 and ¥91 billion in the fiscal year ended March 31, 2013. The increase in investment gains related to bonds was due mainly to an increase in gains related to sales of Japanese government bonds as a result of declining yen interest rates. As the Bank of Japan announced a price stability target of 2% in January 2013 and the changes in interest rates that could result may have a substantial impact on the value of our Japanese government bond portfolio, in order to prepare for the risk of sudden and significant future interest rate rise, we continue to manage our Japanese government bond portfolio conservatively by managing the average remaining period of our portfolio and strengthening risk management including through the use of internal stress tests.

Because the size of our portfolio of marketable equity securities is substantial, we are subject to significant equity market risk, as increases in unrealized gains and losses related to changes in the fair value of available-for-sale marketable equity securities are reflected in accumulated other comprehensive income, net of tax in equity or, in the case of other-than-temporary impairments to fair value, charged to income as an impairment loss. As of March 31, 2011, 2012 and 2013, we recorded net unrealized gains related to marketable equity securities of ¥914 billion, ¥960 billion and ¥1,440 billion, respectively, in accumulated other comprehensive income, net of tax in equity. For the fiscal years ended March 31, 2011, 2012 and 2013, impairment losses on available-for-sale securities were ¥77 billion, ¥117 billion and ¥76 billion, respectively, of which impairment losses on marketable equity securities were ¥65 billion, ¥110 billion and ¥72 billion, respectively. The decrease in impairment losses on marketable equity securities in the fiscal year ended March 31, 2013 was due mainly to a recovery of the stock markets during such fiscal year. Following our initiatives for reducing the size of our stock portfolio under our Medium-term Management Policy named the Transformation Program for the three fiscal years ended March 31, 2013, as described in Item 4.B. Information on the Company Business Overview, we will continue the initiatives under our new medium-term business plan named One MIZUHO New Frontier Plan that will be in force for three years beginning the fiscal year ending March 31, 2014, primarily through the sales of the stocks for which we received customers consents to sell, based on a recognition that it is one of our most important management issues.

*Costs and Expenses*

In the fiscal year ended March 31, 2013, general and administrative expenses decreased by ¥37 billion from the previous fiscal year to ¥440 billion due mainly to our continuous group-wide cost reduction efforts. In the fiscal year ended March 31, 2013, salaries and employee benefits decreased by ¥15 billion from the previous fiscal year to ¥572 billion due mainly to the effect of decreased employee retirement benefit expenses as a result of a decrease in the amortization of net actuarial loss, an increase in expected return on plan assets, and the absence of a premium allowance for voluntary early retirement program of a securities subsidiary incurred in the previous fiscal year. Even after we exceeded our cost reduction target set under the Transformation Program, we plan to continue such efforts to promote cost reduction initiatives under the One MIZUHO New Frontier Plan.

*Others**Exposure to Troubled European Economies*

In Europe, fiscal problems in certain countries are affecting the financial system and the real economy, and the uncertainty concerning European economic activity has clearly become significant and presents a risk of a

**Table of Contents**

downturn in the world economy. These countries include Greece, Ireland, Italy, Portugal and Spain. As of March 31, 2013, our exposure to obligors in such countries was not significant. Specifically, our principal banking subsidiaries had no holdings of sovereign bonds issued by these countries and had a total of approximately \$3.8 billion in exposure to obligors in such countries. The breakdown by country and by type of obligor was as follows:

	September 30, 2012	As of March 31, 2013 (in billions of US dollars)	Increase (decrease)
Greece	\$ 0.1	\$ 0.1	\$ 0.0
Sovereign			
Financial Institutions			
Others	0.1	0.1	0.0
Ireland	0.4	0.3	(0.1)
Sovereign			
Financial Institutions	0.1	0.0	(0.1)
Others	0.3	0.3	0.0
Italy <sup>(2)</sup>	1.7	1.6	(0.1)
Sovereign	0.1	0.1	0.0
Financial Institutions	0.1	0.1	0.0
Others	1.5	1.4	(0.1)
Portugal	0.3	0.4	0.1
Sovereign			
Financial Institutions			
Others	0.3	0.4	0.1
Spain <sup>(2)</sup>	1.4	1.4	0.0
Sovereign			
Financial Institutions	0.0	0.0	0.0
Others	1.4	1.4	0.0
Total	\$ 3.9	\$ 3.8	\$ (0.1)
Sovereign	0.1	0.1	0.0
Financial Institutions <sup>(3)</sup>	0.2	0.1	(0.1)
Others	3.6	3.6	0.0

Notes:

- (1) Figures in the above table are on a managerial accounting basis.
- (2) The obligors in Italy and Spain to which we had exposure consisted mainly of highly rated large corporations.
- (3) Our exposure to financial institutions that are not state-owned was minimal.

**Critical Accounting Estimates**

Note 1 to our consolidated financial statements included elsewhere in this annual report contains a summary of our significant accounting policies. These accounting policies are essential to understanding our financial condition and results of operations. Certain of these accounting policies require management to make critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates are based on information available to us as of the date of the financial statements and could change from period to period. Critical accounting estimates could also involve estimates for which management could have reasonably used another estimate for the relevant accounting period. The use of different estimates could have a material impact on our financial condition and results of operations. The following is a discussion of significant accounting policies for which critical accounting estimates are used.

---

**Table of Contents*****Allowance for Loan Losses and Allowance for Losses on Off-Balance-Sheet Instruments***

The allowance for loan losses is based on management's estimate of probable credit losses existing in our lending portfolio, and the allowance for losses on off-balance-sheet instruments is based on management's estimate of probable losses related to off-balance-sheet arrangements such as guarantees and commitments to extend credit.

The allowance for loan losses is categorized and evaluated using the following methods:

*Allowance based on ASC 310.* In accordance with ASC 310, *Receivables* (ASC 310), we measure the value of specifically identified impaired loans based on the expected cash flows discounted at the loans' initial effective interest rates, or as a practical expedient, using the observable market prices or the fair value of collateral if the loan is collateral dependent, when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. The collateral that we obtain for loans consists primarily of real estate or listed securities. In obtaining the collateral, we evaluate the value of the collateral and its legal enforceability, and we also conduct subsequent re-evaluations at least once a year. As to collateral of loans that are collateral dependent, in the case of real estate, valuation is generally conducted by an appraising subsidiary that is independent from our loan origination sections using generally accepted valuation techniques such as (i) the replacement cost approach, (ii) the sales comparison approach or (iii) the income approach, although in the case of large real estate collateral, we generally retain third-party appraisers to conduct the valuation. In the case of securities, such securities are typically those of listed companies and are thus valued using observable market prices. Management identifies impaired loans through the credit quality review process, in which the debtor's ability to service its debt is assessed. The difference between our evaluation of the value of the impaired loan and its principal amount is the amount of the impairment which is recorded in the allowance for loan losses. Estimation of future cash flows is based on a comprehensive analysis of the borrower's ability to service the debt, any progress made on the borrower's rehabilitation program and the assumptions used therein.

*Allowance based on ASC 450.* In accordance with ASC 450, *Contingencies* (ASC 450), a formula-based allowance utilizing historical loss factors is applied to certain impaired loans which are aggregated for purposes of measuring impairment, groups of small balance, homogeneous loans and other non-homogeneous loans which have not been identified as impaired. The determination of expected losses is based on a statistical analysis of our historical default and loan loss data, as well as data from third-party sources. The estimation of the formula allowance is back-tested on a periodic basis by comparing the allowance with the actual results subsequent to the balance sheet date.

*Adjustment of ASC 450 Allowance.* In addition to the allowance for loan losses based on historical loss factors, the historical loss rate is adjusted, where appropriate, to reflect current factors, such as general economic and business conditions affecting key lending areas, credit quality trends, specific industry conditions and recent loss experience in the segments of the loan portfolio. For loans which are not deemed to be impaired under ASC 310 but to which special isolated risks apply, management assesses each loan individually to determine appropriate allowance amounts in lieu of mechanically applying the ASC 450 formula-based allowance.

We assess probable loss amounts for guarantees using the same categories and evaluation methods as loans. We similarly assess probable loss amounts for loan commitments, taking into account the probability of drawdowns.

The determination of the allowance for loan losses and the allowance for losses on off-balance-sheet instruments requires a great deal of judgment and the use of estimates as discussed above. Furthermore, information available at the time of the determination is limited, and it is not possible to eliminate uncertainty. Significant changes in any of the factors underlying our determination of the allowances could materially affect our financial condition and results of operations. For example, if our current judgment with respect to expected

**Table of Contents**

future cash flows differs from actual results, including as a result of an unexpected adverse change in the economic environment in Japan or a sudden and unanticipated failure of a large borrower, or if the value of collateral declines, we may need to increase the allowances with additional charges to earnings.

***Valuation of Financial Instruments***

ASC 820, Fair Value Measurement ( ASC 820 ) specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The standard describes the following three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. If no quoted market price is available, the fair values of debt securities and over-the-counter derivative contracts in this category are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques.

For assets and liabilities classified in Level 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment or estimate in determining fair value, while the determination of fair value of Level 3 assets and liabilities involves more significant management judgments and estimates. For further information, including valuation methodologies and the use of management estimates and judgments in connection therewith, see note 27 to the consolidated financial statements included elsewhere in this annual report.

***Valuation of Deferred Income Taxes***

Deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. Pursuant to ASC 740, Income Taxes ( ASC 740 ), a valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized, based on projected future income and future reversals of existing taxable temporary differences. Because we have not opted to be subject to consolidated taxation, deferred tax assets and liabilities are calculated separately for each member of our consolidated group.

The determination of a valuation allowance is an inherently uncertain process due to the use of projected future taxable income and subjective assessments in the effectiveness of our available tax planning strategies provided for under ASC 740. For example, variances in future projected operating performance or tax law changes that impact our tax planning strategies could result in a change in the valuation allowance. If we are not able to realize all or part of our net deferred tax assets in the future, an adjustment to our valuation allowance would be charged to income tax expense in the period when such determination is made, and this could materially and adversely affect our financial condition and results of operations.

***Pension and Other Employee Benefit Plans***

Mizuho Financial Group, its principal banking subsidiaries and certain other subsidiaries sponsor severance indemnities and pension plans, which provide defined benefits to retired employees. Periodic expense and

**Table of Contents**

accrued liabilities are computed based on a number of actuarial assumptions, including mortality, withdrawals, discount rates, expected long-term rates of return on plan assets and rates of increase in future compensation levels.

Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore generally affect future pension expenses. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may adversely affect pension expenses in the future.

In estimating the discount rates, we use interest rates on high-quality fixed-income government and corporate bonds that received a rating of AA (Aa) or higher from rating agencies. The durations of such bonds closely match those of the benefit obligations. Assumed discount rates are reevaluated at each measurement date.

The expected rate of return for each asset category is based primarily on various aspects of the long-term prospects for the economy that include historical performance and the market environment.

For further information on our pension and other employee benefits, see note 19 to the consolidated financial statements included elsewhere in this annual report.

**Operating Results**

The following table shows certain information as to our income, expenses and net income attributable to MHFG shareholders for the fiscal years ended March 31, 2011, 2012 and 2013:

	Fiscal years ended March 31,		
	2011	2012	2013
	(in billions of yen)		
Interest and dividend income	¥ 1,460	¥ 1,437	¥ 1,423
Interest expense	449	416	412
Net interest income	1,011	1,021	1,011
Provision (credit) for loan losses	1	(23)	140
Net interest income after provision (credit) for loan losses	1,010	1,044	871
Noninterest income	1,037	1,090	1,439
Noninterest expenses	1,436	1,471	1,425
Income before income tax expense	611	663	885
Income tax expense	193	14	4
Net income	418	649	881
Less: Net income (loss) attributable to noncontrolling interests	5	(7)	6
Net income attributable to MHFG shareholders	¥ 413	¥ 656	¥ 875

**Executive Summary***Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012*

Net interest income decreased by ¥10 billion, or 1.0%, from the previous fiscal year to ¥1,011 billion in the fiscal year ended March 31, 2013 due to a decrease in net domestic interest and dividend income of ¥44 billion, offset in part by an increase in net foreign interest and dividend income of ¥34 billion. The decrease in net domestic interest and dividend income was due mainly to a decrease in interest income from loans as a result of a decrease in the average yield, reflecting a decline in yen interest rate levels, as well as average balance, offset in part by a decrease in interest expense on domestic deposits as a result of a decrease in the average rate, also reflecting a decline in yen interest rate levels. The increase in net foreign interest and dividend income was due



**Table of Contents**

mainly to an increase in interest income from foreign loans as a result of an increase in the average balance, mainly in Asia and Oceania, offset in part by an increase in interest expense on foreign short-term borrowings as a result of increases in the average balance and the average rate. We had a provision for loan losses of ¥140 billion in the fiscal year ended March 31, 2013 compared to a credit for loan losses of ¥23 billion in the previous fiscal year. The change was due primarily to an increase in allowance for loan losses as a result of an increase in foreign impaired loans that required an allowance for loan losses and of increased estimated loss reflecting changes in business environment surrounding some domestic obligors, offset in part by the effects of the continuing gradual recovery of the Japanese economy.

Noninterest income increased by ¥349 billion, or 32.0%, from the previous fiscal year to ¥1,439 billion in the fiscal year ended March 31, 2013. The increase was due mainly to an increase in trading account gains net of ¥201 billion, investment gains net of ¥121 billion in the fiscal year ended March 31, 2013 compared to investment losses net of ¥33 billion in the previous fiscal year, an increase in other noninterest income of ¥41 billion and an increase in fees and commissions of ¥38 billion, offset in part by a decrease in foreign exchange gains net of ¥77 billion. The increase in trading account gains net was due mainly to an increase in trading account gains related to bonds reflecting a decline in yen interest rate levels, an increase in trading account gains related to domestic equity securities reflecting an upturn in domestic market conditions and gains recorded by consolidated VIEs as a result of an improvement in market conditions. The change in investment gains (losses) net was due mainly to investment gains related to equity securities recorded in the fiscal year ended March 31, 2013 compared to investment losses related to equity securities in the previous fiscal year and an increase in investment gains related to bonds. The increase in fees and commissions was due mainly to an increase in fees and commissions from securities-related business and an increase in fees and commissions from deposits, debentures and lending business. The decrease in foreign exchange gains net was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2013.

Noninterest expenses decreased by ¥46 billion, or 3.1%, from the previous fiscal year to ¥1,425 billion in the fiscal year ended March 31, 2013. The decrease was due mainly to a decrease in general and administrative expenses of ¥37 billion and a decrease in salaries and employee benefits of ¥15 billion. The decrease in general and administrative expenses was due mainly to our continuous group-wide cost reduction efforts. The decrease in salaries and employee benefits was due mainly to the effect of decreased employee retirement benefit expenses.

As a result of the foregoing, income before income tax expense increased by ¥222 billion, or 33.5%, from the previous fiscal year to ¥885 billion in the fiscal year ended March 31, 2013. Income tax expense decreased by ¥10 billion, or 71.4%, from the previous fiscal year to ¥4 billion in the fiscal year ended March 31, 2013 due mainly to a decrease in current income tax expense.

Net income increased by ¥232 billion, or 35.7%, from the previous fiscal year to ¥881 billion in the fiscal year ended March 31, 2013. Net income (loss) attributable to noncontrolling interests was an income of ¥6 billion compared to a loss of ¥7 billion in the previous fiscal year. As a result, net income attributable to MHFG shareholders increased by ¥219 billion, or 33.4%, from the previous fiscal year to ¥875 billion in the fiscal year ended March 31, 2013.

*Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

Net interest income increased by ¥10 billion, or 1.0%, from the previous fiscal year to ¥1,021 billion in the fiscal year ended March 31, 2012 due to an increase in net foreign interest and dividend income of ¥42 billion, offset in part by a decrease in net domestic interest and dividend income of ¥32 billion. The increase in net foreign interest and dividend income was due mainly to an increase in interest income from foreign loans as a result of an increase in the average balances, mainly in Asia, offset in part by an increase in interest expense on foreign deposits as a result of an increase in the average balances, which reflects issuances of certificates of deposit. The decrease in net domestic interest and dividend income was due mainly to a decrease in interest income from domestic loans as a result of the decrease in the average yield, which reflects a decline in yen



---

**Table of Contents**

interest rate levels, and the decrease in the average balance, offset in part by a decrease in interest expense on domestic deposits as a result of a decrease in average interest rates, which reflects a decline in yen interest rate levels. We had a credit for loan losses of ¥23 billion in the fiscal year ended March 31, 2012 compared to a provision of ¥1 billion in the previous fiscal year due primarily to upgrades in the obligor categories of a broad range of borrowers mainly through our credit management activities, including business revitalization support for borrowers, the effect of which was enhanced against a backdrop of the improving domestic economic environment.

Noninterest income increased by ¥53 billion, or 5.1%, from the previous fiscal year to ¥1,090 billion in the fiscal year ended March 31, 2012. The increase was due mainly to an increase in trading account gains net of ¥127 billion and an increase in foreign exchange gains net of ¥42 billion offset in part by investment losses net of ¥33 billion in the fiscal year ended March 31, 2012, compared to investment gains net of ¥70 billion in the previous fiscal year. The increase in trading account gains net was due mainly to an increase in gains related to changes in fair value of foreign currency-denominated available-for-sale securities for which the fair value option was elected. The increase in foreign exchange gains net was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2012. The change in investment gains (losses) net was due mainly to an increase in investment losses related to equity securities and a decrease in investment gains related to bonds. The increase in investment losses related to equity securities was due mainly to an increase in impairment losses on equity securities as a result of declines in market prices. The decrease in investment gains related to bonds was due mainly to a decrease in gains related to sales of long-term Japanese government bonds.

Noninterest expenses increased by ¥35 billion, or 2.4%, from the previous fiscal year to ¥1,471 billion in the fiscal year ended March 31, 2012. The increase was due mainly to an increase in salaries and employee benefits of ¥34 billion and an increase in other noninterest expenses of ¥15 billion, offset in part by a decrease in general and administrative expenses of ¥23 billion. The increase in salaries and employee benefits was due mainly to the effect of increased employee retirement benefit expenses. The increase in other noninterest expenses was due mainly to losses related to financial alternative dispute resolutions in relation to customer complaints arising from currency derivative transactions. The decrease in general and administrative expenses was due mainly to our efforts to enhance our cost efficiency through detailed reviews.

As a result of the foregoing, income before income tax expense (benefit) increased by ¥52 billion, or 8.5%, from the previous fiscal year to ¥663 billion in the fiscal year ended March 31, 2012. Income tax expense decreased by ¥179 billion, or 92.7%, from the previous fiscal year to ¥14 billion in the fiscal year ended March 31, 2012 due mainly to a decrease in deferred income tax expense.

Net income increased by ¥231 billion, or 55.3%, from the previous fiscal year to ¥649 billion in the fiscal year ended March 31, 2012. Income (loss) attributable to noncontrolling interests was a loss of ¥7 billion compared to an income of ¥5 billion in the previous fiscal year. As a result, net income attributable to MHFG shareholders increased by ¥243 billion, or 58.8%, from the previous fiscal year to ¥656 billion in the fiscal year ended March 31, 2012.

**Table of Contents****Net Interest Income**

The following table shows the average balance of interest-earning assets and interest-bearing liabilities, interest amounts and the average interest rates on such assets and liabilities for the fiscal years ended March 31, 2011, 2012 and 2013:

	Fiscal years ended March 31,								
	Average balance	2011 Interest amount	Interest rate	Average balance	2012 Interest amount	Interest rate	Average balance	2013 Interest amount	Interest rate
(in billions of yen, except percentages)									
<b>Domestic:</b>									
Interest-bearing deposits in other banks	¥ 371	¥ 1	0.27%	¥ 1,822	¥ 2	0.13%	¥ 3,096	¥ 3	0.10%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	6,264	10	0.16	6,122	11	0.17	6,676	11	0.17
Trading account assets	8,981	33	0.37	8,884	25	0.28	9,019	15	0.17
Investments	36,967	214	0.58	39,529	206	0.52	38,974	191	0.49
Loans	54,287	759	1.40	53,770	707	1.31	53,222	674	1.27
<b>Total interest-earning assets</b>	<b>106,870</b>	<b>1,017</b>	<b>0.95</b>	<b>110,127</b>	<b>951</b>	<b>0.86</b>	<b>110,987</b>	<b>894</b>	<b>0.81</b>
Deposits	68,060	86	0.13	68,474	64	0.09	70,281	57	0.08
Debentures	1,150	7	0.57	86	0	0.45			
Short-term borrowings <sup>(1)</sup>	22,270	37	0.17	25,591	43	0.17	26,540	42	0.16
Trading account liabilities	4,183	14	0.34	3,833	14	0.38	2,986	13	0.44
Long-term debt	8,129	186	2.29	8,172	175	2.13	8,184	171	2.09
<b>Total interest-bearing liabilities</b>	<b>103,792</b>	<b>330</b>	<b>0.32</b>	<b>106,156</b>	<b>296</b>	<b>0.28</b>	<b>107,991</b>	<b>283</b>	<b>0.26</b>
<b>Net</b>	<b>3,078</b>	<b>687</b>	<b>0.63</b>	<b>3,971</b>	<b>655</b>	<b>0.58</b>	<b>2,996</b>	<b>611</b>	<b>0.55</b>
<b>Foreign:</b>									
Interest-bearing deposits in other banks	1,643	8	0.46	3,509	17	0.46	3,600	15	0.42
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	8,772	44	0.50	9,082	35	0.39	10,226	51	0.50
Trading account assets	7,848	170	2.17	8,855	168	1.91	11,352	154	1.36
Investments	1,663	34	2.04	1,639	36	2.18	2,045	34	1.73
Loans	9,297	187	2.01	11,334	230	2.03	14,289	275	1.92
<b>Total interest-earning assets</b>	<b>29,223</b>	<b>443</b>	<b>1.51</b>	<b>34,419</b>	<b>486</b>	<b>1.41</b>	<b>41,512</b>	<b>529</b>	<b>1.28</b>
Deposits	8,048	48	0.60	9,878	67	0.68	11,700	67	0.58
Short-term borrowings <sup>(1)</sup>	12,312	49	0.40	13,248	34	0.25	16,653	49	0.29
Trading account liabilities	900	17	1.91	892	14	1.58	965	11	1.09
Long-term debt	482	5	0.95	650	5	0.84	733	2	0.40
<b>Total interest-bearing liabilities</b>	<b>21,742</b>	<b>119</b>	<b>0.55</b>	<b>24,668</b>	<b>120</b>	<b>0.49</b>	<b>30,051</b>	<b>129</b>	<b>0.43</b>

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Net	7,481	324	0.96	9,751	366	0.92	11,461	400	0.85
<b>Total:</b>									
Total interest-earning assets	136,093	1,460	1.07	144,546	1,437	0.99	152,499	1,423	0.93
Total interest-bearing liabilities	125,534	449	0.36	130,824	416	0.32	138,042	412	0.30
Net	¥ 10,559	¥ 1,011	0.71	¥ 13,722	¥ 1,021	0.67	¥ 14,457	¥ 1,011	0.63

Note:

- (1) Short-term borrowings consist of due to trust accounts, call money and funds purchased, payables under repurchase agreements and securities lending transactions, commercial paper and other short-term borrowings.

---

**Table of Contents***Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012*

Interest and dividend income decreased by ¥14 billion, or 1.0%, from the previous fiscal year to ¥1,423 billion in the fiscal year ended March 31, 2013. Domestic interest and dividend income accounted for ¥894 billion of the total amount, a decrease of ¥57 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥529 billion, an increase of ¥43 billion from the previous fiscal year.

The decrease in domestic interest and dividend income was due mainly to the decrease in interest income from domestic loans. The decrease in interest income from domestic loans was due mainly to the decrease in the average yield, reflecting a decline in yen interest rate levels, as well as the average balance. Changes in the average yields on domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥49 billion, and changes in the average balances of domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥8 billion, resulting in the ¥57 billion decrease in domestic interest and dividend income.

The increase in foreign interest and dividend income was due mainly to the increase in interest income from foreign loans. The increase in interest income from foreign loans was due mainly to an increase in the average balance, mainly in Asia and Oceania. Changes in the average yields on foreign interest-earning assets contributed to an overall decrease in interest and dividend income of ¥60 billion, and changes in the average balance of foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥103 billion, resulting in the ¥43 billion increase in foreign interest and dividend income.

Interest expense decreased by ¥4 billion, or 1.0%, from the previous fiscal year to ¥412 billion in the fiscal year ended March 31, 2013. Domestic interest expense accounted for ¥283 billion of the total amount, a decrease of ¥13 billion from the previous fiscal year, and foreign interest expense accounted for ¥129 billion of the total amount, an increase of ¥9 billion from the previous fiscal year.

The decrease in domestic interest expense was due mainly to a decrease in interest expense on domestic deposits. The decrease in interest expense on domestic deposits was due mainly to a decrease in the average interest rate, reflecting a decline in yen interest rate levels. The changes in the average interest rates on domestic interest-bearing liabilities contributed to substantially all of the overall decrease in interest expense of ¥13 billion.

The increase in foreign interest expense was due mainly to an increase in interest expense on foreign short-term borrowings. The increase in foreign interest expense on foreign short-term borrowings was due mainly to an increase in the average balance, primarily as a result of an increase in payables under repurchase agreements of our securities subsidiary in the United States as well as the average interest rate. The changes in the average interest rates on foreign interest-bearing liabilities contributed to an overall decrease in interest expense of ¥11 billion, and the changes in the average balance of foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥20 billion, resulting in the ¥9 billion increase in foreign interest expense.

As a result of the foregoing, net interest income decreased by ¥10 billion, or 1.0%, from the previous fiscal year to ¥1,011 billion. The average interest rate spread decreased by 0.04% to 0.63%, with the domestic average interest rate spread decreasing by 0.03% due to a decrease in the average yield on interest-earning assets, which more than offset the effect of a decrease in the average interest rate on interest-bearing liabilities, both of which reflect declining yen interest rate levels, and the foreign average interest rate spread decreasing by 0.07% due to the effect of the decrease in the average yield on interest-earning assets exceeding the effect of the decrease in the average interest rate on interest-bearing liabilities, both of which reflects declining euro interest rate levels.

*Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

Interest and dividend income decreased by ¥23 billion, or 1.6%, from the previous fiscal year to ¥1,437 billion in the fiscal year ended March 31, 2012. Domestic interest and dividend income accounted for

---

**Table of Contents**

¥951 billion of the total amount, a decrease of ¥66 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥486 billion, an increase of ¥43 billion from the previous fiscal year.

The decrease in domestic interest and dividend income was due mainly to the decrease in interest income from domestic loans. The decrease in interest income from domestic loans was due mainly to the decrease in the average yield, reflecting a decline in yen interest rate levels as well as the decrease in the average balance. Changes in the average yields on domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥74 billion, and changes in the average balances of domestic interest-earning assets contributed to an overall increase in interest and dividend income of ¥8 billion, resulting in the ¥66 billion decrease in domestic interest and dividend income.

The increase in foreign interest and dividend income was due mainly to the increase in interest from foreign loans. The increase in interest income from foreign loans was due mainly to an increase in the average balance, mainly in Asia. Changes in the average yields on foreign interest-earning assets contributed to an overall decrease in interest and dividend income of ¥26 billion, and changes in the average balances of foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥69 billion, resulting in the ¥43 billion increase in foreign interest and dividend income.

Interest expense decreased by ¥33 billion, or 7.3%, from the previous fiscal year to ¥416 billion in the fiscal year ended March 31, 2012. Domestic interest expense accounted for ¥296 billion of the total amount, a decrease of ¥34 billion from the previous fiscal year, and foreign interest expense accounted for ¥120 billion of the total amount, an increase of ¥1 billion from the previous fiscal year.

The decrease in domestic interest expense was due mainly to a decrease in interest expense on domestic deposits. The decrease in interest expense on domestic deposits was due to a decrease in the average interest rate, reflecting a decline in yen interest rate levels. The changes in the average interest rates on domestic interest-bearing liabilities contributed to an overall decrease in interest expense of ¥35 billion, and the changes in the average balances of domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥1 billion, resulting in the ¥34 billion decrease in domestic interest expense.

The increase in foreign interest expense was due mainly to increases in interest expense on foreign deposits offset in part by a decrease in interest expense on foreign short-term borrowings. The increase in foreign interest expense on foreign deposits was due mainly to an increase in the average balance, primarily as a result of issuances of certificates of deposits. The decrease in foreign interest expense on foreign short-term borrowings was due to a decrease in the average interest rate, reflecting the decline in U.S. dollar and euro interest rate levels. The changes in the average interest rates on foreign interest-bearing liabilities contributed to an overall decrease in interest expense of ¥15 billion, and the changes in the average balances of foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥16 billion, resulting in the ¥1 billion increase in foreign interest expense.

The decrease of 0.05% in the average yield on loans in the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011 was larger than the decrease of 0.01% in the average rate on interest-bearing deposits over the same period.

As a result of the foregoing, net interest income increased by ¥10 billion, or 1.0%, from the previous fiscal year to ¥1,021 billion. The average interest rate spread decreased by 0.04% to 0.67%, with the domestic average interest rate spread decreasing by 0.05% due mainly to a decrease in the average yield on loans, which more than offset the effect of a decrease in the average interest rate on deposits, both of which reflect declining yen interest rate levels, and the foreign average interest rate spread decreasing by 0.04% due mainly to the effect of the decrease in the average interest yield on interest-earning assets exceeding the effect of the decrease in the average rate on interest-bearing liabilities, both of which reflects declining U.S. dollar and euro interest rate levels.

**Table of Contents****Provision (Credit) for Loan Losses***Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012*

We had a provision for loan losses of ¥140 billion in the fiscal year ended March 31, 2013 compared to a credit for loan losses of ¥23 billion in the previous fiscal year. The change was due primarily to an increase in allowance for loan losses as a result of an increase in foreign impaired loans that required an allowance for loan losses and of increased estimated loss reflecting changes in business environment surrounding some domestic obligors, offset in part by the effects of the continuing gradual recovery of the Japanese economy.

*Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

We had a credit for loan losses of ¥23 billion in the fiscal year ended March 31, 2012 compared to a provision for loan losses of ¥1 billion in the previous fiscal year. The change was due primarily to upgrades in the obligor categories of a broad range of borrowers mainly through our credit management activities, including business revitalization support for borrowers, the effect of which was enhanced against a backdrop of the improving domestic economic environment as described in Overview Operating Environment, reflecting the continuing gradual recovery of the Japanese economy. See Financial Condition Assets Allowance for Loan Losses Provision for loan losses.

**Noninterest Income**

The following table shows a breakdown of noninterest income for the fiscal years ended March 31, 2011, 2012 and 2013:

	Fiscal years ended March 31,		
	2011	2012	2013
	(in billions of yen)		
Fees and commissions	¥ 582	¥ 575	¥ 613
Fees and commissions from securities-related business	126	116	133
Fees and commissions from deposits, debentures and lending business	95	98	114
Fees and commissions from remittance business	105	105	105
Trust fees	47	46	46
Fees for other customer services	209	210	215
Foreign exchange gains (losses) net	56	98	21
Trading account gains (losses) net	206	333	534
Investment gains (losses) net	70	(33)	121
Investment gains (losses) related to bonds	67	42	91
Investment gains (losses) related to equity securities	(12)	(65)	56
Others	15	(10)	(26)
Gains on disposal of premises and equipment	14	20	12
Other noninterest income	109	97	138
<b>Total noninterest income</b>	<b>¥ 1,037</b>	<b>¥ 1,090</b>	<b>¥ 1,439</b>

*Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012*

Noninterest income increased by ¥349 billion, or 32.0%, from the previous fiscal year to ¥1,439 billion in the fiscal year ended March 31, 2013. The increase was due mainly to an increase in trading account gains net of ¥201 billion, investment gains net of ¥121 billion in the fiscal year ended March 31, 2013 compared to investment losses net of ¥33 billion in the previous fiscal year, an increase in other noninterest income of ¥41 billion and an increase in fees and commissions of ¥38 billion, offset in part by a decrease in foreign exchange gains net of ¥77 billion.

---

**Table of Contents***Fees and commissions*

Fees and commissions increased by ¥38 billion, or 6.6%, from the previous fiscal year to ¥613 billion in the fiscal year ended March 31, 2013. The increase was due mainly to an increase in fees and commissions from securities-related business of ¥17 billion and an increase in fees and commissions from deposits, debentures and lending business of ¥16 billion. The increase in fees and commissions from securities-related business was due mainly to an increase in fees and commissions related to equity securities transactions, investment trust and individual annuities as a result of a recovery of the stock markets during the fiscal year ended March 31, 2013. The increase in fees and commissions from deposits, debentures and lending business was due mainly to an increase in fee income associated with domestic syndicated loans.

*Foreign exchange gains (losses) net*

Foreign exchange gains net decreased by ¥77 billion, or 78.6%, from the previous fiscal year to ¥21 billion in the fiscal year ended March 31, 2013. The decrease was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2013.

*Trading account gains (losses) net*

Trading account gains net increased by ¥201 billion, or 60.4%, from the previous fiscal year to ¥534 billion in the fiscal year ended March 31, 2013. The increase was due mainly to an increase in trading account gains earned by our securities subsidiary related to bonds reflecting a decline in yen interest rate levels and related to domestic equity securities reflecting an upturn in domestic market conditions, gains recorded by consolidated VIEs as a result of an improvement in market conditions and an increase in gains related to change in the fair value of derivative financial instruments used to hedge market risks that are not eligible for hedge accounting under U.S. GAAP, offset in part by a decrease in gains related to changes in the fair value of foreign currency-denominated available-for-sale securities for which the fair value option was elected. For further information on the fair value option, see note 27 to our consolidated financial statements included elsewhere in this annual report.

*Investment gains (losses) net*

Investment gains (losses) net was a gain of ¥121 billion in the fiscal year ended March 31, 2013 compared to a loss of ¥33 billion in the previous fiscal year. The change was due mainly to investment gains related to equity securities of ¥56 billion recorded in the fiscal year ended March 31, 2013 compared to investment losses related to equity securities of ¥65 billion in the previous fiscal year and an increase in investment gains related to bonds of ¥49 billion from the previous fiscal year to ¥91 billion in the fiscal year ended March 31, 2013. The change in investment gains (losses) related to equity securities was due mainly to an increase in gains on sale of equity securities as a result of an upturn in domestic stock market conditions. The increase in investment gains related to bonds was due mainly to an increase in gains related to sales of Japanese government bonds as a result of declining yen interest rates. For further information, see note 3 to our consolidated financial statements included elsewhere in this annual report.

*Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

Noninterest income increased by ¥53 billion, or 5.1%, from the previous fiscal year to ¥1,090 billion in the fiscal year ended March 31, 2012. The increase was due mainly to an increase in trading account gains net of ¥127 billion and an increase in foreign exchange gains net of ¥42 billion, offset in part by investment losses net of ¥33 billion in the fiscal year ended March 31, 2012, compared to investment gains net of ¥70 billion in the previous fiscal year.

*Foreign exchange gains (losses) net*

Foreign exchange gains net increased by ¥42 billion, or 75.0%, from the previous fiscal year to ¥98 billion in the fiscal year ended March 31, 2012. The increase was due mainly to fluctuations in foreign exchange rates in the fiscal year ended March 31, 2012.

**Table of Contents***Trading account gains (losses) net*

Trading account gains net increased by ¥127 billion, or 61.7%, from the previous fiscal year to ¥333 billion in the fiscal year ended March 31, 2012. The increase was due mainly to an increase in gains related to changes in the fair value of foreign currency-denominated available-for-sale securities for which the fair value option was elected. For further information on the fair value option, see note 27 to our consolidated financial statements included elsewhere in this annual report.

*Investment gains (losses) net*

Investment gains (losses) net was a loss of ¥33 billion in the fiscal year ended March 31, 2012 compared to a gain of ¥70 billion in the previous fiscal year. The change was due mainly to an increase in investment losses related to equity securities of ¥53 billion from the previous fiscal year to ¥65 billion in the fiscal year ended March 31, 2012 and a decrease in investment gains related to bonds of ¥25 billion from the previous fiscal year to ¥42 billion in the fiscal year ended March 31, 2012. The increase in investment losses related to equity securities was due mainly to an increase in impairment losses on equity securities as a result of declines in stock market prices in the fiscal year ended March 31, 2012. The decrease in investment gains related to bonds was due mainly to a decrease in gains related to sales of long-term Japanese government bonds. For further information, see note 3 to our consolidated financial statements included elsewhere in this annual report.

**Noninterest Expenses**

The following table shows a breakdown of noninterest expenses for the fiscal years ended March 31, 2011, 2012 and 2013:

	Fiscal years ended March 31,		
	2011	2012	2013
	(in billions of yen)		
Salaries and employee benefits	¥ 553	¥ 587	¥ 572
General and administrative expenses	500	477	440
Impairment of goodwill	9	6	
Occupancy expenses	170	175	172
Fees and commission expenses	96	108	109
Provision (credit) for losses on off-balance-sheet instruments	4	(1)	5
Other noninterest expenses	104	119	127
Total noninterest expenses	¥ 1,436	¥ 1,471	¥ 1,425

*Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012*

Noninterest expenses decreased by ¥46 billion, or 3.1%, from the previous fiscal year to ¥1,425 billion in the fiscal year ended March 31, 2013. The decrease was due mainly to a decrease in general and administrative expenses of ¥37 billion and a decrease in salaries and employee benefits of ¥15 billion. The decrease in general and administrative expenses was due mainly to our continuous group-wide cost reduction efforts. The decrease in salaries and employee benefits was due mainly to the effect of decreased employee retirement benefit expenses.

*Salaries and employee benefits*

Salaries and employee benefits decreased by ¥15 billion, or 2.6%, from the previous fiscal year to ¥572 billion in the fiscal year ended March 31, 2013 due mainly to the effect of decreased employee retirement benefit expenses as a result of a decrease in the amortization of net actuarial loss, which primarily reflects past recoveries of the value of plan assets, an increase in expected return on plan assets, which reflects various aspects



---

**Table of Contents**

of long-term prospects for the economy, historical performance of investments of plan assets and the market environment, including stock market conditions, at the beginning of the fiscal year, and the absence of a premium allowance for a voluntary early retirement program of a securities subsidiary incurred in the previous fiscal year. Additional information regarding pension and other employee benefit plans is included in note 19 to our consolidated financial statements included elsewhere in this annual report.

*General and administrative expenses*

General and administrative expenses decreased by ¥37 billion, or 7.8%, from the previous fiscal year to ¥440 billion in the fiscal year ended March 31, 2013. The decrease was due mainly to our continuous group-wide cost reduction efforts.

*Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

Noninterest expenses increased by ¥35 billion, or 2.4%, from the previous fiscal year to ¥1,471 billion in the fiscal year ended March 31, 2012. The increase was due mainly to an increase in salaries and employee benefits of ¥34 billion and an increase in other noninterest expenses of ¥15 billion, offset in part by a decrease in general and administrative expenses of ¥23 billion. The increase in salaries and employee benefits was due mainly to the effect of increased employee retirement benefit expenses. The increase in other noninterest expenses was due mainly to losses incurred by Pre-Merger Mizuho Bank related to financial alternative dispute resolutions in relation to customer complaints arising from currency derivative transactions. The decrease in general and administrative expenses was due mainly to our efforts to enhance our cost efficiency through detailed reviews.

*Salaries and employee benefits*

Salaries and employee benefits increased by ¥34 billion, or 6.1%, from the previous fiscal year to ¥587 billion in the fiscal year ended March 31, 2012 due mainly to the effect of increased employee retirement benefit expenses as a result of a decline in expected return on plan assets, which reflects various aspects of long-term prospects for the economy, historical performance of investments of plan assets and the market environment, including stock market conditions, at the beginning of the fiscal year, an increase in the amortization of net actuarial loss, which primarily reflects past declines in the value of plan assets, and a premium allowance for a voluntary early retirement program of a securities subsidiary. Additional information regarding pension and other employee benefit plans is included in note 19 to our consolidated financial statements included elsewhere in this annual report.

*General and administrative expenses*

General and administrative expenses decreased by ¥23 billion, or 4.6%, from the previous fiscal year to ¥477 billion in the fiscal year ended March 31, 2012. The decrease was due mainly to our efforts to enhance our cost efficiency through detailed reviews, especially outsourcing costs.

*Other noninterest expenses*

Other noninterest expenses increased by ¥15 billion, or 14.4%, from the previous fiscal year to ¥119 billion in the fiscal year ended March 31, 2012. The increase was due mainly to losses incurred by Mizuho Bank related to financial alternative dispute resolutions in relation to customer complaints arising from currency derivative transactions.

**Table of Contents****Income Tax Expense**

The following table shows the components of income tax expense (benefit) for the fiscal years ended March 31, 2011, 2012 and 2013:

	Fiscal years ended March 31,		
	2011	2012	2013
	(in billions of yen)		
<b>Current:</b>			
Domestic	¥ 7	¥ 22	¥ 37
Foreign	11	33	11
Total current tax expense	18	55	48
<b>Deferred:</b>			
Domestic	175	(37)	(40)
Foreign	0	(4)	(4)
Total deferred tax expense (benefit)	175	(41)	(44)
<b>Total income tax expense</b>	<b>¥ 193</b>	<b>¥ 14</b>	<b>¥ 4</b>

*Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012*

Income tax expense decreased by ¥10 billion, or 71.4%, from the previous fiscal year to ¥4 billion in the fiscal year ended March 31, 2013, due mainly to a decrease in current income tax expense.

*Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

Income tax expense decreased by ¥179 billion, or 92.7%, from the previous fiscal year to ¥14 billion in the fiscal year ended March 31, 2012 due mainly to a decrease in deferred income tax expense.

Deferred income tax expense (benefit) was a benefit of ¥41 billion in the fiscal year ended March 31, 2012 compared to an expense of ¥175 billion in the previous fiscal year. The benefit was the result of an increase in deferred tax assets, net of valuation allowance, reflecting an increase in our estimation of future taxable income offset in part by the reduction of the effective statutory tax rate as a result of Japanese tax reforms.

**Table of Contents**

The following table shows components of deferred tax assets as of March 31, 2011, 2012 and 2013:

	2011	As of March 31, 2012 (in billions of yen)	2013
Deferred tax assets:			
Investments	¥ 1,097	¥ 1,064	¥ 889
Allowance for loan losses	417	333	337
Trading account assets	92	59	
Prepaid pension cost and accrued pension liabilities	72	12	
Financial Stabilization Funds	12		
Premises and equipment	7		
Undistributed earning of subsidiaries		1	
Net operating loss carryforwards	1,790	1,476	450
Other	302	282	265
Gross deferred tax assets	3,789	3,227	1,941
Valuation allowance	(2,478)	(1,952)	(585)
Deferred tax assets, net of valuation allowance	1,311	1,275	1,356
Deferred tax liabilities:			
Available-for-sale securities	355	369	568
Prepaid pension cost and accrued pension liabilities			40
Derivative financial instruments	32	28	35
Premises and equipment		4	12
Trading account assets			11
Undistributed earnings of subsidiaries	6		11
Other	76	53	52
Gross deferred tax liabilities	469	454	729
Net deferred tax assets	¥ 842	¥ 821	¥ 627

***Net Income (Loss) Attributable to Noncontrolling Interests******Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012***

Net income (loss) attributable to noncontrolling interests was an income of ¥6 billion in the fiscal year ended March 31, 2013 compared to a loss of ¥7 billion in the previous fiscal year due mainly to the allocation of income recorded by our securities subsidiaries in the fiscal year ended March 31, 2013 compared to the allocation of losses incurred by our securities subsidiaries in the previous fiscal year.

***Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011***

Net income (loss) attributable to noncontrolling interests was a loss of ¥7 billion in the fiscal year ended March 31, 2012 compared to an income of ¥5 billion in the previous fiscal year due mainly to an increase in the allocation of losses incurred by our securities subsidiaries in the fiscal year ended March 31, 2012.

***Net Income Attributable to MHFG Shareholders******Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012***

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥219 billion, or 33.4%, from the previous fiscal year to ¥875 billion in the fiscal year ended March 31, 2013.

### *Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

As a result of the foregoing, net income attributable to MHFG shareholders increased by ¥243 billion, or 58.8%, from the previous fiscal year to ¥656 billion in the fiscal year ended March 31, 2012.

## **Table of Contents**

### **Business Segments Analysis**

Our operating segments are based on the nature of the products and services provided, the type of customer and our management organization. The business segment information set forth below is derived from the internal management reporting systems used by management to measure the performance of our business segments. We measure the performance of each of our operating segments primarily in terms of net business profits in accordance with internal managerial accounting rules and practices. Net business profits is used in Japan as a measure of the profitability of core banking operations and is defined as gross profits (or the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income) less general and administrative expenses (excluding non-recurring losses). Measurement by net business profits is required for regulatory reporting to the Financial Services Agency. Therefore, the format and information are presented primarily on the basis of Japanese GAAP and are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation of total net business profits with income before income tax expense under U.S. GAAP is provided in note 29 to our consolidated financial statements included elsewhere in this annual report.

As of the balance sheet date, we managed our business portfolio through three Global Groups: the Global Corporate Group; the Global Retail Group; and the Global Asset & Wealth Management Group. The Global Corporate Group consisted primarily of Mizuho Corporate Bank, the Global Retail Group consisted primarily of Pre-Merger Mizuho Bank, and the Global Asset & Wealth Management Group consisted primarily of Mizuho Trust & Banking. The former Mizuho Securities and the former Mizuho Investors Securities which had belonged to the Global Corporate Group and the Global Retail Group respectively, merged in January, 2013 and were launched as the new Mizuho Securities. The new Mizuho Securities belonged to both of the Global Corporate Group and the Global Retail Group.

Operating segments of Mizuho Corporate Bank and Pre-Merger Mizuho Bank were aggregated within each entity based on customer characteristics and functions. Operating segments of Mizuho Corporate Bank were aggregated into three reportable segments, domestic, international, and trading and others. Operating segments of Pre-Merger Mizuho Bank were also aggregated into three reportable segments, retail banking, corporate banking, and trading and others. In addition to the three Global Groups, subsidiaries that provided services to a wide range of customers and that did not belong to a specific Global Group were aggregated in Others.

Beginning on April 1, 2012, with the implementation of the substantive one bank structure, in addition to managing our business portfolio through the three Global Groups as described above, we have also begun managing Pre-Merger Mizuho Bank and Mizuho Corporate Bank as one entity substantively with four reportable segments: retail banking; corporate banking; international; and trading and others.

Beginning on April 1, 2013, we moved to a new group operational structure and established ten business units such as personal banking unit, retail banking unit, corporate banking unit etc., and head-office coordination divisions to determine strategies and initiatives across the group-wide banking, trust banking, securities and other business areas, based on the ten business units across Pre-Merger Mizuho Bank and Mizuho Corporate Bank under the substantive one bank structure, and the existing three global groups were abolished. The following discussion is based on the three Global Groups we had until the fiscal year ended March 31, 2013.

### ***The Global Corporate Group***

#### ***Mizuho Corporate Bank***

Mizuho Corporate Bank was the main operating company of the Global Corporate Group and provided banking and other financial services to large corporations, financial institutions, public sector entities, foreign corporations, including foreign subsidiaries of Japanese corporations, and foreign governmental entities.

## **Table of Contents**

### *Domestic*

This segment provided a variety of financial products and services to large corporations, financial institutions and public sector entities in Japan. The products and services it offered included commercial banking, advisory services, syndicated loan arrangements and structured finance.

### *International*

This segment mainly offered commercial banking and foreign exchange transaction services to foreign corporations, including foreign subsidiaries of Japanese corporations, through Mizuho Corporate Bank's overseas network.

### *Trading and others*

This segment supported the domestic and international segments in offering derivatives and other risk hedging products to satisfy Mizuho Corporate Bank's customers' financial and business risk control requirements. It was also engaged in Mizuho Corporate Bank's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also included costs incurred by headquarters functions of Mizuho Corporate Bank.

### *Mizuho Securities*

The former Mizuho Securities and the former Mizuho Investors Securities merged to form the new Mizuho Securities in January, 2013. The new Mizuho Securities belonged to both of the Global Corporate Group and the Global Retail Group and provided full-line securities services to corporations, financial institutions, public sector entities and individuals.

### *Others*

This segment consisted of Mizuho Corporate Bank's subsidiaries and affiliates other than Mizuho Securities, but included Mizuho Securities subsidiaries. These entities offered financial products and services in specific areas of business or countries mainly to customers of the Global Corporate Group. This segment also included elimination of transactions between companies within the Global Corporate Group.

## ***The Global Retail Group***

### *Pre-Merger Mizuho Bank*

Pre-Merger Mizuho Bank was the main operating company of the Global Retail Group. Pre-Merger Mizuho Bank provided banking and other financial services mainly to individuals, SMEs through its domestic branches and ATM network.

### *Retail banking*

This segment offered banking products and services, including housing and other personal loans, credit cards, deposits, investment products and consulting services, to Pre-Merger Mizuho Bank's individual customers through its nationwide branches and ATM network, as well as telephone and Internet banking services.

### *Corporate banking*

This segment provided loans, syndicated loan arrangements, structured finance, advisory services, other banking services and capital markets financing to SMEs, local governmental entities and other public sector entities in Japan.

## **Table of Contents**

### *Trading and others*

This segment supported the retail banking and corporate banking segments in offering derivatives and other risk hedging products to satisfy Pre-Merger Mizuho Bank's customers' financial and business risk control requirements. It was also engaged in Pre-Merger Mizuho Bank's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also included costs incurred by headquarters functions of Pre-Merger Mizuho Bank.

### *The former Mizuho Investors Securities*

The former Mizuho Investors Securities merged with the former Mizuho Securities to form the new Mizuho Securities in January, 2013. The former Mizuho Investors Securities offered securities services to individuals and corporate customers of the Global Retail Group and provided those corporate customers with support in procuring funds through capital markets.

### *Others*

This segment consisted of Pre-Merger Mizuho Bank's subsidiaries and affiliates other than the former Mizuho Investors Securities. These entities such as Mizuho Capital and Mizuho Business Financial Center offered financial products and services in specific areas of business to customers of the Global Retail Group. This segment also included elimination of transactions between companies within the Global Retail Group.

## ***The Global Asset & Wealth Management Group***

### *Mizuho Trust & Banking*

Mizuho Trust & Banking was the main operating company of the Global Asset & Wealth Management Group and offered products and services related to trust, real estate, securitization and structured finance, pension and asset management and stock transfer agency.

### *Others*

This segment included companies other than Mizuho Trust & Banking that were a part of the Global Asset & Wealth Management Group. These companies included Trust & Custody Services Bank, Mizuho Asset Management, DIAM, which was an equity-method affiliate, and Mizuho Private Wealth Management. They offered products and services related to trust and custody, asset management and private banking. This segment also included elimination of transactions between companies within the Global Asset & Wealth Management Group.

### *Others*

This segment consisted of Mizuho Financial Group and its subsidiaries that did not belong to a specific Global Group but provided their services to a wide range of customers. Under this segment, we offered non-banking services, including research and consulting services through Mizuho Research Institute, information technology-related services through Mizuho Information & Research Institute and advisory services to financial institutions through Mizuho Financial Strategy. This segment also included elimination of transactions between the Global Groups.

The information below for reportable segments is derived from our internal management reporting system as of March 31, 2013.

**Table of Contents****Results of Operations by Business Segment***Consolidated Results of Operations*

Consolidated gross profits for the fiscal year ended March 31, 2013 were ¥2,171.7 billion, an increase of ¥168.6 billion compared to the fiscal year ended March 31, 2012. Consolidated general and administrative expenses (excluding non-recurring losses) for the fiscal year ended March 31, 2013 were ¥1,171.0 billion, a decrease of ¥35.3 billion compared to the fiscal year ended March 31, 2012. Consolidated net business profits for the fiscal year ended March 31, 2013 were ¥912.2 billion, an increase of ¥193.1 billion compared to the fiscal year ended March 31, 2012.

*Global Corporate Group Financial Results*

The following table shows gross profits, general and administrative expenses (excluding non-recurring losses) and net business profits for the Global Corporate Group for the fiscal years ended March 31, 2011, 2012 and 2013:

	Mizuho Corporate Bank					Mizuho Securities <sup>(1)</sup>	Others	Total Global Corporate Group
	Domestic	International	Trading and others	Subtotal	(in billions of yen)			
<b>Fiscal year ended March 31, 2011:</b>								
Gross profits:								
Net interest income (expenses)	¥ 176.0	¥ 86.3	¥ 133.5	¥ 395.8	¥ (9.2)	¥ 70.4	¥ 457.0	
Net noninterest income	115.2	56.9	110.4	282.5	158.9	42.1	483.5	
Total	291.2	143.2	243.9	678.3	149.7	112.5	940.5	
General and administrative expenses	88.8	62.1	84.1	235.0	160.9	75.4	471.3	
Others						(56.7)	(56.7)	
Net business profits (losses)	¥ 202.4	¥ 81.1	¥ 159.8	¥ 443.3	¥ (11.2)	¥ (19.6)	¥ 412.5	
<b>Fiscal year ended March 31, 2012<sup>(2)</sup>:</b>								
Gross profits:								
Net interest income (expenses)	¥ 171.4	¥ 90.3	¥ 133.3	¥ 395.0	¥ (4.1)	¥ 77.4	¥ 468.3	
Net noninterest income	131.3	86.9	68.6	286.8	120.5	42.1	449.4	
Total	302.7	177.2	201.9	681.8	116.4	119.5	917.7	
General and administrative expenses	88.5	60.3	96.1	244.9	144.8	75.7	465.4	
Others						(52.1)	(52.1)	
Net business profits (losses)	¥ 214.2	¥ 116.9	¥ 105.8	¥ 436.9	¥ (28.4)	¥ (8.3)	¥ 400.2	
<b>Fiscal year ended March 31, 2013<sup>(2)</sup>:</b>								
Gross profits:								
Net interest income (expenses)	¥ 157.0	¥ 109.6	¥ 135.1	¥ 401.7	¥ (4.9)	¥ 89.3	¥ 486.1	
Net noninterest income	141.1	104.7	87.6	333.4	184.2	55.2	572.8	
Total	298.1	214.3	222.7	735.1	179.3	144.5	1,058.9	
General and administrative expenses	80.0	61.5	99.6	241.1	142.8	88.0	471.9	
Others						(50.0)	(50.0)	
Net business profits	¥ 218.1	¥ 152.8	¥ 123.1	¥ 494.0	¥ 36.5	¥ 6.5	¥ 537.0	



Notes:

- (1) As for the fiscal year ended March 31, 2013, following the merger of the former Mizuho Securities and the former Mizuho Investors Securities conducted in January 2013, Mizuho Securities reports the sum of the performance of the former Mizuho Securities for the first three quarters and the new Mizuho Securities for the fourth quarter.

**Table of Contents**

- (2) Beginning the fiscal year ended March 31, 2013, with the implementation of the substantive one bank structure, new allocation methods among segments within Mizuho Corporate Bank have been applied to the calculation of the respective Gross profits and General and administrative expenses. Figures for the fiscal year ended March 31, 2012 have been reclassified under the new allocation methods. Figures for the fiscal year ended March 31, 2012 prior to such change are as set forth in the table below. The narrative analysis under the heading Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011 below is based on figures prior to such change.

	Mizuho Corporate Bank						Total Global Corporate Group
	Domestic	International	Trading and others	Subtotal	Mizuho Securities	Others	
(in billions of yen)							
<b>Fiscal year ended March 31, 2012:</b>							
Gross profits:							
Net interest income (expenses)	¥ 166.6	¥ 96.8	¥ 131.6	¥ 395.0	¥ (4.1)	¥ 77.4	¥ 468.3
Net noninterest income	119.8	61.6	105.4	286.8	120.5	42.1	449.4
<b>Total</b>	<b>286.4</b>	<b>158.4</b>	<b>237.0</b>	<b>681.8</b>	<b>116.4</b>	<b>119.5</b>	<b>917.7</b>
General and administrative expenses	89.8	62.0	93.1	244.9	144.8	75.7	465.4
Others						(52.1)	(52.1)
Net business profits (losses)	¥ 196.6	¥ 96.4	¥ 143.9	¥ 436.9	¥ (28.4)	¥ (8.3)	¥ 400.2

*Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012*

Gross profits for Mizuho Corporate Bank for the fiscal year ended March 31, 2013 were ¥735.1 billion, an increase of ¥53.3 billion, or 7.8%, compared to the fiscal year ended March 31, 2012. The increase was due mainly to an increase in gross business profits of ¥37.1 billion from international operations as a result mainly of an increase in both net interest income and net noninterest income. The increase in income was particularly significant in Asia. Gross profits from trading and others also increased by ¥20.8 billion as a result of flexible and timely asset-and-liability management operations that appropriately captured interest rate movements in domestic and overseas financial markets. These increases were offset in part by a decrease of ¥4.6 billion in domestic operations due to a decrease in deposit income as a result of a decline in market interest rates, although this decrease was offset in part by an increase in noninterest income such as fees associated with solutions business.

General and administrative expenses of Mizuho Corporate Bank for the fiscal year ended March 31, 2013 were ¥241.1 billion, a decrease of ¥3.8 billion, or 1.6%, due mainly to our group-wide cost reduction efforts that offset in part strategic investments such as expenses related to overseas business.

Net business profits for Mizuho Securities for the fiscal year ended March 31, 2013 were ¥36.5 billion compared to net business losses incurred in the fiscal year ended March 31, 2012. The increase was due mainly to an increase in income as a result of the merger with the former Mizuho Investors Securities conducted in January 2013, an increase in fees and commissions income attributable to brokerage activities backed up by the recovery in the stock markets in the second half of the fiscal year and an increase in trading income related to stocks and bonds. In addition, the increase in net business profits was due in part to a decrease of general and administrative expenses in spite of the merger, through companywide cost reduction efforts, including personnel downsizing.

As a result mainly of the foregoing, net business profits for the Global Corporate Group for the fiscal year ended March 31, 2013 increased by ¥136.8 billion, or 34.2%, compared to the fiscal year ended March 31, 2012 to ¥537.0 billion.

**Table of Contents**

*Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011*

Gross profits for Mizuho Corporate Bank for the fiscal year ended March 31, 2012 were ¥681.8 billion, an increase of ¥3.5 billion, or 0.5%, compared to the fiscal year ended March 31, 2011. The increase was due mainly to an increase in gross profits of ¥15.2 billion from international operations as a result mainly of an increase in income in Asian countries. This increase was offset in part by a decrease of ¥6.9 billion in gross profits from trading and others due to the significant profits from banking operations we recorded in the fiscal year ended March 31, 2011, despite the relatively robust profits in the fiscal year ended March 31, 2012 as a result of flexible and timely asset-and-liability management operations that appropriately captured interest rate movements in domestic and overseas financial markets. The increase in gross profits for Mizuho Corporate Bank was also offset by a decrease of ¥4.8 billion in domestic operations due to a decrease in interest income, which was offset in part by an increase in domestic noninterest income such as fees associated with solutions business.

General and administrative expenses of Mizuho Corporate Bank for the fiscal year ended March 31, 2012 were ¥244.9 billion, an increase of ¥9.9 billion, or 4.2%, due to an increase in expenses related to employee retirement benefits and expansion of overseas business.

As a result, net business profits of Mizuho Corporate Bank for the fiscal year ended March 31, 2012 were ¥436.9 billion, a decrease of ¥6.4 billion, or 1.4%, compared to the fiscal year ended March 31, 2011.

Mizuho Securities recorded net business losses of ¥28.4 billion for the fiscal year ended March 31, 2012, an increase of ¥17.2 billion compared to the fiscal year ended March 31, 2011 due mainly to a decrease in commission income as well as in net profits from trading under a severe environment resulting from factors including sluggish equity markets.

As a result mainly of the foregoing, net business profits for the Global Corporate Group for the fiscal year ended March 31, 2012 decreased by ¥12.3 billion, or 3.0%, compared to the fiscal year ended March 31, 2011 to ¥400.2 billion.

**Table of Contents***Global Retail Group Financial Results*

The following table shows gross profits, general and administrative expenses (excluding non-recurring losses) and net business profits for the Global Retail Group for the fiscal years ended March 31, 2011, 2012 and 2013:

	Pre-Merger Mizuho Bank				The former Mizuho Investors Securities <sup>(1)</sup>	Others	Total Global Retail Group
	Retail Banking	Corporate Banking	Trading and others	Subtotal			
<b>Fiscal year ended March 31, 2011:</b>							
Gross profits:							
Net interest income	¥ 248.2	¥ 266.9	¥ 56.7	¥ 571.8	¥ 0.6	¥ 42.1	¥ 614.5
Net noninterest income	34.6	124.9	78.0	237.5	49.8	7.5	294.8
<b>Total</b>	<b>282.8</b>	<b>391.8</b>	<b>134.7</b>	<b>809.3</b>	<b>50.4</b>	<b>49.6</b>	<b>909.3</b>
General and administrative expenses	237.7	223.7	93.4	554.8	41.0	9.5	605.3
Others						(15.9)	(15.9)
Net business profits	¥ 45.1	¥ 168.1	¥ 41.3	¥ 254.5	¥ 9.4	¥ 24.2	¥ 288.1
<b>Fiscal year ended March 31, 2012<sup>(2)</sup>:</b>							
Gross profits:							
Net interest income	¥ 224.3	¥ 253.7	¥ 67.4	¥ 545.4	¥ 0.7	¥ 37.8	¥ 583.9
Net noninterest income	32.1	136.8	84.4	253.3	43.9	8.6	305.8
<b>Total</b>	<b>256.4</b>	<b>390.5</b>	<b>151.8</b>	<b>798.7</b>	<b>44.6</b>	<b>46.4</b>	<b>889.7</b>
General and administrative expenses	218.6	227.6	110.2	556.4	40.9	11.2	608.5
Others						(14.0)	(14.0)
Net business profits	¥ 37.8	¥ 162.9	¥ 41.6	¥ 242.3	¥ 3.7	¥ 21.2	¥ 267.2
<b>Fiscal year ended March 31, 2013<sup>(2)</sup>:</b>							
Gross profits:							
Net interest income	¥ 210.6	¥ 234.3	¥ 68.9	¥ 513.8	¥ 0.4	¥ 36.4	¥ 550.6
Net noninterest income	37.4	162.0	114.3	313.7	35.1	11.5	360.3
<b>Total</b>	<b>248.0</b>	<b>396.3</b>	<b>183.2</b>	<b>827.5</b>	<b>35.5</b>	<b>47.9</b>	<b>910.9</b>
General and administrative expenses	209.3	216.7	98.4	524.4	30.7	13.1	568.2
Others						(7.4)	(7.4)
Net business profits	¥ 38.7	¥ 179.6	¥ 84.8	¥ 303.1	¥ 4.8	¥ 27.4	¥ 335.3

## Notes:

- (1) As for the fiscal year ended March 31, 2013, following the merger of the former Mizuho Securities and the former Mizuho Investors Securities conducted in January 2013, The former Mizuho Investors Securities reports the performance of the former Mizuho Investors Securities for the first three quarters.



**Table of Contents**

- (2) Beginning the fiscal year ended March 31, 2013, with the implementation of the substantive one bank structure, new allocation methods among segments within Pre-Merger Mizuho Bank have been applied to the calculation of the respective Gross profits and General and administrative expenses. Figures for the fiscal year ended March 31, 2012 have been reclassified under the new allocation methods. Figures for the fiscal year ended March 31, 2012 prior to such change are as set forth in the table below. The narrative analysis under the heading Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011 below is based on figures prior to such change.

	Pre-Merger Mizuho Bank				The former Mizuho Investors Securities	Others	Total Global Retail Group
	Retail Banking	Corporate Banking	Trading and others	Subtotal (in billions of yen)			
<b>Fiscal year ended March 31, 2012:</b>							
Gross profits:							
Net interest income	¥ 239.2	¥ 254.6	¥ 51.6	¥ 545.4	¥ 0.7	¥ 37.8	¥ 583.9
Net noninterest income	39.7	121.6	92.0	253.3	43.9	8.6	305.8
<b>Total</b>	<b>278.9</b>	<b>376.2</b>	<b>143.6</b>	<b>798.7</b>	<b>44.6</b>	<b>46.4</b>	<b>889.7</b>
General and administrative expenses	243.0	221.7	91.7	556.4	40.9	11.2	608.5
Others						(14.0)	(14.0)
<b>Net business profits</b>	<b>¥ 35.9</b>	<b>¥ 154.5</b>	<b>¥ 51.9</b>	<b>¥ 242.3</b>	<b>¥ 3.7</b>	<b>¥ 21.2</b>	<b>¥ 267.2</b>

*Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012*

Gross profits for Pre-Merger Mizuho Bank for the fiscal year ended March 31, 2013 increased by ¥28.8 billion, or 3.6%, from the fiscal year ended March 31, 2012 to ¥827.5 billion. The increase was due mainly to an increase in gross profits of ¥31.4 billion from trading and others as a result of flexible and timely asset-and-liability management operations that appropriately captured interest rate movements in domestic and overseas financial markets. Gross profits from corporate banking also increased by ¥5.8 billion, reflecting an increase in net noninterest income such as fees related to our solutions business, which was offset in part by declines in loan and deposit income. These increases were offset in part by a decrease of ¥8.4 billion in retail banking which was due mainly to a decline in deposit income as a result of a decline in market interest rates, which was offset in part by an increase in net noninterest income such as investment trust-related fees and commissions reflecting the improved market environment in the second half of the fiscal year.

General and administrative expenses for Pre-Merger Mizuho Bank for the fiscal year ended March 31, 2013 decreased by ¥32.0 billion, or 5.8%, compared to the fiscal year ended March 31, 2012 to ¥524.4 billion due to our group-wide cost reduction efforts.

As a result, net business profits of Pre-Merger Mizuho Bank for the fiscal year ended March 31, 2013 were ¥303.1 billion, an increase of ¥60.8 billion, or 25.1%, compared to the fiscal year ended March 31, 2012.

Net business profits for the Global Retail Group for the fiscal year ended March 31, 2013 increased by ¥68.1 billion, or 25.5%, compared to the fiscal year ended March 31, 2012 to ¥335.3 billion.

*Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011*

Gross profits for Pre-Merger Mizuho Bank for the fiscal year ended March 31, 2012 decreased by ¥10.6 billion, or 1.3%, from the fiscal year ended March 31, 2011 to ¥798.7 billion. The decrease was due mainly to a decrease in gross profits of ¥15.6 billion from corporate banking, reflecting decreases in net interest income due mainly to a decline in the average loan interest rate spread. Gross profits from retail banking also decreased by ¥3.9 billion, reflecting a decrease in deposit income as a result of a decline in market interest rates, offset in part

**Table of Contents**

by an increase in noninterest income as a result of an increase in fees in connection with investment trusts and individual annuities. The decrease was offset in part by an increase of ¥8.9 billion in gross profits from trading and others as a result of flexible and timely asset-and-liability management operations that appropriately captured interest rate movements in domestic and overseas financial markets.

General and administrative expenses for Pre-Merger Mizuho Bank increased by ¥1.6 billion, or 0.3%, compared to the fiscal year ended March 31, 2011 to ¥556.4 billion due to an increase in expenses related to employee retirement benefits offset in part by our group-wide cost reduction efforts.

As a result, net business profits of Pre-Merger Mizuho Bank for the fiscal year ended March 31, 2012 were ¥242.3 billion, a decrease of ¥12.2 billion, or 4.8%, compared to the fiscal year ended March 31, 2011.

The former Mizuho Investors Securities recorded net business profits of ¥3.7 billion for the fiscal year ended March 31, 2012, a decrease of ¥5.7 billion compared to the fiscal year ended March 31, 2011, due mainly to a decrease in commission income as a result of weak equity markets as well as a decrease in net profits from trading operations.

As a result mainly of the foregoing, net business profits for the Global Retail Group for the fiscal year ended March 31, 2012 decreased by ¥20.9 billion, or 7.3%, compared to the fiscal year ended March 31, 2011 to ¥267.2 billion.

**Table of Contents***Global Asset & Wealth Management Group Financial Results*

The following table shows gross profits, general and administrative expenses (excluding non-recurring losses) and net business profits for the Global Asset & Wealth Management Group for the fiscal years ended March 31, 2011, 2012 and 2013:

	Mizuho Trust & Banking	Others (in billions of yen)	Total Global Asset & Wealth Management Group
<b>Fiscal year ended March 31, 2011:</b>			
Gross profits <sup>(1)</sup> :			
Net interest income	¥ 42.5	¥ 0.9	¥ 43.4
Net noninterest income	81.0	45.0	126.0
Total	123.5	45.9	169.4
General and administrative expenses	79.0	38.5	117.5
Others		(2.1)	(2.1)
Net business profits	¥ 44.5	¥ 5.3	¥ 49.8
<b>Fiscal year ended March 31, 2012:</b>			
Gross profits <sup>(1)</sup> :			
Net interest income	¥ 42.7	¥ 0.7	¥ 43.4
Net noninterest income	84.3	46.9	131.2
Total	127.0	47.6	174.6
General and administrative expenses	78.0	39.1	117.1
Others		(1.9)	(1.9)
Net business profits	¥ 49.0	¥ 6.6	¥ 55.6
<b>Fiscal year ended March 31, 2013:</b>			
Gross profits <sup>(1)</sup> :			
Net interest income (expenses)	¥ 41.1	¥ (0.6)	¥ 40.5
Net noninterest income	82.5	48.4	130.9
Total	123.6	47.8	171.4
General and administrative expenses	74.3	40.0	114.3
Others		(1.7)	(1.7)
Net business profits	¥ 49.3	¥ 6.1	¥ 55.4

Note:

(1) Before credit-related costs for trust accounts.

*Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012*

Gross profits for Mizuho Trust & Banking for the fiscal year ended March 31, 2013 decreased by ¥3.4 billion, or 2.7%, from the fiscal year ended March 31, 2012 to ¥123.6 billion. The decrease was due mainly to a decrease in trading-related income which was robust in the previous fiscal year. The decrease was offset in part by an increase in income from pensions and asset management, and real estate businesses.



## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

General and administrative expenses for Mizuho Trust & Banking for the fiscal year ended March 31, 2013 decreased by ¥3.7 billion, or 4.7%, compared to the fiscal year ended March 31, 2012 to ¥74.3 billion due to our efforts to control non-personnel and personnel expenses by improving efficiency.

**Table of Contents**

As a result mainly of the foregoing, net business profits for Mizuho Trust & Banking for the fiscal year ended March 31, 2013 increased by ¥0.3 billion, or 0.6%, compared to the fiscal year ended March 31, 2012 to ¥49.3 billion.

Net business profits for the Global Asset & Wealth Management Group for the fiscal year ended March 31, 2013 decreased by ¥0.2 billion, or 0.4%, compared to the fiscal year ended March 31, 2012 to ¥55.4 billion.

*Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011*

Gross profits for Mizuho Trust & Banking for the fiscal year ended March 31, 2012 increased by ¥3.5 billion, or 2.8%, from the fiscal year ended March 31, 2011 to ¥127.0 billion. The increase was due mainly to an increase in noninterest income mainly from real estate business as well as a slight increase in net interest income.

General and administrative expenses for Mizuho Trust & Banking decreased by ¥1.0 billion, or 1.3%, compared to the fiscal year ended March 31, 2011 to ¥78.0 billion due to a decrease in non-personnel expenses despite an increase in expenses related to employee retirement benefits.

As a result mainly of the foregoing, net business profits for the Global Asset & Wealth Management Group for the fiscal year ended March 31, 2012 increased by ¥5.8 billion, or 11.6%, compared to the fiscal year ended March 31, 2011 to ¥55.6 billion.

*Substantive One Bank Structure*

	Pre-Merger Mizuho Bank and Mizuho Corporate Bank ( Substantive One Bank Structure)				Total
	Retail banking	Corporate banking	International (in billions of yen)	Trading and others	
<b>Fiscal year ended March 31, 2012:</b>					
Gross profits:					
Net interest income	¥ 224.3	¥ 425.1	¥ 90.3	¥ 200.7	¥ 940.4
Net noninterest income	32.1	268.1	86.9	153.0	540.1
Total	256.4	693.2	177.2	353.7	1,480.5
General and administrative expenses	218.6	316.1	60.3	206.3	801.3
Others					
Net business profits	¥ 37.8	¥ 377.1	¥ 116.9	¥ 147.4	¥ 679.2
<b>Fiscal year ended March 31, 2013:</b>					
Gross profits:					
Net interest income	¥ 210.6	¥ 391.3	¥ 109.6	¥ 204.0	¥ 915.5
Net noninterest income	37.4	303.1	104.7	201.9	647.1
Total	248.0	694.4	214.3	405.9	1,562.6
General and administrative expenses	209.3	296.7	61.5	198.0	765.5
Others					
Net business profits	¥ 38.7	¥ 397.7	¥ 152.8	¥ 207.9	¥ 797.1

**Table of Contents****Geographical Segment Analysis**

The following table presents consolidated income statement and total assets information by major geographic area. Foreign activities are defined as business transactions that involve customers residing outside of Japan. However, as our operations are highly integrated globally, we have made estimates and assumptions for the allocation of assets, liabilities, income and expenses among the geographic areas.

	Japan	Americas	Europe (in billions of yen)	Asia/Oceania excluding Japan, and others	Total
<b>Fiscal year ended March 31, 2011:</b>					
Total revenue <sup>(1)</sup>	¥ 1,943	¥ 282	¥ 128	¥ 144	¥ 2,497
Total expenses <sup>(2)</sup>	1,628	112	70	76	1,886
Income before income tax expense	315	170	58	68	611
Net income	¥ 134	¥ 166	¥ 57	¥ 61	¥ 418
Total assets at end of fiscal year	¥ 125,413	¥ 21,795	¥ 8,522	¥ 6,256	¥ 161,986
<b>Fiscal year ended March 31, 2012:</b>					
Total revenue <sup>(1)</sup>	¥ 1,966	¥ 251	¥ 132	¥ 178	¥ 2,527
Total expenses <sup>(2)</sup>	1,561	104	103	96	1,864
Income before income tax expense	405	147	29	82	663
Net income	¥ 419	¥ 131	¥ 28	¥ 71	¥ 649
Total assets at end of fiscal year	¥ 124,444	¥ 25,369	¥ 8,868	¥ 7,681	¥ 166,362
<b>Fiscal year ended March 31, 2013:</b>					
Total revenue <sup>(1)</sup>	¥ 2,191	¥ 384	¥ 126	¥ 162	¥ 2,863
Total expenses <sup>(2)</sup>	1,669	141	48	120	1,978
Income before income tax expense	522	243	78	42	885
Net income	¥ 525	¥ 252	¥ 75	¥ 29	¥ 881
Total assets at end of fiscal year	¥ 126,769	¥ 31,169	¥ 10,591	¥ 10,218	¥ 178,747

Notes:

(1) Total revenue includes interest and dividend income and noninterest income.

(2) Total expenses include interest expense, provision (credit) for loan losses and noninterest expenses.

*Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012*

In the fiscal year ended March 31, 2013, 59.6% of our net income was derived from Japan, 28.6% from the Americas, 8.5% from Europe and 3.3% from Asia/Oceania excluding Japan, and others. At March 31, 2013, 70.9% of total assets were allocated to Japan, 17.5% to the Americas, 5.9% to Europe and 5.7% to Asia/Oceania excluding Japan, and others.

Total revenue in Japan increased by ¥225 billion from the previous fiscal year due mainly to the change from investment losses net in the previous fiscal year to investment gains net in the fiscal year ended March 31, 2013 and an increase in trading account gains net, offset in part by a decrease in interest and dividend income. The change in investment gains (losses) net was due mainly to investment gains related to equity

securities in the fiscal year ended March 31, 2013 compared to investment losses related to equity securities in the previous fiscal year and an increase in investment gains related to bonds. The change in investment gains (losses) related to equity securities was due mainly to an increase in gains on sale of equity securities as a result of an upturn in domestic stock market conditions. The increase in investment gains related to bonds was due mainly to an increase in gains related to sales of Japanese government bonds as a result of declining yen interest rates. The increase in trading account gains net was due mainly to an increase in trading

**Table of Contents**

account gains earned by our securities subsidiary related to bonds reflecting a decline in yen interest rate levels and related to domestic equity securities reflecting an upturn in domestic market conditions. The decrease in interest and dividend income was due mainly to a decrease in interest income from domestic loans, which in turn was due mainly to a decrease in the average yield, reflecting a decline in yen interest rate levels, and a decrease in the average balance. Total expenses increased by ¥108 billion from the previous fiscal year due to an increase in provision for loan losses, offset in part by a decrease in noninterest expenses. The increase in provision for loan losses was due primarily to an increase in allowance for loan losses on non-impaired loans. The decrease in noninterest expenses was due mainly to decreases in general and administrative expenses and salaries and employee benefits. The decrease in general and administrative expenses was due mainly to our continuous group-wide cost reduction efforts and the decrease in salaries and employee benefits was due mainly to the effect of decreased employee retirement benefit expenses. In addition, income tax benefit decreased by ¥11 billion from the previous fiscal year due mainly to an increase in current income tax expense. As a result, net income in Japan increased by ¥106 billion. Total assets in Japan increased by ¥2,325 billion due primarily to an increase in interest-bearing deposits in other banks, offset in part by decreases in investments and trading account assets.

In the Americas, total revenue increased by ¥133 billion due primarily to increases in trading account gains net and interest and dividend income. The increase in trading account gains net was due mainly to an increase in gains recorded by consolidated VIEs as a result of an improvement in market conditions and an increase in gains related to change in the fair value of foreign currency-denominated available-for-sale securities for which the fair value option was elected. The increase in interest and dividend income was due mainly to an increase in interest income on receivables under resale agreements of our securities subsidiary in the United States. Total expenses increased by ¥37 billion due primarily to increases in interest expense on payables under repurchase agreements of our securities subsidiary in the United States and salaries and employee benefits. As a result, net income in the Americas increased by ¥121 billion. Total assets in the Americas increased by ¥5,800 billion due primarily to increases in trading account assets and loans.

In Europe, total revenue decreased by ¥6 billion due primarily to a decrease in interest income on receivables under resale agreements. Total expenses decreased by ¥55 billion due mainly to a decrease in provision for loan losses. As a result, net income in Europe increased by ¥47 billion. Total assets in Europe increased by ¥1,723 billion due primarily to increases in trading account assets and loans.

In Asia/Oceania excluding Japan, and others, total revenue decreased by ¥16 billion due primarily to a decrease in other noninterest income, offset in part by an increase in interest from loans, which in turn was due mainly to an increase in the average balance. The decrease in other noninterest income was due mainly to a decrease in foreign exchange gains (losses) net. Total expenses increased by ¥24 billion due mainly to increases in provision for loan losses and salaries and employee benefits. As a result, net income in Asia/Oceania excluding Japan, and others decreased by ¥42 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥2,537 billion due primarily to increases in loans and investments.

*Fiscal Year Ended March 31, 2012 Compared to Fiscal Year Ended March 31, 2011*

In the fiscal year ended March 31, 2012, 64.6% of our net income was derived from Japan, 20.2% from the Americas, 4.3% from Europe and 10.9% from Asia/Oceania excluding Japan, and others. At March 31, 2012, 74.8% of total assets were allocated to Japan, 15.3% to the Americas, 5.3% to Europe and 4.6% to Asia/Oceania excluding Japan, and others.

Total revenue in Japan increased by ¥23 billion from the previous fiscal year due to an increase in trading account gains net, offset in part by decreases in investment gains (losses) net and interest and dividend income. The increase in trading account gains net was due mainly to an increase in gains related to changes in the fair value of foreign currency-denominated available-for-sale securities for which the fair value option was elected. The decrease in investment gains (losses) net was due mainly to an increase in investment losses related to equity securities and a decrease in investment gains related to bonds. The increase in investment losses related to equity securities was due mainly to an increase in impairment losses on equity securities as a result of

---

**Table of Contents**

declines in market prices. The decrease in investment gains related to bonds was due mainly to a decrease in gains related to sales of long-term Japanese government bonds. The decrease in interest and dividend income was due mainly to a decrease in interest income from domestic loans, which in turn was due mainly to a decrease in the average yield, reflecting a decline in yen interest rate levels, and a decrease in the average balance. Total expenses decreased by ¥67 billion from the previous fiscal year due to an increase in credit for loan losses and a decrease in interest expenses, offset in part by an increase in noninterest expenses. The credit for loan losses was due primarily to upgrades in the obligor categories of a broad range of borrowers mainly through our credit management activities, including business revitalization support for borrowers, the effect of which was enhanced against a backdrop of the improving domestic economic environment as described in

Overview Operating Environment, reflecting the continuing gradual recovery of the Japanese economy. See Financial Condition Assets Allowance for Loan Losses Provision for loan losses. The decrease in interest expenses was due mainly to a decrease in interest expense on deposits, which in turn was due to a decrease in average interest rate, reflecting a decline in yen interest rate levels. The increase in noninterest expenses was due mainly to an increase in salaries and employee benefits, offset in part by a decrease in general and administrative expenses. The increase in salaries and employee benefits was due mainly to the effect of increased employee retirement benefit expenses, and the decrease in general and administrative expenses was due mainly to our efforts to enhance our cost efficiency through detailed reviews. In addition, we had an income tax benefit ¥14 billion in Japan in the fiscal year ended March 31, 2012 compared to an income tax expense of ¥181 billion in the previous fiscal year. The tax benefit was the result of an increase in deferred tax assets, net of valuation allowance, reflecting an increase in our estimation of future taxable income offset in part by the reduction of effective statutory tax rate as a result of Japanese tax reforms. As a result, net income in Japan increased by ¥285 billion. Total assets in Japan decreased by ¥969 billion due primarily to decreases in interest-bearing deposits in other banks and cash and due from banks, offset in part by an increase in investments.

In the Americas, total revenue decreased by ¥31 billion due primarily to decreases in investment gains net and trading account gains (losses) net. Total expenses decreased by ¥8 billion due primarily to a decrease in interest expense on payables under repurchase agreements, offset in part by an increase in provision for loan losses. As a result, net income in the Americas decreased by ¥35 billion. Total assets in the Americas increased by ¥3,574 billion due primarily to increases in trading account assets and loans.

In Europe, total revenue increased by ¥4 billion due primarily to an increase in trading account gains (losses) net. Total expenses increased by ¥33 billion due mainly to an increase in interest expense on interest-bearing deposits, which in turn was due mainly to an increase in the average balance, primarily certificate of deposits. As a result, net income in Europe decreased by ¥29 billion. Total assets in Europe increased by ¥346 billion due primarily to an increase in loans.

In Asia/Oceania excluding Japan, and others, total revenue increased by ¥34 billion due primarily to an increase in interest and dividend income. The increase in interest and dividend income was due mainly to an increase in interest from loans, which in turn was due mainly to an increase in the average balance. Total expenses increased by ¥20 billion due mainly to increases in interest expense on interest-bearing deposits and provision for loan losses. The increase in interest expense on interest-bearing deposits was due mainly to an increase in the average balance, as well as an increase in average interest rate. As a result, net income in Asia/Oceania excluding Japan, and others increased by ¥10 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥1,425 billion due primarily to an increase in loans.

**Table of Contents****Financial Condition***Assets*

Our assets as of March 31, 2012 and 2013 were as follows:

	As of March 31, 2012	As of March 31, 2013 (in billions of yen)	Increase (decrease)
Cash and due from banks	¥ 1,217	¥ 1,268	¥ 51
Interest-bearing deposits in other banks	6,147	11,216	5,069
Call loans and funds sold	249	531	282
Receivables under resale agreements	7,122	9,025	1,903
Receivables under securities borrowing transactions	6,406	5,544	(862)
Trading account assets	30,946	34,067	3,121
Investments	44,044	43,252	(792)
Loans	65,989	69,833	3,844
Allowance for loan losses	(683)	(773)	(90)
Loans, net of allowance	65,306	69,060	3,754
Premises and equipment net	1,105	1,092	(13)
Due from customers on acceptances	77	102	25
Accrued income	246	276	30
Goodwill	6	6	0
Intangible assets	70	64	(6)
Deferred tax assets	837	642	(195)
Other assets	2,584	2,602	18
Total assets	¥ 166,362	¥ 178,747	¥ 12,385

Total assets increased by ¥12,385 billion from the end of the previous fiscal year to ¥178,747 billion as of March 31, 2013. This increase was due mainly to an increase of ¥5,069 billion in interest-bearing deposits in other banks, primarily those in the Bank of Japan, an increase of ¥3,754 billion in loans, net of allowance, primarily loans to foreign borrowers, an increase of ¥3,121 billion in trading account assets, primarily U.S. Treasury bonds and other foreign government bonds, and an increase of ¥1,903 billion in receivables under resale agreements.

**Table of Contents***Loans**Loans Outstanding*

The following table shows our loans outstanding as of March 31, 2012 and 2013:

	2012	As of March 31,		2013	Increase (decrease)		
		(in billions of yen, except percentages)					
<b>Domestic:</b>							
Manufacturing	¥ 7,587	11.5%	¥ 8,079	11.5%	¥ 492	0.0%	
Construction and real estate	7,271	11.0	7,478	10.7	207	(0.3)	
Services	3,981	6.0	3,972	5.7	(9)	(0.3)	
Wholesale and retail	5,295	8.0	5,356	7.6	61	(0.4)	
Transportation and communications	3,201	4.9	3,147	4.5	(54)	(0.4)	
Banks and other financial institutions	3,501	5.3	3,143	4.5	(358)	(0.8)	
Government and public institutions	6,912	10.5	6,907	9.9	(5)	(0.6)	
Other industries <sup>(1)</sup>	4,319	6.5	4,522	6.5	203	0.0	
Individuals	11,910	18.0	11,976	17.1	66	(0.9)	
Mortgage loans	11,191	16.9	11,234	16.1	43	(0.8)	
Other	719	1.1	742	1.0	23	(0.1)	
<b>Total domestic</b>	<b>53,977</b>	<b>81.7</b>	<b>54,580</b>	<b>78.0</b>	<b>603</b>	<b>(3.7)</b>	
<b>Foreign:</b>							
Commercial and industrial	8,146	12.3	10,481	15.0	2,335	2.7	
Banks and other financial institutions	3,343	5.1	4,089	5.8	746	0.7	
Government and public institutions	522	0.8	596	0.9	74	0.1	
Other <sup>(1)</sup>	91	0.1	199	0.3	108	0.2	
<b>Total foreign</b>	<b>12,102</b>	<b>18.3</b>	<b>15,365</b>	<b>22.0</b>	<b>3,263</b>	<b>3.7</b>	
<b>Subtotal</b>	<b>66,079</b>	<b>100.0%</b>	<b>69,945</b>	<b>100.0%</b>	<b>3,866</b>		
<b>Less: Unearned income and deferred loan fees net</b>	<b>(90)</b>		<b>(112)</b>		<b>(22)</b>		
<b>Total loans before allowance for loan losses</b>	<b>¥ 65,989</b>		<b>¥ 69,833</b>		<b>¥ 3,844</b>		

## Note:

(1) Other industries within domestic and other within foreign include trade receivables and lease receivables of consolidated VIEs. Total loans before allowance for loan losses increased by ¥3,844 billion from the end of the previous fiscal year to ¥69,833 billion as of March 31, 2013. Loans to domestic borrowers increased by ¥603 billion to ¥54,580 billion due mainly to increases in loans to manufacturing, construction and real estate, and other industries, offset in part by a decrease in loans to banks and other financial institutions.

Loans to foreign borrowers increased by ¥3,263 billion from the end of the previous fiscal year to ¥15,365 billion as of March 31, 2013. The increase in loans to foreign borrowers was due mainly to increases in loans to commercial and industrial, mainly in Asia, and the translation impact of the depreciation of the yen against other major currencies.

Within our loan portfolio, the proportion of loans to domestic borrowers decreased from 81.7% to 78.0% while that of loans to foreign borrowers increased from 18.3% to 22.0%.





**Table of Contents***Impaired Loans**General*

Under our group's credit risk management, we use an internal rating system that consists of credit ratings and pool allocations as the basis of our risk management infrastructure. Credit ratings consist of obligor ratings which represent the level of credit risk of the obligor, and transaction ratings which represent the ultimate possibility of incurrence of losses for individual loan by taking into consideration various factors such as collateral or guarantee involved. In principle, obligor ratings are applied to all obligors except those to which pool allocations are applied, and are subject to regular review at least once a year as well as special review which is required whenever the obligor's credit standing changes. Pool allocations are applied to small balance loans. We pool loans with similar risk characteristics, and the risk is assessed and managed according to such pool. We generally review the appropriateness and effectiveness of the approach to obligor ratings and pool allocations once a year in accordance with predetermined procedures. The table below presents our definition of obligor ratings used by Mizuho Bank and Mizuho Trust & Banking:

Obligor category	Obligor rating	Definition
Normal	A	Obligors whose certainty of debt fulfillment is very high, hence their level of credit risk is very low.
	B	Obligors whose certainty of debt fulfillment poses no problems for the foreseeable future, and their level of credit risk is low.
	C	Obligors whose certainty of debt fulfillment and their level of credit risk pose no problems for the foreseeable future.
	D	Obligors whose current certainty of debt fulfillment poses no problems, however, their resistance to future environmental changes is low.
Watch <sup>(1)</sup>	E1	Obligors that require observation going forward because of either minor concerns regarding their financial position, or somewhat weak or unstable business conditions.
	E2	Obligors that require special observation going forward because of problems with their borrowings such as reduced or suspended interest payments, problems with debt fulfillment such as failure of principal or interest payments, or problems with their financial position as a result of their weak or unstable business condition.
Intensive control	F	Obligors that are not yet bankrupt but are in financial difficulties and are deemed likely to become bankrupt in the future because of insufficient progress in implementing their management improvement plans or other measures (including obligors that are receiving ongoing support from financial institutions).
Substantially bankrupt	G	Obligors that have not yet become legally or formally bankrupt but are substantially insolvent because they are in serious financial difficulties and are deemed to be incapable of being restructured.
Bankrupt	H	Obligors that have become legally or formally bankrupt.

Note:

(1) Special attention obligors are watch obligors with debt in troubled debt restructuring or 90 days or more delinquent debt, and we consider all such loans impaired.

We consider loans to be impaired when it is probable that we will be unable to collect all the scheduled payments of principal and interest when due according to the contractual terms of the loan. We determine loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans. We do not have loans to borrowers that cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms for the periods presented other than those already designated as

**Table of Contents**

impaired loans. All of our impaired loans are designated as nonaccrual loans. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management for descriptions of our self-assessment procedures and our internal credit rating system.

Our credit management activities consist of activities such as efforts to provide management consultation to support borrowers' business initiatives, to increase the quantity and enhance the quality of loan collateral, and to adjust loan balances to an appropriate level, when the borrower's credit quality is showing a decline. These activities can lead to improvements in obligor classifications through improvements in the business and financial condition of borrowers and, as a result, a reduction in allowance for loan losses.

We endeavor to remove impaired loans from our balance sheet within three years from the time when they are categorized through methods such as collection, charge-offs, disposal and improving the borrowers' credit rating through restructuring efforts.

*Loan modifications*

Restructuring efforts are made through our various business revitalization support measures conducted based on requests from borrowers that are in a weakened state that require some form of support. When confronted with the decision of whether to agree to business revitalization support, which includes forgiveness of debt (including debt to equity swaps), reductions in stated interest rates to below market levels and postponement of payment of principal and/or interest (other than insignificant extensions), we carefully consider whether it is beneficial to our shareholders and depositors based on various factors such as whether (i) a legal reorganization process would significantly damage the obligor's business value so that there is a fear that the obligor will not be able to restructure its business, (ii) the restructuring plan is appropriate and is economically rational from the viewpoint of minimizing Mizuho's losses compared to other processes, (iii) both the management and shareholders of the obligor will clearly bear responsibility, and (iv) the allocation of losses among creditors is rational and highly justifiable. The triggers and factors that we review to identify restructured loans are modifications imposed by law or a court of law and alterations based on agreement with the borrower such as the reduction of the stated interest rate and forgiveness of debt (including debt to equity swaps), and we consider restructured loans, with respect to which concessions that it would not otherwise consider were granted to obligors in financial difficulty, as troubled debt restructuring. We consider the relevant obligors to be in financial difficulty when its rating based on our internal rating system is at E2 or below. The types of concessions that we would not otherwise consider include the various forms of business revitalization support described above. In general, troubled debt restructurings will return to non-impaired loans, as well as accrual status, when we determine that the borrower poses no problems regarding current certainty of debt fulfillment, i.e., the borrower qualifies for a rating of D or above based on our internal rating system. Based on our historical experience, it typically takes approximately 1.5 years for the troubled debt restructuring loans in nonaccrual status to be returned to accrual status.

We determine whether restructured loans other than troubled debt restructurings are impaired loans based on the application of our internal rating system as we do generally with respect to all obligors. We determine whether restructured loans are past due or current by comparing the obligors' payments with the modified contract terms. The effect of the restructuring on the obligors is considered in developing the allowance based on the restructuring's effect on the estimation of future cash flows of such loans. At March 31, 2013, the balance of restructurings that are troubled debt restructurings was ¥915 billion, and the balance of restructurings that are not troubled debt restructurings was ¥164 billion. Also, the amount of charge-offs recorded as a result of troubled debt restructurings that were made during the fiscal year ended March 31, 2013 was ¥5 billion.

While we maintain basic guidelines covering restructured loans, we do not have any standardized modification programs. Instead, we apply various modifications as is appropriate for the specific circumstances of the obligor in question. We do not have a policy that specifically limits the number of modifications that can be performed for a specific loan.

**Table of Contents***Balance of impaired loans*

The following table shows our impaired loans as of March 31, 2012 and 2013 based on classifications by domicile and industry segment:

	As of March 31,					
	2012	2013		Increase (decrease)		
	Impaired loans	Ratio to gross total loans to industry	Impaired loans	Ratio to gross total loans to industry	Impaired loans	Ratio to gross total loans to industry
	(in billions of yen, except percentages)					
Domestic:						
Manufacturing	¥ 297	3.9%	¥ 336	4.2%	¥ 39	0.3%
Construction and real estate	205	2.8	249	3.3	44	0.5
Services	119	3.0	90	2.3	(29)	(0.7)
Wholesale and retail	201	3.8	173	3.2	(28)	(0.6)
Transportation and communications	53	1.7	59	1.9	6	0.2
Banks and other financial institutions	12	0.3	14	0.4	2	0.1
Other industries	4	0.0	5	0.0	1	0.0
Individuals	264	2.2	235	2.0	(29)	(0.2)
Total domestic	1,155	2.1	1,161	2.1	6	0.0
Foreign	155	1.3	303	2.0	148	0.7
Total impaired loans	¥ 1,310	2.0	¥ 1,464	2.1	¥ 154	0.1

Impaired loans increased by ¥154 billion, or 11.8%, from the end of the previous fiscal year to ¥1,464 billion as of March 31, 2013. Impaired loans to domestic borrowers increased by ¥6 billion due primarily to increases in loan balances of some borrowers with low internal credit ratings categorized in construction and real estate and manufacturing, offset in part by decreases in services, wholesale and retail and individuals. Impaired loans to foreign borrowers increased by ¥148 billion due primarily to an increase in impaired loans to Central and South American borrowers as a result of downgrades related to some borrowers and to the translation impact of the depreciation of the yen against other major currencies.

Reflecting the aforementioned change, the percentage of impaired loans within gross total loans increased slightly from 2.0% as of March 31, 2012 to 2.1% as of March 31, 2013. The percentage of impaired loans net of allowance to gross total loans net of allowance also slightly increased from 0.96% as of March 31, 2012 to 1.00% as of March 31, 2013, as the percentage increase of impaired loans net of allowance exceeded that of gross total loans net of allowance.

*Allowance for Loan Losses**Calculation of allowance for loan losses*

Our self-assessment and credit-rating procedures serve as the basis for determining the amount of the allowance for loan losses. The specific methods of calculating the allowance for each category of obligors are as follows:

## Normal and watch obligors

A formula allowance is calculated separately for obligors with small balance, homogeneous loans and for each credit rating category of corporate obligors by multiplying the loan balance with the applicable default ratio (based on internal historical data as well as data provided by third-party credit rating agencies) and the applicable average impairment ratio on defaulted loans (based on internal historical data).

**Table of Contents**

Special attention obligors	The allowance for special attention obligors is generally calculated individually based on the present value of expected future cash flows discounted at the loan's initial effective interest rate. A formula allowance for certain special attention obligors is calculated by grouping the loans to such obligors and applying the formula described above for normal and watch obligors but using the default ratio and average impairment ratio specific to this category.
Intensive control obligors	The allowance for intensive control obligors is generally calculated individually based on the present value of expected future cash flows discounted at the loan's initial effective interest rate, based on the loan's observable market price, or based on the fair value of the collateral if the loan is collateral dependent. The allowance for certain intensive control obligors is calculated by grouping the loans to such obligors and multiplying the amount of loans less estimated collateral value by the default ratio and average impairment ratio specific to this category.
Substantially bankrupt and bankrupt obligors	The allowance is calculated individually and is equal to loan balance, less estimated collateral value.

*Balance of allowance for loan losses*

The following table summarizes the allowance for loan losses by component and as a percentage of the corresponding loan balance as of March 31, 2012 and 2013:

	As of March 31,		Increase
	2012	2013	(decrease)
	(in billions of yen, except percentages)		
Allowance for loan losses on impaired loans <sup>(1)</sup> (A)	¥ 357	¥ 406	¥ 49
Allowance for loan losses on non-impaired loans (B)	326	367	41
<b>Total allowance for loan losses (C)</b>	<b>683</b>	<b>773</b>	<b>90</b>
Impaired loans requiring an allowance for loan losses (D)	1,079	1,242	163
Impaired loans not requiring an allowance for loan losses (E)	231	222	(9)
Non-impaired loans <sup>(2)</sup> (F)	64,769	68,481	3,712
<b>Gross total loans (G)</b>	<b>¥ 66,079</b>	<b>¥ 69,945</b>	<b>¥ 3,866</b>
Percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance (A)/(D)x100	33.07%	32.71%	(0.36)%
Percentage of allowance for loan losses on non-impaired loans against the balance of non-impaired loans (B)/(F)x100	0.50	0.54	0.04
Percentage of total allowance for loan losses against gross total loans (C)/(G)x100	1.03	1.11	0.08

## Notes:

- (1) The allowance for loan losses on impaired loans includes those for groups of small balance, homogeneous loans totaling ¥505 billion as of March 31, 2013 which were collectively evaluated for impairment, in addition to those that were individually evaluated for impairment.
- (2) Non-impaired loans refer to loans categorized as normal obligors and watch obligors (excluding special attention obligors) under our internal rating system.



**Table of Contents**

Allowance for loan losses increased by ¥90 billion from the end of the previous fiscal year to ¥773 billion as of March 31, 2013. This increase was due to an increase of ¥49 billion in the allowance for loan losses on impaired loans as a result of an increase in foreign impaired loans that required an allowance for loan losses, and an increase of ¥41 billion in the allowance for loan losses on non-impaired loans as a result of increased estimated loss reflecting changes in business environment surrounding some domestic obligors, offset in part by the effects of the continuing gradual recovery of the Japanese economy as described in Overview Operating Environment. As a result, the percentage of total allowance for loan losses against gross total loans increased by 0.08% to 1.11%, and the percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance decreased by 0.36% to 32.71%.

The primary factors behind the gap between the 13.2% increase in allowance for loan losses and the 5.8% increase in the balance of loans in the fiscal year ended March 31, 2013 compared to the previous fiscal year consisted mainly of the increase in impaired loans requiring allowance for loan losses and the increase in allowance for loan losses on non-impaired loans due to the reasons described in the paragraph above.

In the fiscal year ended March 31, 2013, impaired loans increased by 11.8% due mainly to an increase in foreign impaired loans. Meanwhile, allowance for loan losses on impaired loans increased by 13.7%. The primary factor underlying this difference was that most of the increase in foreign impaired loans was attributable to loans that required an allowance for loan losses, while impaired loans not requiring an allowance for loan losses slightly decreased.

As for the increase of 0.7% in the coverage ratio for impaired loans, this was due to how the percentage increase of allowance for loan losses was greater than the percentage increase in the amount of impaired loans as described in the paragraph above.

**Table of Contents***Provision for loan losses*

The following table summarizes changes in our allowance for loan losses, including a breakdown of charge-offs and recoveries by domicile and industry segment, in the fiscal years ended March 31, 2012 and 2013:

	Fiscal years ended March 31,		Increase
	2012	2013	(decrease)
	(in billions of yen)		
Allowance for loan losses at beginning of fiscal year	¥ 735	¥ 683	¥ (52)
Provision (credit) for loan losses	(23)	140	163
Charge-offs:			
Domestic:			
Manufacturing	18	25	7
Construction and real estate	7	5	(2)
Services	7	10	3
Wholesale and retail	14	11	(3)
Transportation and communications	2	2	0
Banks and other financial institutions	1	0	(1)
Other industries	2	0	(2)
Individuals	19	17	(2)
Total domestic charge-offs	70	70	0
Foreign	10	25	15
Total charge-offs	80	95	15
Recoveries:			
Domestic:			
Manufacturing	12	4	(8)
Construction and real estate	12	8	(4)
Services	4	3	(1)
Wholesale and retail	9	3	(6)
Transportation and communications	2	1	(1)
Banks and other financial institutions	1	1	0
Other industries	0	0	0
Individuals	3	4	1
Total domestic recoveries	43	24	(19)
Foreign	9	8	(1)
Total recoveries	52	32	(20)
Net charge-offs	28	63	35
Others <sup>(1)</sup>	(1)	13	14
Balance at end of fiscal year	¥ 683	¥ 773	¥ 90

Note:

(1) Others include primarily foreign exchange translation.



We recorded a provision for loan losses of ¥140 billion in the fiscal year ended March 31, 2013 compared to a credit for loan losses of ¥23 billion in the fiscal year ended March 31, 2012. The change was due primarily to an increase in allowance for loan losses as a result of an increase in foreign impaired loans that required an allowance for loan losses and of increased estimated loss reflecting changes in business environment surrounding some domestic obligors, offset in part by the effects of the continuing gradual recovery of the Japanese economy as described in Overview Operating Environment.

**Table of Contents**

Charge-offs increased by ¥15 billion from the previous fiscal year to ¥95 billion for the fiscal year ended March 31, 2013. While charge-offs of domestic loans were ¥70 billion in the fiscal year ended March 31, 2013, which was the same level as the previous fiscal year, charge-offs of foreign loans increased by ¥15 billion compared to the previous fiscal year to ¥25 billion in the fiscal year ended March 31, 2013. Recoveries decreased by ¥20 billion from the previous fiscal year to ¥32 billion in the fiscal year ended March 31, 2013, reflecting a decrease in recoveries on domestic loans.

*Investments*

The majority of our investments are available-for-sale securities, which at March 31, 2012 and 2013 were as follows:

	2012		As of March 31,		2013		Increase (decrease)		
	Amortized cost	Fair value	Net unrealized gains	Amortized cost	Fair value	Net unrealized gains	Amortized cost	Fair value	Net unrealized gains
	(in billions of yen)								
<b>Available-for-sale securities:</b>									
Debt securities	¥ 38,405	¥ 38,467	¥ 62	¥ 36,127	¥ 36,275	¥ 148	¥ (2,278)	¥ (2,192)	¥ 86
Japanese government bonds	32,629	32,647	18	30,710	30,783	73	(1,919)	(1,864)	55
Other than Japanese government bonds	5,776	5,820	44	5,417	5,492	75	(359)	(328)	31
Equity securities (marketable)	1,832	2,792	960	1,699	3,139	1,440	(133)	347	480
Total	¥ 40,237	¥ 41,259	¥ 1,022	¥ 37,826	¥ 39,414	¥ 1,588	¥ (2,411)	¥ (1,845)	¥ 566

Available-for-sale securities decreased by ¥1,845 billion from the end of the previous fiscal year to ¥39,414 billion at March 31, 2013. This decrease was due primarily to a decrease in Japanese government bonds due to the sales and redemptions, offset in part by an increase in equity securities due mainly to the increase in Japanese stock prices as of March 31, 2013 compared to March 31, 2012. See note 3 to our consolidated financial statements included elsewhere in this annual report for details of other investments included within investments.

*Cash and Due from Banks*

Cash and due from banks increased by ¥51 billion from the end of the previous fiscal year to ¥1,268 billion at March 31, 2013. The increase was due to net cash provided by financing activities of ¥7,640 billion offset in part by net cash used in operating activities of ¥1,298 billion and net cash used in investing activities by ¥6,322 billion.

**Table of Contents****Liabilities**

The following table shows our liabilities as of March 31, 2012 and 2013:

	As of March 31, 2012	As of March 31, 2013 (in billions of yen)	Increase (decrease)
Deposits	¥ 91,234	¥ 100,222	¥ 8,988
Due to trust accounts	560	619	59
Call money and funds purchased	5,669	6,127	458
Payables under repurchase agreements	12,173	17,451	5,278
Payables under securities lending transactions	7,841	11,496	3,655
Commercial paper	213	252	39
Other short-term borrowings	13,737	6,472	(7,265)
Trading account liabilities	16,977	16,769	(208)
Bank acceptances outstanding	77	102	25
Income taxes payable	34	38	4
Deferred tax liabilities	16	14	(2)
Accrued expenses	177	159	(18)
Long-term debt	8,462	8,802	340
Other liabilities	4,545	4,367	(178)
<b>Total liabilities</b>	<b>¥ 161,715</b>	<b>¥ 172,890</b>	<b>¥ 11,175</b>

Total liabilities increased by ¥11,175 billion from the end of the previous fiscal year to ¥172,890 billion at March 31, 2013. This increase was due primarily to an increase of ¥8,988 billion in deposits and an increase of ¥2,224 billion in short-term borrowings. Short-term borrowings include due to trust accounts, call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, commercial paper and other short-term borrowings.

**Deposits**

The following table shows a breakdown of our deposits as of March 31, 2012 and 2013:

	As of March 31, 2012	As of March 31, 2013 (in billions of yen)	Increase (decrease)
<b>Domestic:</b>			
Noninterest-bearing deposits	¥ 11,357	¥ 12,139	¥ 782
Interest-bearing deposits	68,670	74,218	5,548
<b>Total domestic deposits</b>	<b>80,027</b>	<b>86,357</b>	<b>6,330</b>
<b>Foreign:</b>			
Noninterest-bearing deposits	611	836	225
Interest-bearing deposits	10,596	13,029	2,433
<b>Total foreign deposits</b>	<b>11,207</b>	<b>13,865</b>	<b>2,658</b>
<b>Total deposits</b>	<b>¥ 91,234</b>	<b>¥ 100,222</b>	<b>¥ 8,988</b>

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Deposits increased by ¥8,988 billion from the end of the previous fiscal year to ¥100,222 billion at March 31, 2013. Domestic deposits increased by ¥6,330 billion from March 31, 2012 to ¥86,357 billion at March 31, 2013. Domestic noninterest-bearing deposits, mainly from Japanese companies, increased by ¥782 billion to ¥12,139 billion at March 31, 2013, and interest-bearing deposits, mainly from individuals,

**Table of Contents**

increased by ¥5,548 billion from the end of the previous fiscal year to ¥74,218 billion at March 31, 2013. Foreign deposits increased by ¥2,658 billion from the end of the previous fiscal year to ¥13,865 billion due mainly to an increase in time deposits and the translation impact of the depreciation of the yen against other major currencies.

*Short-term Borrowings*

The following table shows a breakdown of our short-term borrowings as of March 31, 2012 and 2013:

	As of March 31,			As of March 31,			Increase (decrease)		
	Domestic	2012 Foreign	Total	Domestic	2013 Foreign	Total	Domestic	Foreign	Total
	(in billions of yen)								
Due to trust accounts	¥ 560	¥	¥ 560	¥ 619	¥	¥ 619	¥ 59	¥	¥ 59
Call money and funds purchased, and payables under repurchase agreements and securities lending transactions	13,758	11,925	25,683	18,222	16,852	35,074	4,464	4,927	9,391
Commercial paper	115	98	213	88	164	252	(27)	66	39
Other short-term borrowings	13,557	180	13,737	6,456	16	6,472	(7,101)	(164)	(7,265)
<b>Total short-term borrowings</b>	<b>¥ 27,990</b>	<b>¥ 12,203</b>	<b>¥ 40,193</b>	<b>¥ 25,385</b>	<b>¥ 17,032</b>	<b>¥ 42,417</b>	<b>¥ (2,605)</b>	<b>¥ 4,829</b>	<b>¥ 2,224</b>

Short-term borrowings increased by ¥2,224 billion from the end of the previous fiscal year to ¥42,417 billion at March 31, 2013. Domestic short-term borrowings decreased by ¥2,605 billion due mainly to a decrease in other short-term borrowings from the Bank of Japan, offset in part by an increase in payables under securities lending transactions. Foreign short-term borrowings increased by ¥4,829 billion due mainly to an increase in payables under repurchase agreements and the translation impact of the depreciation of the yen against other major currencies.

*Equity*

The following table shows a breakdown of equity as of March 31, 2012 and 2013:

	As of March 31,		Increase (decrease)
	2012	2013	
	(in billions of yen)		
MHFG shareholders equity:			
Preferred stock	¥ 410	¥ 377	¥ (33)
Common stock	5,428	5,461	33
Accumulated deficit	(1,606)	(883)	723
Accumulated other comprehensive income, net of tax	246	778	532
Treasury stock, at cost	(7)	(5)	2
<b>Total MHFG shareholders equity</b>	<b>4,471</b>	<b>5,728</b>	<b>1,257</b>
Noncontrolling interests	176	129	(47)
<b>Total equity</b>	<b>¥ 4,647</b>	<b>¥ 5,857</b>	<b>¥ 1,210</b>

Equity increased by ¥1,210 billion from the end of the previous fiscal year to ¥5,857 billion due mainly to a decrease in accumulated deficit and an increase in accumulated other comprehensive income, net of tax.

Preferred stock decreased by ¥33 billion from the end of the previous fiscal year to ¥377 billion at March 31, 2013 as a result of the conversion of preferred stock to common stock.

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Common stock increased by ¥33 billion from the end of the previous fiscal year to ¥5,461 billion at March 31, 2013 primarily as a result of the issuance of new shares of common stock related to the conversion of preferred stock to common stock.

**Table of Contents**

Accumulated deficit decreased by ¥723 billion from the end of the previous fiscal year to ¥883 billion at March 31, 2013. This decrease was due to net income attributable to MHFG shareholders for the fiscal year ended March 31, 2013 of ¥875 billion offset in part by dividend payments of ¥152 billion.

Accumulated other comprehensive income, net of tax increased by ¥532 billion from the end of the previous fiscal year to ¥778 billion at March 31, 2013 due to an increase in unrealized net gains on available-for-sale securities of ¥367 billion, an improvement of foreign currency translation adjustments by ¥87 billion and an improvement in pension liability adjustments of ¥78 billion.

Treasury stock, at cost decreased by ¥2 billion from the end of the previous fiscal year to ¥5 billion at March 31, 2013.

Noncontrolling interests decreased by ¥47 billion from the end of the previous fiscal year to ¥129 billion at March 31, 2013.

**Liquidity**

We continuously endeavor to enhance the management of our liquidity profile and strengthen our capital base to meet our customers' loan demand and deposit withdrawals and respond to unforeseen situations such as adverse movements in stock, foreign currencies, interest rates and other markets or changes in general domestic or international conditions. We manage our liquidity profile through the continuous monitoring of our cash flow situation, the enforcement of upper limits on funds raised in financial markets and other means as further set forth in Item 11. Quantitative and Qualitative Disclosures about Market Risk Market and Liquidity Risk Management Liquidity Risk Management Structure.

Deposits, based on our broad customer base and brand recognition in Japan, have been our primary source of liquidity. Our total deposits increased by ¥8,988 billion, or 9.9%, from the end of the previous fiscal year to ¥100,222 billion as of March 31, 2013. Our average balance of deposits for the fiscal year ended March 31, 2013 of ¥93,238 billion exceeded our average balance of loans for the same period by ¥25,727 billion. We invested the excess portion primarily in marketable securities and other high liquidity assets.

Secondary sources of liquidity include short-term borrowings such as call money and funds purchased and payables under repurchase agreement. We also issue long-term debt, including both senior and subordinated debt, as additional sources for liquidity. We utilize short-term borrowings to diversify our funding sources and to manage our funding costs. We raise subordinated long-term debt for the purpose of improving our capital adequacy ratios, which also enhances our liquidity profile. We believe we are able to access such sources of liquidity on a stable and flexible basis based on our current credit ratings. The following table shows credit ratings assigned to our principal banking subsidiaries by S&P and Moody's as of July 1, 2013:

	S&P		As of July 1, 2013		Moody's		Financial strength
	Long-term	Short-term	Stand-alone credit profile	Long-term	Short-term		
Mizuho Bank	A+(1)	A-1	a	A1	P-1		C-
Mizuho Trust & Banking	A+(1)	A-1	a	A1	P-1		C-

Note:

(1) Negative outlook.

We source our funding in foreign currencies primarily from corporate customers, foreign governments, financial institutions and institutional investors, through short-term and long-term financing, under terms and pricing commensurate with our credit ratings above. In the event of future declines in our credit quality or that of Japan in general, we expect to be able to purchase foreign currencies in sufficient amounts using the yen funds

---

**Table of Contents**

raised through our domestic customer base. As further measures to support our foreign currency liquidity, we hold foreign debt securities, maintain credit lines and swap facilities denominated in foreign currencies and pledge collateral to the U.S. Federal Reserve Bank to support future credit extensions.

In order to maintain an appropriate level of liquidity, our principal banking subsidiaries hold highly liquid investment assets such as Japanese government bonds as liquidity reserve assets. We monitor the amount of liquidity reserve assets and report such amount to the monthly ALM & market risk management committee. Minimum regulatory reserve amounts, or the reserve amount deposited with the Bank of Japan pursuant to applicable regulations that is calculated as a specified percentage of the amount of deposits held by our principal banking subsidiaries, are excluded in connection with our management of liquidity reserve asset levels. We have established and apply classifications for the cash flow conditions affecting the group, including the amount of liquidity reserve assets, that range from normal to cause for concern and critical categories and take appropriate actions based on such conditions. As of March 31, 2013, the balance of Japanese government bonds included within our investments was ¥30.8 trillion (excluding held-to-maturity securities), and a majority of this amount, which has historically not fluctuated significantly over the course of a fiscal year, was classified as the principal component of liquidity reserve assets.

**Capital Adequacy**

All yen figures and percentages in this subsection are truncated. Accordingly, the total of each column of figures may not be equal to the total of the individual items.

***Regulatory Capital Requirements***

Mizuho Financial Group and its principal banking subsidiaries are subject to regulatory capital requirements administered by the Financial Services Agency in accordance with the provisions of the Banking Law and related regulations. Failure to meet minimum capital requirements may initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on our financial condition and results of operations.

***Basel II & III***

The capital adequacy guidelines applicable to Japanese banks and bank holding companies with international operations supervised by the Financial Services Agency closely follow the risk-adjusted approach proposed by the Bank for International Settlements ( BIS ) and are intended to further strengthen the soundness and stability of Japanese banks. Effective March 31, 2007, new guidelines were implemented by the Financial Services Agency to comply with the new capital adequacy requirements set by BIS called Basel II. The framework of Basel II is based on the following three pillars: minimum capital requirements; supervisory review; and market discipline.

In May 2011, the capital adequacy guidelines were revised by the Financial Services Agency to comply with the package of measures to enhance the Basel II framework approved by the Basel Committee on Banking Supervision in July 2009. The new guidelines include the strengthening of rules governing trading book capital and the strengthening of treatment of certain securitizations under the first pillar. The new guidelines have been effective since the end of December 2011.

In December 2010, the Basel Committee on Banking Supervision issued the Basel III rules text (later revised in June 2011 and January 2013), which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision, which is the oversight body of the Basel Committee on Banking Supervision, and endorsed by the G20 Leaders at the Seoul summit in November 2010. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. The Financial Services



---

**Table of Contents**

Agency's revisions to its capital adequacy guidelines became effective from March 31, 2013, which generally reflect rules in the Basel III rules text that have been applied from January 1, 2013. While the three-pillar structure of Basel II has been retained, Basel III includes various changes as described further below.

Under the first pillar, the capital ratio is calculated by dividing regulatory capital, or risk-based capital, by risk-weighted assets. With respect to the calculation of risk-weighted assets, Mizuho Financial Group adopts the advanced internal ratings-based approach. Under such approach, balance sheet assets and off-balance sheet exposures, calculated under Japanese GAAP, are assessed in terms of credit risk according to risk components such as probability of default and loss given default, which are derived from our own internal credit experience. In addition to credit risk, banks are required to measure and apply capital charges with respect to their market risks. Market risk is defined as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. Operational risk, which was introduced under Basel II with respect to regulatory capital requirements, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Mizuho Financial Group adopts the advanced measurement approach for the measurement of operational risk equivalent by taking account of the following four elements: internal loss data; external loss data; scenario analysis; and business environment and internal control factors. Under Basel III, the calculation method of risk-weighted assets was revised, including modification to the treatment of counterparty credit risk, such as the capital charge for credit valuation adjustment risk.

With regard to risk-based capital, the guidelines based on Basel III set out higher and better-quality capital standards compared to those under Basel II, in requiring a target minimum standard capital adequacy ratio of 8%, Tier 1 capital ratio of 6% (4.5% in 2013 and 5.5% in 2014) and Common Equity Tier 1 capital ratio of 4.5% (3.5% in 2013 and 4.0% in 2014), on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho Bank and Mizuho Trust & Banking, or on a consolidated basis for bank holding companies with international operations, such as Mizuho Financial Group.

Risk-based capital, calculated from financial statements prepared under Japanese GAAP, is classified into the following two tiers: Tier 1 capital; and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital generally consists of shareholders' equity, retained earnings, accumulated other comprehensive income and other disclosed reserves, minority interest and others less any regulatory adjustments. Additional Tier 1 capital generally consists of instruments issued by the bank that meet the criteria for inclusion in Additional Tier 1 capital and others less any regulatory adjustments. Tier 2 capital generally consists of instruments issued by the bank, such as subordinated debt, that meet the criteria for inclusion in Tier 2 capital, instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in Tier 2 capital, general reserve for possible losses on loans, equaling the sum of (i) the excess of the amount of qualified reserves over the amount of expected losses and (ii) the amount of general reserves calculated based on the standardized approach, and others less any regulatory adjustments.

The minimum requirement for Common Equity Tier 1 capital will be raised in phases from 3.5% of risk-weighted assets in March 2013 to 4.5% when fully effective in March 2015. Thereafter, a capital conservation buffer, to be met with Common Equity Tier 1 capital, is expected to be phased in beginning March 2016 at 0.625% until becoming fully effective in March 2019 at 2.5%, although the capital adequacy guidelines related to the capital conservation buffer have not yet been published by the Financial Services Agency. Thus the Common Equity Tier 1 capital requirement, including capital conservation buffer, is expected to be 7.0% beginning March 2019. In addition, subject to national discretion by the respective regulatory authorities, a countercyclical buffer ranging from 0% to 2.5%, consisting of Common Equity Tier 1 capital or other fully loss absorbing capital, would also be imposed on banking organizations through an extension of the capital conservation buffer when the relevant national authority judges a period of excess credit growth to be leading to the build up of system-wide risk. The countercyclical buffer for internationally active banks will be a weighted average of the buffers deployed across all the jurisdictions to which it has credit exposures. Moreover, capital instruments that will no longer qualify as Additional Tier 1 capital or Tier 2 capital under Basel III is being phased out beginning March 2013 by increments of 10% until becoming fully effective in March 2022. Our

**Table of Contents**

existing preferred stock and preferred securities (the amounts thereof included within Additional Tier 1 capital as of March 31, 2013 being ¥1,874.8 billion) and our existing subordinated debt (the amounts thereof included within Tier 2 capital as of March 31, 2013 being ¥1,518.3 billion) are subject to the phase-out arrangements.

In November 2011, the Financial Stability Board announced policy measures to address systemically important financial institutions ( SIFIs ), which were endorsed by the G20 leaders at the Cannes summit. The policy measures include requirements for globally systemically important banks ( G-SIBs ) to have additional loss absorption capacity tailored to the impact of their default, ranging from 1% to 2.5% of risk-weighted assets, to be met with Common Equity Tier 1 capital, which would be in addition to the 7.0% Common Equity Tier 1 capital requirement (including capital conservation buffer). The additional loss absorbency requirements will initially apply to G-SIBs identified in November 2014. The requirements will be phased in starting in January 2016 with full implementation by January 2019. Also in November 2011, the Financial Stability Board identified an initial group of G-SIFIs, namely 29 G-SIBs, including us, using a methodology developed by Basel Committee on Banking Supervision, and announced that the group of G-SIFIs will be updated annually and published by the Financial Stability Board each November. In November 2012, the list of G-SIBs was updated and it showed the allocation to buckets corresponding to their required level of additional loss absorbency. We were included in the list and were allocated to the bucket that would require 1.0% of additional loss absorbency.

Regulatory adjustments are to be applied mainly to the calculation of Common Equity Tier 1 capital in the form of the deductions and prudential filters related to the following:

Goodwill and other intangibles

Deferred tax assets

Cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet

Shortfall of the stock of provisions to expected losses under the internal ratings-based approach

Gain on sale related to securitization transactions

Cumulative gains and losses due to changes in own credit risk on fair valued financial liabilities

Defined benefit pension fund assets and liabilities

Treasury stock

Reciprocal cross holdings of capital of banking, financial and insurance entities

Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation  
Regulatory adjustments would be fully deducted in the calculation of Common Equity Tier 1 capital by March 2018. The regulatory adjustments will begin at 20% of the required deductions in the calculation of Common Equity Tier 1 capital in March 2014 and will be increased by 20% increments per year through March 2018 when the regulatory adjustments reach 100%. During this transition period, the remainder not deducted from capital will continue to be subject to existing national treatments.



**Table of Contents**

The capital requirements and regulatory adjustments will be phased in over a transitional period as follows (italicized percentages indicate those still in transition periods):

	March 2013	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022
Minimum Common Equity Tier 1 capital <sup>(1)</sup>	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital <sup>(1)</sup>	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital <sup>(1)</sup>	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Capital conservation buffer	0.0%	0.0%	0.0%	0.625%	1.25%	1.875%	2.5%	2.5%	2.5%	2.5%
Phase out of recognition of capital instruments that no longer qualify as capital <sup>(1)</sup>	90.0%	80.0%	70.0%	60.0%	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%
Phase-in of deductions from capital <sup>(1)</sup>	0.0%	20.0%	40.0%	60.0%	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Additional loss absorbency requirements for G-SIBs	Additional loss absorption capacity tailored to the impact of the entity's default, ranging from 1% to 2.5% of risk-weighted assets, to be met with Common Equity Tier 1 capital									

Note:

- (1) While these measures are included in the revisions to capital adequacy guidelines that have been applied from March 31, 2013 as published by the Financial Services Agency, capital adequacy guidelines related to other requirements under the Basel III rules, such as the capital conservation buffer, countercyclical buffer and additional loss absorbency requirements for G-SIBs/G-SIFIs, have not yet been published.

Japanese banks are also required to comply with the supervisory review process (second pillar) and disclosure requirements for market discipline (third pillar). Under the second pillar, banks are required to maintain adequate capital to support all of the major risks in their business and are encouraged to develop and use better risk management techniques in monitoring and managing such risks. Under the third pillar, banks are required to enhance disclosure, including disclosure of details of the capital adequacy ratio, the amount of each type of risk and the method of calculation used so that the market may make more effective evaluations. Further, the revisions to the Financial Services Agency's guidelines relation to the third pillar, which reflect the enhanced disclosure requirements under Basel III and became effective on March 31, 2013, require banks to disclose, among other things, the components of their regulatory capital and the main features of their regulatory capital instruments in common templates.

Japanese banks with only domestic operations, such as Pre-Merger Mizuho Bank, are subject to Japanese capital adequacy requirements that are similar to those discussed above, except that domestic banks are required to maintain a minimum capital adequacy ratio of 4%, on both a consolidated and non-consolidated basis.

In December 2008, the Financial Services Agency implemented special temporary measures, applicable through March 2012 (later extended to March 30, 2014), which require Japanese banks with only domestic operations not to deduct unrealized losses related to other securities under Japanese GAAP (including equity securities) from Tier 1 capital. The Japanese capital adequacy requirements applicable to Japanese banks with only domestic operations do not allow unrealized gains on other securities to be added to Tier 2 capital before or after these special temporary measures.

If the capital adequacy ratio of a financial institution falls below the required level, the Financial Services Agency may, depending upon the extent of capital deterioration, take certain corrective action, including requiring the financial institution to submit an improvement plan to strengthen its capital base, reduce its total assets, restrict its business operations or other actions that could have a material effect on its financial condition and results of operations.

**Table of Contents**

A non-risk based leverage ratio that is calibrated to act as a credible supplementary measure to the risk based capital requirements will be introduced. During the parallel run period from January 2013 to January 2017, the Basel Committee on Banking Supervision will test a minimum Tier 1 leverage ratio of 3%. Bank level disclosure of the leverage ratio and its components will start in January 2015. Based on the results of the parallel run period, any final adjustments to the definition and calibration of the leverage ratio will be carried out in the first half of 2017, with a view to migrating to a Pillar 1 treatment in January 2018 based on appropriate review and calibration.

Unless otherwise specified, the regulatory capital information set forth in this Capital Adequacy is based on the current Basel III rules.

**Consolidated Capital Adequacy Ratios**

Our capital adequacy ratios as of March 31, 2013 calculated in accordance with Japanese GAAP and guidelines established by the Financial Services Agency are as set forth in the following table:

	<b>As of March 31, 2013 (in billions of yen, except percentages)</b>
Common Equity Tier 1 capital	¥ 4,803.8
Additional Tier 1 capital	1,683.6
Tier 1 capital	6,487.4
Tier 2 capital	1,857.0
Total capital	¥ 8,344.5
Risk-weighted assets	¥ 58,823.5
Common Equity Tier 1 capital ratio	8.16%
Required Common Equity Tier 1 capital ratio	3.50
Tier 1 capital ratio	11.02
Required Tier 1 capital ratio	4.50
Total capital ratio	14.18
Required total capital ratio	8.00

Our total capital ratio as of March 31, 2013 was 14.18%. Our Tier 1 capital ratio as of March 31, 2013 was 11.02%. Our Common Equity Tier 1 capital ratio as of March 31, 2013 was 8.16%. We believe that we were in compliance with all capital adequacy requirements to which we were subject as of March 31, 2013.

**Table of Contents****Capital**

The following table shows a breakdown of our total risk-based capital as of March 31, 2013:

	<b>As of March 31, 2013</b>
	<b>(in billions of yen)</b>
<b>Common Equity Tier 1 capital</b>	¥ 4,803.8
Capital, stock surplus and retained earnings	4,796.7
Other	7.0
<b>Additional Tier 1 capital<sup>(1)(2)</sup></b>	1,683.6
Eligible Tier 1 capital instruments subject to phase-out arrangements <sup>(1)(2)</sup>	1,874.8
Other	(191.1)
<b>Tier 1 capital</b>	<b>6,487.4</b>
<b>Tier 2 capital</b>	1,857.0
Eligible Tier 2 capital instruments subject to phase-out arrangements	1,518.3
Other	338.7
<b>Total capital<sup>(1)(2)</sup></b>	<b>¥ 8,344.5</b>

Notes:

- Regarding our eleventh series class XI preferred stock, ¥306.5 billion, which is equal to 90% of the outstanding balance of such preferred stock of ¥340.6 billion, was included in Additional Tier 1 capital as of March 31, 2013. During the period from April 1, 2013 to June 30, 2013, holders of the preferred stock converted 6,822,900 shares (or ¥6.8 billion) by requesting us to acquire the preferred stock and issue common stock to them.
- On July 11 2013, we acquired and subsequently cancelled all ¥36.9 billion of the shares of the thirteenth series class XIII preferred stock (the amounts thereof included in Additional Tier 1 capital as of March 31, 2013 being ¥33.0 billion).

Our Common Equity Tier 1 capital was ¥4,803.8 billion as of March 31, 2013. Our Additional Tier 1 capital was ¥1,683.6 billion as of March 31, 2013. Our Tier 1 capital was ¥6,487.4 billion as of March 31, 2013.

Non-dilutive preferred securities issued by our overseas special purpose companies to investors are included within Additional Tier 1 capital and subject to phase-out arrangements. As of March 31, 2013, the outstanding balance of these securities was ¥1,705.7 billion. Although such non-dilutive preferred securities are perpetual in term, they are redeemable at our option, subject to prior approval from regulatory authorities, on, and on specified dates after, the relevant initial optional redemption date. The following table shows the initial optional redemption dates for the non-dilutive preferred securities included within our Additional Tier 1 capital as of March 31, 2013 and the total outstanding balance of non-dilutive preferred securities with each such initial optional redemption date. The non-dilutive preferred securities are denominated in yen, unless otherwise noted.

<b>Initial optional redemption date</b>	<b>Outstanding balance of non-dilutive preferred securities included within Additional Tier 1 capital (in billions of yen)</b>
June 2014	¥ 219.3 <sup>(1)</sup>
June 2015	452.5

June 2016	456.3 <sup>(2)</sup>
June 2018	274.5
June 2019	303.0

Notes:

- (1) Denominated in yen (¥139.5 billion) and dollars (\$850.0 million).
- (2) Denominated in yen (¥400.0 billion) and dollars (\$600.0 million).

**Table of Contents**

Our Tier 2 capital as of March 31, 2013 was ¥1,857.0 billion.

As a result of the above, total capital as of March 31, 2013 was ¥8,344.5 billion.

**Risk-weighted Assets**

The following table shows a breakdown of our risk-weighted assets as of March 31, 2013:

	<b>As of March 31, 2013 (in billions of yen)</b>
Risk-weighted assets:	
Credit risk assets	¥ 53,590.7
Market risk equivalent assets	2,379.7
Operational risk equivalent assets	2,853.0
<b>Total</b>	<b>¥ 58,823.5</b>

Risk-weighted assets as of March 31, 2013 were ¥58,823.5 billion.

**Principal Banking Subsidiaries**

Capital adequacy ratios of our principal banking subsidiaries, on a consolidated basis, as of March 31, 2013, calculated in accordance with Japanese GAAP and guidelines established by the Financial Services Agency, were as set forth in the following table:

	<b>As of March 31, 2013</b>
<b>Mizuho Corporate Bank</b>	
BIS standard (Basel III):	
Common Equity Tier 1 capital ratio	8.65%
Tier 1 capital ratio	11.03
Total capital ratio	13.89
<b>Pre-Merger Mizuho Bank<sup>(1)</sup></b>	
Domestic standard (Basel II):	
Tier 1 capital ratio	11.66
Capital adequacy ratio	15.04
BIS standard (Basel III):	
Common Equity Tier 1 capital ratio	8.90
Tier 1 capital ratio	10.13
Total capital ratio	14.08
<b>Mizuho Trust &amp; Banking</b>	
BIS standard (Basel III):	
Common Equity Tier 1 capital ratio	13.24
Tier 1 capital ratio	13.24
Total capital ratio	17.22

Note:

(1)



## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Starting FY2012, due to regulatory changes, the Basel III standard is applied to financial institutions in Japan based on the international standards proposed by the Basel Committee. Basel II continues to be applied to financial institutions in Japan that are subject to the domestic standard. Because Pre-Merger Mizuho Bank did not operate overseas, it was subject solely to domestic capital adequacy requirements. As such, information regarding Pre-Merger Mizuho Bank based on the BIS standard is included for reference purposes only.

**Table of Contents**

We believe each of our principal banking subsidiaries was in compliance with all capital adequacy requirements to which it was subject as of March 31, 2013.

Our securities subsidiaries in Japan are also subject to the capital adequacy requirement under the Financial Instruments and Exchange Law. Under this requirement, securities firms must maintain a minimum capital adequacy ratio of 120% calculated as a percentage of capital accounts less certain assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty and basic risks. Specific guidelines are issued as a ministerial ordinance that details the definition of essential components of the capital ratios, including capital, disallowed assets and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of less than 100% may lead to a temporary suspension of all or part of the business operations and further, to the cancellation of the license to act as a securities broker and dealer. We believe, as of March 31, 2013, that our securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

**Off-balance-sheet Arrangements**

We engage in various types of off-balance-sheet arrangements in the ordinary course of our business to meet the financing needs of our customers. These arrangements include various guarantees and commitments. The following tables show the contractual or notional amounts of our guarantees and undrawn commitments as of March 31, 2012 and 2013:

	As of March 31, 2012	As of March 31, 2013	Increase (decrease)
	(in billions of yen)		
<b>Guarantees:</b>			
Performance guarantees	¥ 1,681	¥ 1,750	¥ 69
Guarantees on loans	502	452	(50)
Guarantees on securities	73	146	73
Other guarantees	997	1,068	71
Guarantees for the repayment of trust principal	184	171	(13)
Liabilities of trust accounts	8,313	8,606	293
Derivative financial instruments	28,620	23,582	(5,038)
	As of March 31, 2012	As of March 31, 2013	Increase (decrease)
	(in billions of yen)		
<b>Commitments:</b>			
Commitments to extend credit	¥ 53,088	¥ 59,101	¥ 6,013
Commercial letters of credit	536	608	72
Total commitments	¥ 53,624	¥ 59,709	¥ 6,085

See note 22 to our consolidated financial statements included elsewhere in this annual report for a description of the nature of the various types of guarantees and commitments.

The contractual or notional amounts of these instruments generally represent the maximum potential amounts of future payments without consideration of possible recoveries under recourse provisions or from collateral held. For example, the amount under commitments to extend credit does not necessarily equal the impact that such commitment will have on our future cash flow, because many of these commitments expire without our making actual credit extensions up to the full commitment amount or at all. Also, many of the agreements related to the commitments to extend credit include terms that allow us to refuse, or reduce the amount of, credit extensions based on changes in the financial environment, declines in the obligor's credit

**Table of Contents**

quality and other reasons. Finally, we receive collateral such as real estate and securities at the time of contract as we deem necessary, and we regularly review the credit quality of the customer based on internal guidelines and revise the terms of the contract as we deem necessary to manage credit risk.

Some of our off-balance-sheet arrangements are related to activities of special purpose entities, most of which are variable interest entities, including those that do not meet the consolidation requirements under ASC 810, Consolidation (ASC 810). These off-balance-sheet arrangements include the types of transactions discussed below.

***Asset-backed Commercial Paper/Loan Programs***

We manage several asset-backed commercial paper/loan programs that provide our clients' off-balance-sheet and/or cost-effective financing. The variable interest entities used in the programs purchase financial assets, primarily receivables, from clients participating in the programs and provide liquidity through the issuance of commercial paper or borrowings from us backed by the financial assets. While customers normally continue to service the transferred receivables, we underwrite, distribute, and make a market in commercial paper issued by the conduits. We typically provide program-wide liquidity and credit support facilities and, in some instances, financing to the variable interest entities. We have the power to determine which assets will be held in the variable interest entities and have an obligation to monitor these assets. We are also responsible for liability management. In addition, through the liquidity and credit support facilities with the variable interest entities, we have the obligation to absorb losses that could potentially be significant to the variable interest entities. Therefore, we consolidated this type of variable interest entities.

***Asset-backed Securitizations***

We act as an arranger of various types of structured finance to meet clients' off-balance-sheet financing needs. In substantially all of these structured financing transactions, the transfer of the financial asset by the client is structured to be bankruptcy remote by use of a bankruptcy remote entity, which is deemed to be a variable interest entity because its equity holder does not have decision making rights. We receive fees for structuring and/or distributing the securities sold to investors. In some cases, we ourselves purchase the securities issued by the entities and/or provide loans to the variable interest entities.

In addition, we establish several single-issue and multi-issue special purpose entities that issue collateralized debt obligations or collateralized loan obligations, synthetic collateralized debt obligations or collateralized loan obligations or other repackaged instruments to meet clients' and investors' financial needs. We also arrange securitization transactions including commercial mortgage-backed securities, residential mortgage-backed securities and others. In these transactions, we act as an underwriter, placement agent, asset manager, derivatives counterparty, and/or investor to debt and equity instruments.

In certain variable interest entities, where we provide liquidity and credit support facilities, write credit protection or invest in debt or equity instruments in our role as an arranger, servicer, administrator or asset manager, etc., we have the power to determine which assets will be held in the variable interest entities or to manage and monitor these assets. In addition, through the variable interests above, we have the obligation to absorb losses and the right to receive benefits that could potentially be significant to the variable interest entities. Therefore, we consolidated such variable interest entities.

In a certain securitization transaction where we had transferred mortgage loans to a former qualifying special-purpose entity, we, as continuing involvement, provide servicing for, hold retained subordinated beneficial interests in, and retain credit exposure in the form of a guarantee in the mortgage loans. Prior to April 1, 2010, this entity had been exempt from consolidation in accordance with the former accounting guidance. With elimination of the concept of qualifying special-purpose entities, we consolidated the entity as of April 1, 2010. In our role as a servicer, we have the power to direct the entity's activities that most significantly impact the entity's economic performance by managing defaulted mortgage loans. In addition, through the

---

**Table of Contents**

retained interest and the involvement as a guarantor above, we have the obligation to absorb losses and the right to receive benefits that could potentially be significant to the entity.

***Investments in Securitization Products***

We invest in, among other things, various types of collateralized debt obligations and collateralized loan obligations, synthetic collateralized debt obligations and collateralized loan obligations and repackaged instruments, commercial mortgage-backed securities and residential mortgage-backed securities arranged by third parties for the purpose of generating current income or capital appreciation, which all utilize entities that are deemed to be variable interest entities. By design, such investments were investment grade at issuance and held by a diverse group of investors. The loss amount of securities and loans is generally limited to the amount invested because we have no contractual involvement in such variable interest entities beyond our investments. Since we are involved in those variable interest entities only as an investor, we do not ordinarily have the power to direct the variable interest entities' activities that most significantly impact the variable interest entities' economic performance. However, we consolidated variable interest entities, where the transactions were tailored by the third party arrangers to meet our needs as a main investor, who is eventually deemed to have the power to determine which assets to be held in the variable interest entities.

***Investment Funds***

We invest in various investment funds including securities investment trusts, which collectively invest in equity and debt securities that include listed Japanese securities and investment grade bonds. Investment advisory companies or fund management companies, including our subsidiaries and affiliates, administer and make investment decisions over such investment funds. We consolidate certain investment funds where we are deemed to be the primary beneficiary. We have determined that certain investment vehicles managed by us qualify for the deferral from certain requirements of ASC 810 that originated from SFAS No.167, Amendments to FASB Interpretation No.46(R) ( SFAS No.167 ) because they meet the criteria in ASU No.2010-10 Consolidation (Topic 810) Amendments for Certain Investment Funds ( ASU No.2010-10 ). Therefore, for these vehicles, we determine whether it is the primary beneficiary by evaluation of whether it absorbs a majority of expected losses, receives a majority of expected residual returns, or both.

***Trust Arrangements***

We offer a variety of asset management and administration services under trust arrangements including security investment trusts, pension trusts and trusts used in the securitization of assets originated by and transferred to third parties. We receive trust fees for providing services as an agent or fiduciary on behalf of beneficiaries.

With respect to guaranteed principal money trust products, we assume certain risks by providing guarantees for the repayment of principal as required by the trust agreements or relevant Japanese legislation. We manage entrusted funds primarily through the origination of high quality loans and other credit-related products, investing in investment grade marketable securities such as Japanese government bonds and placing cash with our subsidiary trust banks. We have the power to determine which assets will be held in the variable interest entities or to manage these assets. In addition, through the principal guarantee agreement, we have the obligation to absorb losses that could potentially be significant to the variable interest entities. Therefore, we consolidated this type of variable interest entities. However, we do not consolidate certain guaranteed principal money trusts, which invest all the entrusted funds in ourselves, as we have determined that we have no variable interests.

**Table of Contents****Significant Unconsolidated Variable interest entities**

The tables below summarize our involvement in significant unconsolidated variable interest entities as of March 31, 2012 and 2013:

	Significant unconsolidated variable interest entities	
	Total assets (in billions of yen)	Maximum exposure to loss
<b>As of March 31, 2012</b>		
Asset-backed commercial paper/loan programs	¥	¥
Asset-backed securitizations	582	33
Investments in securitization products		
Investment funds	2,455	334
Trust arrangements and other		
Total	¥ 3,037	¥ 367

	Significant unconsolidated variable interest entities	
	Total assets (in billions of yen)	Maximum exposure to loss
<b>As of March 31, 2013</b>		
Asset-backed commercial paper/loan programs	¥	¥
Asset-backed securitizations	463	37
Investments in securitization products	530	206
Investment funds	2,770	302
Trust arrangements and other		
Total	¥ 3,763	¥ 545

Asset-backed commercial paper/loan programs include multi-seller programs managed by us, under which the related variable interest entities purchase various types of assets from our clients, consisting mainly of account and note receivables as well as credit card receivables, auto loans, leases and other receivables. Our involvement with variable interest entities for multi-seller programs is generally more significant than other types of variable interest entities in terms of liquidity support and credit enhancement obligations. All of the variable interest entities for our asset-backed commercial paper/loan programs to which we provided liquidity support or credit enhancements were consolidated variable interest entities as of March 31, 2013.

**Other Types of Off-balance-sheet Arrangements**

See note 24 to our consolidated financial statements included elsewhere in this annual report for further descriptions of variable interest entities and securitizations.

**Table of Contents****Tabular Disclosure of Contractual Obligations**

In the normal course of business, we enter into contractual obligations that require future cash payments. The following table sets forth a summary of our contractual cash obligations as of March 31, 2013:

	Due in one year or less	Due from one year to two years	Due from two years to three years	Due from three years to four years (in billions of yen)	Due from four years to five years	Due after five years	Total
Time deposits	¥ 32,107	¥ 2,121	¥ 1,399	¥ 359	¥ 394	¥ 135	¥ 36,515
Certificates of deposit	15,315	12					15,327
Long-term debt	848	1,170	1,164	773	986	3,861	8,802
Operating leases	43	20	15	11	8	20	117
Total <sup>(1)(2)</sup>	¥ 48,313	¥ 3,323	¥ 2,578	¥ 1,143	¥ 1,388	¥ 4,016	¥ 60,761

Notes:

- (1) A contribution paid to our pension plans, which is not included in the above table, is expected to be approximately ¥49 billion in the fiscal year ending March 31, 2014, based on the current funded status and expected asset return assumptions. For further information, see note 19 to our consolidated financial statements included elsewhere in this annual report.
- (2) The amount of unrecognized tax benefits, which is not included in the above table, was ¥1.5 billion, of which ¥0.6 billion was interest and penalties, at March 31, 2013. For further information, see note 18 to our consolidated financial statements included elsewhere in this annual report.

**Recent Accounting Pronouncements**

See note 2 to our consolidated financial statements included elsewhere in this annual report.

**Table of Contents****Reconciliation with Japanese GAAP**

Our consolidated financial statements are prepared in accordance with accounting principles and policies as summarized in note 1 to our consolidated financial statements included elsewhere in this annual report. These principles and policies differ in some respects from Japanese GAAP. Under Japanese banking regulations, we are required to report our annual financial results using financial statements prepared under Japanese GAAP. In addition, pursuant to the requirements of the Tokyo Stock Exchange, we prepare quarterly financial statements which are also under Japanese GAAP. To show the major reconciling items between our U.S. GAAP financial statements and our Japanese GAAP financial statements, we have provided below, with respect to our most recent fiscal year, a reconciliation of consolidated net income and shareholders' equity under U.S. GAAP with those amounts under Japanese GAAP.

	As of and for the fiscal year ended March 31, 2013	
	Total MHFG shareholders equity	Net income attributable to MHFG shareholders
	(in billions of yen)	
U.S. GAAP	¥ 5,728.1	¥ 875.4
Differences arising from different accounting for:		
1. Derivative financial instruments and hedging activities	1.3	(20.1)
2. Investments	(18.0)	(199.2)
3. Loans	144.3	6.6
4. Allowances for loan losses and off-balance-sheet instruments	95.4	6.6
5. Premises and equipment	(38.5)	(2.7)
6. Real estate sales and leasebacks	10.7	(9.6)
7. Land revaluation	182.0	(2.2)
8. Business combinations	26.2	(14.6)
9. Pension liabilities	214.8	(51.7)
10. Consolidation of variable interest entities	10.4	(26.0)
11. Deferred taxes	(455.0)	(52.6)
12. Other	28.1	50.6
Japanese GAAP	¥ 5,929.8	¥ 560.5

The following is a summary of the significant adjustments made to consolidated shareholders' equity and net income, as shown in the above table, to reconcile the U.S. GAAP results with Japanese GAAP. The paragraphs below refer to the corresponding items set forth in the table above.

1. Derivative financial instruments and hedging activities

Under U.S. GAAP, for a derivative to qualify for hedge accounting, it must be highly effective at achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the particular risk being hedged. The hedging relationship must be designated and formally documented at inception. Such documentation must include the particular risk management objective and strategy for the hedge, the identification of the derivative used as the hedging instrument, the hedged item and the risk exposure being hedged and the method for assessing the hedge effectiveness. The criteria for designation and measurement of hedge effectiveness under U.S. GAAP are more rigorous than under Japanese GAAP. As a result, most of the eligible hedge derivatives under Japanese GAAP are accounted for as trading account assets or liabilities under U.S. GAAP with changes in fair value of the derivatives recognized in earnings.

Requirements for bifurcation of embedded derivatives differ between Japanese GAAP and U.S. GAAP. Embedded derivatives that are deemed to be clearly and closely related to their host contract are not bifurcated under U.S. GAAP, while Japanese GAAP allows an entity to bifurcate embedded derivatives if the entity





**Table of Contents**

manages the risk of the embedded derivatives and host contracts separately. Bifurcated derivatives are recorded on the balance sheet at fair value with changes in fair value recognized in earnings under both Japanese GAAP and U.S. GAAP.

**2. Investments**

The cost basis of certain investments differs between Japanese GAAP and U.S. GAAP primarily due to the following reasons:

Certain sales and subsequent repurchases of available-for-sale securities under Japanese GAAP do not meet the sale accounting criteria under U.S. GAAP. These sales and subsequent repurchases resulted in realized gains or losses being recognized in earnings under Japanese GAAP. Under U.S. GAAP, these gains or losses are recognized as unrealized gains or losses within accumulated other comprehensive income, net of tax.

Under U.S. GAAP, declines in the fair value of available-for-sale securities below cost that are deemed to be other-than-temporary are recorded in earnings. Both quantitative and qualitative factors are considered to determine whether the impairment is other-than-temporary, including the duration and extent of the decline, near-term prospects of the issuer, as well as our ability and intent to hold the investments until an anticipated market price recovery or maturity. Regarding debt securities, we consider additional factors such as intent to sell or more likely than not will be required to sell before recovery to determine whether the impairment is other-than-temporary. Under Japanese GAAP, significant declines in the fair value of securities below cost that are deemed to be other-than-temporary are recorded in earnings unless short term recovery is reasonably expected. A decline in fair value of a security of 50% or more of its cost is a strong indicator of an other-than-temporary decline, which requires compelling evidence to prove otherwise. A decline in fair value of 30% or more but less than 50% of its cost is an indicator of an other-than-temporary decline in which case the probability of recovery must be evaluated to determine whether an other-than-temporary decline has occurred. Generally, if the decline in fair value is less than 30%, it is not considered to be an other-than-temporary decline.

Under U.S. GAAP, the election of the fair value option for financial assets and liabilities is permitted according to ASC 825, while it is not permitted under Japanese GAAP. As we elected the fair value option for foreign currency denominated available-for-sale securities under U.S. GAAP, these securities were reclassified as trading securities and the entire amount of changes in their fair value are now recognized in earnings, while under Japanese GAAP, only the changes attributable to movements in foreign currency exchange rates are recognized in earnings.

Reconciliation amounts for investments in the above table are presented net of taxes.

**3. Loans**

Under U.S. GAAP, loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income over the contractual life of the relevant loan using the interest method, while certain fees and costs are recognized in earnings at the time the loan is originated under Japanese GAAP.

In addition, certain loan participations and sales of loans to special purpose vehicles in connection with asset securitization transactions under Japanese GAAP do not meet sales criteria under U.S. GAAP due to different applicable criteria, and therefore the relevant loans are recognized on the balance sheet under U.S. GAAP.

**4. Allowances for loan losses and off-balance-sheet instruments**

Under both Japanese GAAP and U.S. GAAP, the allowance for loan losses for specifically identified impaired loans is based on the present value of expected future cash flows discounted at the loan's initial effective interest rate or, as a practical expedient, the loan's observable market price or the fair value of the

## **Table of Contents**

collateral if the loan is collateral dependent. For certain impaired loans that are aggregated for the purpose of measuring impairment, pools of smaller balance homogeneous loans and other non-homogeneous loans that have not been identified as impaired, the allowance for loan losses is determined based on a formula allowance utilizing historical loss factors, as adjusted, considering recent trends.

The differences between Japanese GAAP and U.S. GAAP arise from the difference in the scope of the loans that are subject to the individual and portfolio impairment analysis. In addition to these effects based on differences between Japanese GAAP and U.S. GAAP, provision (credit) for loan losses may differ between Japanese GAAP and U.S. GAAP due to the difference in the timing of accounting closings between our consolidated financial statements under U.S. GAAP and those under Japanese GAAP.

This reconciling item also includes the differences between U.S. GAAP and Japanese GAAP relating to the allowance for off-balance-sheet instruments. We generally use the same methodology to reserve for losses on these instruments as we do for loans.

### 5. Premises and equipment

Under U.S. GAAP, the fair value of a non-monetary asset acquired in exchange for another non-monetary asset is generally deemed to be the new cost of the asset acquired in the exchange, and a gain or loss is recognized on the exchange. Under Japanese GAAP, the cost of the asset surrendered is assigned to the newly acquired asset in certain types of exchange transactions, resulting in no gains or losses. In addition, the difference in carrying value of assets acquired in a non-monetary exchange results in a difference in the depreciation schedule between U.S. GAAP and Japanese GAAP.

### 6. Real estate sales and leasebacks

Our principal banking subsidiaries entered into sale and leaseback transactions in prior years with respect to land and buildings used as their headquarters. Each sale of such real estate is accounted for as a sale under Japanese GAAP with profits on the sale recorded in earnings. Under U.S. GAAP, the profits are deferred and amortized within the respective lease periods as the subsidiaries continue to occupy the buildings under operating leases.

### 7. Land revaluation

Under Japanese GAAP, we revalued our holdings of land during the fiscal year ended March 31, 1998 pursuant to the Law Concerning Revaluation of Land (Law No. 34 of 1998). The revaluation gains are recorded directly in equity, and the related deferred tax liabilities are also recognized. Under U.S. GAAP, there is no applicable provision that allows for the revaluation of land other than for impairments, and accordingly the revaluation gains are reversed.

### 8. Business combinations

Under U.S. GAAP, goodwill is not amortized and an impairment loss is recorded to the extent the carrying amount of the goodwill exceeds its estimated fair value at the measurement date. Under Japanese GAAP, goodwill is amortized over an appropriate period not to exceed 20 years and an impairment loss is recorded only if the effects of the goodwill are no longer expected.

Under Japanese GAAP, goodwill is recognized on a step-by-step basis, with the purchase of additional ownership interests in a subsidiary being accounted for in accordance with the requirements of business combination accounting. Under U.S. GAAP, a change in the parent's ownership interest in a subsidiary where the parent retains a controlling financial interest in the subsidiary is accounted for as an equity transaction.

## **Table of Contents**

### 9. Pension liabilities

Under Japanese GAAP, we adopted as of April 1, 2000 pension accounting that is based on the actuarial present value of accrued benefit obligations. The cumulative effect of the accounting change has been amortized, and actuarial gains and losses are deferred and amortized. Under U.S. GAAP, we recalculated the benefit obligation at April 1, 2004 and accounted for the obligation as if we had adopted the accounting method in accordance with ASC 715, Compensation Retirement Benefits, beginning in the fiscal year ended March 31, 1990, as permitted for a foreign private issuer. The cumulative effect of the accounting change, as well as actuarial gains and losses since the adoption, had been fully amortized by April 1, 2004.

Under U.S. GAAP, an employer is required to recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in its consolidated balance sheets, according to ASC 715. Under ASC 715, actuarial gains or losses and prior service costs or benefits that have not yet been recognized through earnings as net periodic benefit cost are recognized in other comprehensive income, net of tax, until they are amortized as a component of net periodic benefit cost based on corridor approach. Under Japanese GAAP, they are not immediately recognized in the consolidated balance sheets and are instead amortized over a specified number of years. This results in differences in the amounts of shareholders' equity and net income between U.S. GAAP and Japanese GAAP. See note 19 to our consolidated financial statements included elsewhere in this annual report for further discussion.

### 10. Consolidation of variable interest entities

Under U.S. GAAP, variable interest entities are to be consolidated if we are deemed to be the primary beneficiary of the variable interest entity. Under Japanese GAAP, consolidation is not based on variable interests. We consolidate certain variable interest entities, such as entities related to asset-backed commercial paper/loan programs, asset-backed securitizations, investments in securitization products and investment funds. See note 24 to our consolidated financial statements included elsewhere in this annual report for further discussion.

### 11. Deferred taxes

Under U.S. GAAP, all available evidence, both positive and negative, must be considered to determine whether, based on the weight of that evidence, deferred tax assets are realizable or whether a valuation allowance is needed. Possible sources of taxable income, which are considered to determine whether deferred tax assets are realizable, include unrealized gains on available-for-sale securities. The sources also include tax planning strategies that are prudent and feasible. Under Japanese GAAP, the assessment as to whether deferred tax assets are realizable is primarily based on estimates of future taxable income.

Additionally, differences in the carrying amount of assets and liabilities between U.S. GAAP and Japanese GAAP create temporary differences that result in differences in deferred tax assets and liabilities.

### 12. Other

This adjustment reflects the effects of miscellaneous items including the effects of foreign exchange rate fluctuations.

**Table of Contents****ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****6.A. Directors and Senior Management****Directors and Corporate Auditors**

The following table provides information regarding our directors and corporate auditors as of July 1, 2013:

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
Takashi Tsukamoto  (Aug. 2, 1950)	Chairman (since June 2011)  Chairman of Mizuho Bank, Ltd.	Apr. 2002 Executive Officer / General Manager of Human Resources Division of Mizuho Corporate Bank, Ltd. Mar. 2003 Managing Executive Officer / Head of Risk Management Group, Head of Human Resources Group and General Manager of Post-retirement Counseling of Mizuho Financial Group, Inc. Feb. 2004 Managing Executive Officer / Head of Risk Management Group and Head of Human Resources Group Apr. 2004 Managing Executive Officer / Head of Europe, Middle East and Africa of Mizuho Corporate Bank, Ltd. Mar. 2006 Managing Director / Chief Strategy Officer and Chief Financial Officer Apr. 2007 Deputy President Apr. 2008 Deputy President-Executive Officer / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc. President & CEO of Mizuho Financial Strategy Co., Ltd. (until Apr. 2009) June 2008 Deputy President / Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc. Apr. 2009 President & CEO / Head of Human Resources Group Apr. 2010 President & CEO	June 2014

**Table of Contents**

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
		June 2011 President & CEO of Pre-Merger Mizuho Bank, Ltd.(until July 2013) Chairman of Mizuho Financial Group, Inc. (current)	
		Apr. 2013 Director of Mizuho Corporate Bank, Ltd.	
		July 2013 Chairman of Mizuho Bank, Ltd. (current)	
Yasuhiro Sato (Apr. 15, 1952)	President & CEO (Group CEO) (since June 2011) (Representative Director)	Mar. 2003 Executive Officer / Senior Corporate Officer of International Banking Unit of Mizuho Corporate Bank, Ltd. Apr. 2004 Managing Executive Officer Mar. 2006 Managing Director / Head of Corporate Banking Unit Apr. 2007 Deputy President / Chief Auditor Apr. 2009 President & CEO (until July 2013) June 2009 Director of Mizuho Financial Group, Inc. June 2011 Director of Pre-Merger Mizuho Bank, Ltd. President & CEO of Mizuho Financial Group, Inc.(Group CEO) (current) July 2013 President & CEO of Mizuho Bank, Ltd. (current)	June 2015
Yasunori Tsujita (June 28, 1956)	Deputy President (since June 2013) (Representative Director)	Apr. 2008 General Manager of Consulting Business Development Division of Pre-Merger Mizuho Bank, Ltd. Apr. 2009 Executive Officer / General Manager of Personal Marketing Division Apr. 2011 Managing Executive Officer / General Manager of Personal Marketing Division June 2011 Managing Executive Officer	June 2015
	Head of Human Resources Group (Group CHRO)		
	Head of Internal Audit Group (Group CA)		
	Deputy President-Executive Officer of Mizuho Bank, Ltd.		

**Table of Contents**

Name (date of birth)	Current positions and principal outside positions	Expiration of current term as director or corporate auditor	Business experience
	Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.	Apr. 2012	Managing Executive Officer / In charge of Strategic Planning Group of Mizuho Financial Group, Inc.
	Managing Executive Officer of Mizuho Securities Co., Ltd.		Managing Executive Officer / In charge of Strategic Planning Group of Pre-Merger Mizuho Bank, Ltd.
			Managing Executive Officer / In charge of Strategic Planning Group of Mizuho Corporate Bank, Ltd.
		Apr. 2013	Deputy President-Executive Officer / Head of Human Resources Group and Head of Internal Audit Group of Mizuho Financial Group, Inc.
			Deputy President-Executive Officer / Head of Human Resources Group of Pre-Merger Mizuho Bank, Ltd (until July 2013)
			Deputy President-Executive Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (until July 2013)
			Managing Executive Officer / In charge of Human Resources Group of Mizuho Trust & Banking Co., Ltd. (current)
			Managing Executive Officer / In charge of Human Resources Group of Mizuho Securities Co., Ltd. (current)
		June 2013	Deputy President / Head of Human Resources Group and Head of Internal Audit Group of Mizuho Financial Group, Inc. (current)
		July 2013	Deputy President-Executive Officer / Head of Human Resources Group of Mizuho Bank, Ltd. (current)



**Table of Contents**

Name	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
Nobuhide Hayashi (Mar.27, 1957)	Deputy President (since June 2013)	Apr. 2007 Executive Officer / General Manager of Corporate Banking Division No.13 of Mizuho Corporate Bank, Ltd.	June 2015
	Deputy President (International Banking Unit)	Apr. 2009 Managing Executive Officer Apr. 2010 Managing Executive Officer / Head of International Banking Unit June 2011 Managing Director / Head of International Banking Unit (until Apr. 2013) Apr. 2012 Managing Executive Officer (not full-time) / In charge of coordination with International Banking Unit of Mizuho Corporate Bank, Ltd. of Pre-Merger Mizuho Bank, Ltd.	
	Deputy President of Mizuho Bank, Ltd.	Apr. 2013 Deputy President-Executive Officer / Deputy President (International Banking Unit) of Mizuho Financial Group, Inc. Deputy President-Executive Officer / Deputy President (In charge of coordination with International Banking Unit of Mizuho Corporate Bank, Ltd.) of Pre-Merger Mizuho Bank, Ltd. (until July 2013)	
		Deputy President / Deputy President (International Banking Unit) of Mizuho Corporate Bank, Ltd. (until July 2013)	
		June 2013 Deputy President / Deputy President (International Banking Unit) of Mizuho Financial Group, Inc. (current)	
		July 2013 Deputy President / Deputy President (International Banking Unit) of Mizuho Bank, Ltd. (current)	
		121	



**Table of Contents**

Name	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
Hideyuki Takahashi (Apr. 20, 1957)	Deputy President (since Apr. 2013)	Apr. 2007 Executive Officer / Senior Corporate Officer of Strategic Planning Group of Mizuho Corporate Bank, Ltd.	June 2014
	Head of Financial Control & Accounting Group (Group CFO)	Apr. 2009 Managing Executive Officer / Head of Global Portfolio Management Unit, Head of Financial Institutions & Public Sector Business Unit, Head of Global Alternative Investment Unit	
	Deputy President-Executive Officer of Mizuho Bank, Ltd.	Apr. 2010 Managing Executive Officer / Chief Financial Officer and Chief Portfolio Management Officer	
	Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.	Apr. 2011 Managing Executive Officer / Chief Financial Officer, Chief Portfolio Management Officer and Chief Information Officer	
	Managing Executive Officer of Mizuho Securities Co., Ltd.	Apr. 2012 Managing Executive Officer / Head of Financial Control & Accounting Group of Mizuho Financial Group, Inc. Managing Executive Officer / Head of Financial Control & Accounting Group of Pre-Merger Mizuho Bank, Ltd. (until Apr. 2013)	
		Managing Executive Officer / Head of Financial Control & Accounting Group of Mizuho Corporate Bank, Ltd. (until Apr. 2013) Managing Executive Officer / In charge of Strategic Planning, Financial Control & Accounting Group of Mizuho Trust & Banking Co., Ltd. (current)	
		President & CEO of Mizuho Financial Strategy Co., Ltd. (current)	
		June 2012 Managing Director / Head of Financial Control & Accounting Group of Mizuho Financial Group, Inc.	

**Table of Contents**

Name	Current positions and principal outside positions	Expiration of current term as director or corporate auditor	Business experience
(date of birth)			
		Apr. 2013	Deputy President / Head of Financial Control & Accounting Group (current)
			Deputy President-Executive Officer / Head of Financial Control & Accounting Group of Pre-Merger Mizuho Bank, Ltd.
			Deputy President-Executive Officer / Head of Financial Control & Accounting Group of Mizuho Corporate Bank, Ltd.
			Managing Executive Officer / In charge of Financial & Accounting Group of Mizuho Securities Co., Ltd. (current)
		July 2013	Deputy President-Executive Officer / Head of Financial Control & Accounting Group of Mizuho Bank, Ltd. (current)
Daisaku Abe	Deputy President (since Apr. 2013)	Apr. 2007	Executive Officer / General Manager of Executive Secretariat of Mizuho Corporate Bank, Ltd.
(June 20, 1957)			
	Head of IT & Systems Group(Group CIO)	Apr. 2009	Managing Executive Officer / Head of Strategic Planning Group, Head of IT, Systems & Operations Group and General Manager of Group Strategic Planning of Mizuho Financial Group, Inc.
	Head of Operations Group(Group COO)		
		Apr. 2011	Managing Executive Officer / Head of Strategic Planning Group and Head of IT, Systems & Operations Group
	Deputy President-Executive Officer of Mizuho Bank, Ltd.		
		Apr. 2012	Managing Executive Officer / Head of IT & Systems Group and Head of Operations Group Managing Executive Officer / Head of IT & Systems Group and Head of Operations Group of Pre-Merger Mizuho Bank, Ltd. (until Apr. 2013)
	Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.		
	Managing Executive Officer of Mizuho Securities Co., Ltd.		



**Table of Contents**

Name	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
(date of birth)		Managing Executive Officer / Head of IT & Systems Group and Head of Operations Group of Mizuho Corporate Bank, Ltd. (until Apr. 2013)	
		Managing Executive Officer / In charge of IT & Systems Group and Operations Group of Mizuho Trust & Banking Co., Ltd. (current)	
		June 2012 Managing Director / Head of IT & Systems Group and Head of Operations Group of Mizuho Financial Group, Inc.	
		Apr. 2013 Deputy President /Head of IT & Systems Group and Head of Operations Group (current)	
		Deputy President-Executive Officer / Head of IT & Systems Group and Head of Operations Group of Pre-Merger Mizuho Bank, Ltd.	
		Deputy President-Executive Officer / Head of IT & Systems Group and Head of Operations Group of Mizuho Corporate Bank, Ltd.	
		Managing Executive Officer / In charge of IT & Systems Group and Operations Group of Mizuho Securities Co., Ltd. (current)	
		July 2013 Deputy President-Executive Officer / Head of IT & Systems Group and Head of Operations Group of Mizuho Bank, Ltd. (current)	
Tadashi Kanki	Managing Director (since June 2013)	Apr. 2008 Executive Officer / General Manager of Corporate Banking Division No. 8 of Mizuho Corporate Bank, Ltd.	June 2015
(Oct. 9, 1958)	Head of Strategic Planning Group (Group CSO)	Apr. 2011 Managing Executive Officer (until April 2013)	



**Table of Contents**

Name	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
(date of birth)	Managing Executive Officer of Mizuho Bank, Ltd.	Apr. 2012 Managing Executive Officer of Pre-Merger Mizuho Bank, Ltd. Apr. 2013 Managing Executive Officer / Head of Strategic Planning Group of Mizuho Financial Group, Inc.	
	Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.	Managing Executive Officer / Head of Strategic Planning Group of Pre-Merger Mizuho Bank, Ltd. (until July 2013)	
	Managing Executive Officer of Mizuho Securities Co., Ltd.	Managing Executive Officer / Head of Strategic Planning Group of Mizuho Corporate Bank, Ltd. (until July 2013)	
		Managing Executive Officer / In charge of Strategic Planning, Financial Control & Accounting Group of Mizuho Trust & Banking Co., Ltd. (current)	
		Managing Executive Officer / In charge of Strategic Planning Group of Mizuho Securities Co., Ltd. (current)	
		June 2013 Managing Director / Head of Strategic Planning Group of Mizuho Financial Group, Inc. (current)	
		July 2013 Managing Executive Officer / Head of Strategic Planning Group of Mizuho Bank, Ltd. (current)	
Masakane Koike	Managing Director (since June 2013)	Apr. 2008 General Manager of Financial Planning of Mizuho Financial Group, Inc.	June 2015
(Jul. 9, 1959)		Apr. 2009 Executive Officer / General Manager of Financial Planning	
	Head of Risk Management Group (Group CRO)	Apr. 2012 Managing Executive Officer / Head of Risk Management Group and Head of Compliance Group (until June 2013)	
	Head of Compliance Group (Group CCO)		



**Table of Contents**

Name	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
(date of birth)	<p>Managing Executive Officer of Mizuho Bank, Ltd.</p> <p>Managing Executive Officer of Mizuho Trust &amp; Banking Co., Ltd.</p> <p>Managing Executive Officer of Mizuho Securities Co., Ltd.</p>	<p>Managing Executive Officer / Head of Risk Management Group and Head of Compliance Group of Pre-Merger Mizuho Bank, Ltd. (until July 2013)</p> <p>Managing Executive Officer / Head of Risk Management Group and Head of Compliance Group of Mizuho Corporate Bank, Ltd. (until July 2013)</p> <p>Managing Executive Officer / In charge of Risk Management Group and in charge of Compliance Group of Mizuho Trust &amp; Banking Co., Ltd. (current)</p>	
		<p>Apr.2013 Managing Executive Officer / In charge of Risk Management Group and Compliance Group of Mizuho Securities Co., Ltd. (current)</p>	
		<p>June 2013 Managing Director / Head of Risk Management Group and Head of Compliance Group of Mizuho Financial Group, Inc. (current)</p>	
		<p>July 2013 Managing Executive Officer / Head of Risk Management Group and Head of Compliance Group of Mizuho Bank, Ltd. (current)</p>	
Akihiko Nomiyama <sup>(1)(3)</sup> (June 15, 1934)	<p>Director (since June 2007)</p> <p>Honorary Executive Consultant of JX Holdings, Inc.</p>	<p>Apr. 1957 Joined Nippon Mining Co., Ltd.</p> <p>June 1984 Director</p> <p>June 1989 Managing Director</p> <p>Dec. 1992 Managing Director of Nikko Kyodo Co., Ltd.</p> <p>Dec. 1993 Managing Director of Japan Energy Corporation</p>	June 2015



Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

June 1994	Senior Managing Director
June 1996	President and CEO (Representative Director)
June 2000	Chairman, President and CEO (Representative Director)

126

**Table of Contents**

Name	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
(date of birth)		Apr. 2002 Chairman and CEO (Representative Director)	
		Sep. 2002 President and CEO (Representative Director) of NIPPON MINING HOLDINGS, INC.	
		June 2003 Chairman (Representative Director)	
		June 2006 Special Advisor (until June 2010)	
		June 2007 Director of Mizuho Financial Group, Inc. (current)	
		July 2010 Honorary Executive Consultant of JX Holdings, Inc. (current)	
Mitsuo Ohashi <sup>(1)</sup>	Director (since June 2005)	Mar. 1959 Joined Mitsui Bank, Ltd.	June 2015
(Jan. 18, 1936)	Senior Advisor of Showa Denko K.K.	Dec. 1961 Joined Showa Denko K.K.	
		May 1988 General Manager of Corporate Planning Division	
		Mar. 1989 Director / General Manager of Corporate Planning Division	
		Mar. 1993 Managing Director	
		Mar. 1995 Senior Managing Director	
		Mar. 1997 President and Chief Executive Officer	
		Jan. 2005 Representative Director and Chairman of the Board of Directors	

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

		June 2005	Director of Mizuho Financial Group, Inc. (current)	
		Mar. 2007	Director and Chairman of the Board of Directors of Showa Denko K.K.	
		Mar. 2010	Senior Advisor (current)	
Kanemitsu Anraku <sup>(1)(3)</sup> (Apr. 21, 1941)	Director (since June 2007)	Apr. 1964	Joined Nissan Motor Co., Ltd.	June 2015
		June 1993	Director	
		June 1997	Managing Director	

**Table of Contents**

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
		May 1999 Executive Vice President (Representative Director)	
		Apr. 2000 Vice Chairman (member of the board of directors)	
		June 2000 Vice Chairman	
		Apr. 2002 President (Representative Director) of Nissan Real Estate Development Corporation	
		June 2005 Counselor	
		July 2006 Counselor of Nissan Network Holdings Co., Ltd. (until June 2007)	
		June 2007 Director of Mizuho Financial Group, Inc. (current)	
Toshinari Iyoda (Mar. 31, 1954)	Corporate Auditor (since June 2011)  Corporate Auditor of Mizuho Bank, Ltd.	Apr. 2005 Managing Director / Head of Advisory Group No.1 of Mizuho Securities Co., Ltd.	June 2015
		June 2005 Managing Director / Head of Advisory Group No. 1, Head of Advisory Group No. 2	
		July 2005 Managing Director / Head of Advisory Group	
		Apr. 2008 Managing Director / Head of Investment Banking Group I	
		June 2008 Managing Director / Head of Global Investment Banking, Head of Investment Banking Group	
		May 2009 Managing Executive Officer / Joint Head of Global Investment Banking, Co-Head of Investment Banking Group and In charge of Investment Banking Business Administration Dept.	
		Apr. 2010 Managing Executive Officer / Head of Investment Banking Group	
		Apr. 2011 Advisor	
		June 2011 Corporate Auditor of Mizuho Financial Group, Inc. (current)	
		June 2012 Corporate Auditor of Mizuho Corporate Bank, Ltd. (until Apr.2013)	
		July 2013 Corporate Auditor of Mizuho Bank, Ltd. (current)	

**Table of Contents**

Name (date of birth)	Current positions and principal outside positions		Business experience	Expiration of current term as director or corporate auditor
Nobukatsu Funaki (Mar. 30, 1959)	Corporate Auditor (since June 2013)	Apr. 2005	General Manager of Accounting Division of Mizuho Corporate Bank, Ltd.	June 2017
		Mar. 2010	Corporate Auditor (until June 2013)	
		Apr. 2013	Corporate Auditor of Mizuho Securities Co., Ltd. (current)	
		June 2013	Corporate Auditor of Mizuho Financial Group, Inc. (current)	
Masahiro Seki <sup>(2)(3)</sup>  (Sep. 11, 1934)	Corporate Auditor (since June 2006)	Apr. 1959	Joined Deloitte Haskins & Sells, Tokyo Office	June 2014
		June 1987	General Representative	
		Feb. 1990	Senior Managing Director of International Affairs of Deloitte Touche Tohmatsu	
		June 1997	Senior Researcher of the Japanese Institute of Certified Public Accountants	
		Oct. 2000	Visiting Professor of Graduate School of International University of Japan	
		Apr. 2001	Professor of Graduate School (until Mar. 2004)	
		June 2002	President of the non-profit organization, Japanese Institute of International Accounting Education (until June 2006)	
		Apr. 2004	Established Seki Certified Public Accountants	
		June 2006	Senior Advisor of the non-profit organization, Japanese Institute of International Accounting Education (current)	
			Corporate Auditor of Mizuho Financial Group, Inc. (current)	
Masami Ishizaka <sup>(2)(3)</sup>  (Dec. 5, 1939)	Corporate Auditor (since June 2008)	Apr. 1963	Joined Ministry of Finance	June 2016
		June 1993	Director-General of the Financial Bureau	
		July 1994	Director-General of the Planning and Co-ordination Bureau of Environment Agency	
		July 1995	Administrative Vice Minister	
	Corporate Auditor of Mizuho Bank, Ltd.			

**Table of Contents**

Name (date of birth)	Current positions and principal outside positions	Business experience	Expiration of current term as director or corporate auditor
		July 1996 Vice Chairman of Automobile Insurance Rating Organization of Japan	
		July 1998 Executive Vice President of Japan National Oil Corporation	
		Mar. 2004 Advisor	
		July 2004 Vice Chairman of The General Insurance Association of Japan	
		Sep. 2007 Chairman of Okura Zaimu Kyokai (current)	
		June 2008 Corporate Auditor of Mizuho Financial Group, Inc. (current)	
		July 2013 Corporate Auditor of Mizuho Bank, Ltd. (current)	
Isao Imai <sup>(2)(3)</sup>  (Dec. 26, 1939)	Corporate Auditor (since June 2011)          Corporate Auditor of Mizuho Bank, Ltd.	Apr. 1964 Assistant Judge of the Tokyo District Court  Feb. 2002 President of the Sendai High Court Nov. 2002 President of the Tokyo High Court Dec. 2004 Justice of the Supreme Court Dec. 2009 Resigned from judge Apr. 2010 Registered as attorney at law (Daiichi Tokyo Bar Association) Counsel of TMI Associates (current)	June 2015
		June 2011 Corporate Auditor of Mizuho Corporate Bank, Ltd. (until July 2013) Corporate Auditor of Mizuho Financial Group, Inc. (current)	
		June 2012 Corporate Auditor of Pre-Merger Mizuho Bank, Ltd.	
		July 2013 Corporate Auditor of Mizuho Bank, Ltd.(current)	

## Notes:

- (1) Messrs. Nomiya, Ohashi and Anraku satisfy the requirements for an outside director under the Company Law of Japan.
- (2) Messrs. Seki, Ishizaka and Imai satisfy the requirements for an outside corporate auditor under the Company Law of Japan.
- (3) Messrs. Nomiya, Anraku, Seki, Ishizaka and Imai were notified to stock exchanges in Japan as independent director/auditor, as the case may be, pursuant to the regulations of stock exchanges in Japan.
- No family relationship exists among any of our directors, or corporate auditors.

**Table of Contents****Executive Officers**

The following table provides information about our executive officers as of July 1, 2013:

<b>Title</b>	<b>Name</b>	<b>Areas of Oversight</b>
Deputy President - Executive Officer	Masaaki Kono	Deputy President (Western Japan (Kinki, Chugoku, and Shikoku regions))
Deputy President - Executive Officer	Yasuhiko Imaizumi	Deputy President (Corporate Banking Unit (Large Corporations), Corporate Banking Unit and Financial Institutions & Public Sector Business Unit)
Managing Executive Officer	Yasumasa Nishi	Head of Markets Unit
Managing Executive Officer	Masayuki Yonetani	Head of Corporate Banking Unit
Managing Executive Officer	Nobuyuki Fujii	Head of Corporate Banking Unit (Large Corporations)
Managing Executive Officer	Masayuki Hoshi	Head of Financial Institutions & Public Sector Business Unit / Head of Transaction Banking Unit
Managing Executive Officer	Tetsuhiko Saito	Head of Personal Banking Unit
Managing Executive Officer	Akira Sugano	Head of International Banking Unit / Head of Asset Management Unit
Managing Executive Officer	Tatsufumi Sakai	Head of Investment Banking Unit
Managing Executive Officer	Tetsuo Iimori	Head of Retail Banking Unit
Managing Executive Officer	Haruki Nakamura	Joint Head of IT & Systems Group / General Manager of IT & Systems Planning Division
Managing Executive Officer	Hideo Gamou	Deputy Head of Asset Management Unit
Managing Executive Officer	Shigeru Akiyoshi	Deputy Head of Retail Banking Unit
Managing Executive Officer	Katsunobu Motohashi	Deputy Head of Asset Management Unit
Managing Executive Officer	Kenjiro Inada	Deputy Head of Personal Banking Unit
Managing Executive Officer	Shuzo Fujii	Deputy Head of Corporate Banking Unit
Managing Executive Officer	Shuichi Shimada	Deputy Head of Corporate Banking Unit (Large Corporations) / Deputy Head of Financial Institutions & Public Sector Business Unit
Managing Executive Officer	Yoshio Shimizu	Deputy Head of International Banking Unit / Deputy Head of Investment Banking Unit

**Table of Contents**

<b>Title</b>	<b>Name</b>	<b>Areas of Oversight</b>
Managing Executive Officer	Shuuichi Takemoto	Deputy Head of Personal Banking Unit / Deputy Head of Retail Banking Unit
Managing Executive Officer	Shinya Tanaka	Deputy Head of Investment Banking Unit
Managing Executive Officer	Hidefumi Kobayashi	Deputy Head of International Banking Unit / Deputy Head of Investment Banking Unit
Managing Executive Officer	Makoto Okayama	Deputy Head of Corporate Banking Unit (Large Corporations) / Deputy Head of Corporate Banking Unit / Deputy Head of Financial Institutions & Public Sector Business Unit
Managing Executive Officer	Nobumitsu Watanabe	Deputy Head of International Banking Unit / Deputy Head of Investment Banking Unit / Deputy Head of Transaction Banking Unit / Deputy Head of Markets Unit
Managing Executive Officer	Junichi Yamada	Deputy Head of Financial Institutions & Public Sector Business Unit / Deputy Head of Markets Unit
Executive Officer	Mitsuo Ootani	General Manager of Compliance Division
Executive Officer	Ryusuke Aya	General Manager of Risk Management Division
Executive Officer	Yuusei Matsubara	General Manager of Financial Institutions & Public Sector Business Coordination Division
Executive Officer	Junichi Shinbo	General Manager of Portfolio Management Division
Executive Officer	Yasuhisa Fujiki	General Manager of International Coordination Division
Executive Officer	Koji Fujiwara	General Manager of Investor Relations Division
Executive Officer	Ryousuke Joukou	General Manager of Executive Secretariat
Executive Officer	Souichi Hosoi	General Manager of Financial Planning Division
Executive Officer	Kouji Arita	General Manager of Operations Planning Division
Executive Officer	Akira Nakamura	General Manager of Corporate Banking Coordination Division (Large Corporations)
Executive Officer	Kouji Yonei	General Manager of IT & Systems Promotion Division
Executive Officer	Atsushi Sugao	General Manager of Corporate Banking Coordination Division
Executive Officer	Teiji Teramoto	General Manager of Investment Banking Coordination Division

**6.B. Compensation**

In accordance with the Company Law, compensation for our directors and corporate auditors, including bonuses, retirement allowances and incentive stock options, must be approved at our general meeting of shareholders, unless otherwise specified in our articles of incorporation in the future. The shareholders approval



**Table of Contents**

may specify the upper limit of the aggregate amount of compensation or calculation methods, but if compensation includes benefits in kind, the shareholders' approval must include the description of such benefits. Compensation for a director or corporate auditor is fixed by our board of directors or by consultation among our corporate auditors in accordance with our internal regulations and practice and, in the case of retirement allowances, generally reflects the position of the director or corporate auditor at the time of retirement, the length of his service as a director or corporate auditor and his contribution to our performance.

The aggregate compensation, including bonuses and stock compensation-type stock options (stock acquisition rights) but excluding retirement allowances, paid by Mizuho Financial Group and its subsidiaries to the directors and corporate auditors of Mizuho Financial Group during the fiscal year ended March 31, 2013 was ¥483 million and ¥88 million, respectively.

Listed companies in Japan are required under Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., to disclose the compensation provided to their directors and corporate auditors for the relevant fiscal year if the aggregate annual compensation per the director/corporate auditor equals or exceeds ¥100 million (including any compensation provided by major subsidiaries of such listed company as directors and corporate auditors of such subsidiaries). The following table sets forth information regarding the compensation of our directors that we disclosed pursuant to such regulations:

Name (Title)	Aggregate consolidated compensation (in millions of yen)	Company	Consolidated compensation per type (in millions of yen)			
			(a) Base Remuneration	(b) Stock option Remuneration	(c) Bonus	(d) Retirement Benefits
Takashi	116	Mizuho Financial Group	16	6		0
Tsukamoto		Pre-Merger Mizuho Bank	65	27		0
(Director)						
Yasuhiro	116	Mizuho Financial Group	40	17		0
Sato		Mizuho Corporate Bank	40	17		
(Director)						

Notes:

- (1) Base remuneration indicates the aggregate fixed monthly remuneration.
- (2) Stock option remuneration indicates the amounts relating to stock acquisition rights that were granted during the fiscal year.
- (3) Any compensation other than those included in (a) through (d) above is set forth in (e).

Mizuho Financial Group and some of its subsidiaries, including Pre-Merger Mizuho Bank and Mizuho Corporate Bank, abolished their respective retirement allowance programs for directors, corporate auditors and officers. At the ordinary general meeting of shareholders held in June 2008, Mizuho Financial Group and such subsidiaries obtained shareholders' approval for a payment of lump sum retirement allowances for directors and corporate auditors (other than those elected after such shareholders' meeting) at the time of their respective retirement.

In conjunction with the abolishment of the retirement allowance program, we obtained shareholders' approval for the introduction of stock acquisition rights for the directors (excluding outside directors) at the ordinary general meeting of shareholders held on June 26, 2008. On January 30, 2009, our board of directors resolved to issue stock acquisition rights to directors and executive officers and subsequently allotted an aggregate of 5,409 stock acquisition rights on February 16, 2009. As the directors of Mizuho Financial Group, our directors received 435 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of our common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until February 16, 2029. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥190,910 as of March 31,

2013.

---

**Table of Contents**

On September 3, 2009, our board of directors resolved to issue stock acquisition rights to directors and executive officers and subsequently allotted an aggregate of 5,835 stock acquisition rights on September 25, 2009. As the directors of Mizuho Financial Group, our directors received 500 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of our common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until September 25, 2029. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥168,690 as of March 31, 2013.

On July 30, 2010, our board of directors resolved to issue stock acquisition rights to directors and executive officers and subsequently allotted an aggregate of 6,808 stock acquisition rights on August 26, 2010. As the directors of Mizuho Financial Group, our directors received 500 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of our common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until August 26, 2030. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥119,520 as of March 31, 2013.

On November 18, 2011, our board of directors resolved to issue stock acquisition rights to directors and executive officers, and subsequently allotted an aggregate of 12,452 stock acquisition rights on December 8, 2011. As the directors of Mizuho Financial Group, our directors received 500 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of our common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until December 8, 2031. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥91,840 as of March 31, 2013.

On July 31, 2012, our board of directors resolved to issue stock acquisition rights to directors and executive officers, and subsequently allotted an aggregate of 11,776 stock acquisition rights on August 31, 2012. As the directors of Mizuho Financial Group, our directors received 498 stock acquisition rights. Each stock acquisition right represents a right to purchase 1,000 shares of our common stock at ¥1 per share of common stock. The period during which the stock acquisition rights may be exercised shall be until August 31, 2032. Their exercise is conditioned on the holder losing his or her status as director or executive officer. The book value of each stock acquisition right was ¥113,250 as of March 31, 2013.

**6.C. Board Practices**

Pursuant to our articles of incorporation, we maintain a corporate governance system consisting of general meetings of shareholders, individual directors, board of directors, individual corporate auditors, board of corporate auditors and an accounting auditor as its primary components.

Our board of directors has the ultimate responsibility for the administration of our affairs. Our articles of incorporation provide for a board of directors consisting of not more than 15 members, in order to facilitate efficient and responsive decision making, and provide for not more than six corporate auditors. All directors and corporate auditors are appointed by our shareholders at general meetings. The normal term of office is two years for directors and four years for corporate auditors after their respective appointment, but directors and corporate auditors may serve any number of consecutive terms. Our board of directors designates, from among its members, representative directors and appoints a president. Our board of directors may also appoint a chairman, a deputy chairman, deputy presidents, senior managing directors and managing directors. Each representative director has the authority to represent us in the conduct of our affairs.

While one of our corporate auditors is a certified public accountant, our corporate auditors are not required to be certified public accountants. None of the corporate auditors may at the same time be directors, accounting participants, executive officers, or managers or employees of the company or any of its subsidiaries and at least one-half of them must be persons who have not been directors, accounting participants, executive officers or any

## **Table of Contents**

other employees of us or any of our subsidiaries at any time prior to their appointment as corporate auditors. Each corporate auditor has a statutory duty to audit the directors' performance of their duties and to audit the accounting records and the business reports submitted by the directors to general meetings of shareholders. Corporate auditors shall attend each meeting of the board of directors and, when necessary, state their opinion at the meeting, but are not entitled to vote.

The board of corporate auditors is composed of all corporate auditors. The board of corporate auditors has a statutory duty to prepare and submit an audit report to the directors each year. If any corporate auditor has an opinion that is different from the opinion of the board of corporate auditors, such opinion shall also be described in the audit report. The board of corporate auditors shall determine policies regarding audits, the method of investigation by the corporate auditors into the status of corporate affairs and financial position and other matters relating to the performance of the corporate auditors' duties, provided, however, that a resolution of the board of corporate auditors may not prevent any corporate auditor from exercising his or her own power.

None of our directors or corporate auditors has service contracts with us providing for benefits upon termination of service.

Our articles of incorporation, in accordance with the Company Law, allow us to enter into an agreement with outside directors and outside corporate auditors that limits their liabilities incurred in connection with their service. The limitation of the liabilities under such agreement must be the higher of either (i) a pre-determined amount not less than ¥20 million or (ii) the amount prescribed in laws and regulations, which is currently equivalent to two times the annual compensation to such outside director or outside corporate auditor. Pursuant to the provisions, we have entered into such agreements with all of our outside directors and outside corporate auditors that were in office at any time after June 2006.

Based on the rules of the Tokyo Stock Exchange, companies listed on the stock exchanges is required to have at least one member of the board of directors or the board of corporate auditors to be independent. Currently, two of our directors and three of our corporate auditors meet such independence requirements.

To ensure transparency and objectivity in personnel matters relating to directors, we have established a nominating committee and a compensation committee. Each committee consists of three outside directors and the president.

For additional information on our directors and corporate auditors and our board practices, see Item 6.A. Directors and Senior Management Directors and Corporate Auditors and Item 10.B. Additional Information Memorandum and Articles of Association in this annual report.

The rights of holders of American Depositary Receipts, or ADRs, which evidence ADSs, including such ADR holders' rights relating to corporate governance practices, are governed by the deposit agreement, which is included as Exhibit 2.2 to this annual report.

## **Corporate Governance Practices**

Companies listed on the New York Stock Exchange, or NYSE, must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, NYSE-listed companies that are foreign private issuers meeting certain criteria, such as us, are permitted to follow home country practices in lieu of certain provisions of Section 303A, and we are relying on this exemption. See Item 16.G. Corporate Governance for a summary of significant ways in which our corporate governance practices differ from those followed by NYSE-listed U.S. companies.

## **6.D. Employees**

As of March 31, 2011, 2012 and 2013, we had 56,770, 56,109 and 55,492 employees, respectively, on a consolidated basis, including overseas local staff but excluding advisers and temporary employees. We also had an average of approximately 17,824 temporary employees during the fiscal year ended March 31, 2013.

**Table of Contents**

The following tables show our full-time employees as of March 31, 2013 and the average number of temporary employees for the fiscal year ended March 31, 2013, each broken down based on business segment and geographical location:

<b>Business segment</b>	<b>Number of full-time employees</b>	<b>Average number of temporary employees</b>
Global Corporate Group	20,117	2,202
Global Retail Group	24,109	14,532
Global Asset & Wealth Management Group	5,447	547
Others	5,819	543
<b>Total</b>	<b>55,492</b>	<b>17,824</b>

<b>Location</b>	<b>Percentage of full-time employees</b>	<b>Average percentage of temporary employees</b>
Japan	93.0%	99.9%
Americas	1.6	0.0
Europe	1.1	0.0
Asia/Oceania (excluding Japan) and others	4.3	0.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Most of our full-time non-management employees in Japan are members of a labor union. Outside Japan, some of our employees are members of local unions. We consider our labor relations with employees to be good.

**6.E. Share Ownership**

The following table shows the number of shares of our common stock owned by our directors and corporate auditors as of June 30, 2013:

<b>Directors</b>	<b>Number of shares owned</b>
Takashi Tsukamoto	147,640
Yasuhiro Sato	32,880
Yasunori Tsujita	23,400
Toshitsugu Okabe	446,800
Nobuhide Hayashi	197,900
Hideyuki Takahashi	11,760
Daisaku Abe	267,980
Tadashi Kanki	50,100
Masakane Koike	29,400
Akihiko Nomiyama	24,800
Mitsuo Ohashi	
Kanemitsu Anraku	7,000
<b>Corporate Auditors</b>	<b>Number of shares owned</b>
Toshinari Iyoda	117,270
Nobukatsu Funaki	3,500
Masahiro Seki	1,000
Masami Ishizaka	61,100
Isao Imai	32,800

None of our directors or corporate auditors is the owner of more than one percent of our common stock, and no director or corporate auditor has voting rights with respect to our common stock that are different from any other holder of our common stock.

**Table of Contents**

For information on our stock compensation-type stock options (stock acquisition rights) for directors, see Item 6.B Compensation.

We have employee stock ownership plan under which participating employees of the companies listed below is able to purchase our shares with funds deducted from such employee's salary and bonus payments. The plan administrator makes open-market purchases of our shares for the account of the plan on a monthly basis. The companies contribute matching funds equivalent to 5% of the amounts contributed. The following table shows the numbers of shares that this plan held as of March 31, 2013:

Plan	As of March 31, 2013	
	Employer companies	Number of shares owned
Mizuho Employee Stock Ownership Plan	Mizuho Financial Group	
	Pre-Merger Mizuho Bank	
	Mizuho Corporate Bank	
	Mizuho Trust & Banking	
	Mizuho Asset Management	
	Mizuho Research Institute	
	Mizuho Information & Research Institute	99,279,769
Total		99,279,769

**Table of Contents****ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****7.A. Major Shareholders****Common Stock**

The following table sets forth information about the ten largest holders of shares of our common stock appearing on the register of shareholders as of March 31, 2013:

Name	As of March 31, 2013	
	Number of shares owned	Percentage of outstanding shares
Japan Trustee Services Bank, Ltd. (trustee account)	1,198,328,400	4.96%
The Master Trust Bank of Japan, Ltd. (trustee account)	856,286,800	3.55
SSBT OD05 Omnibus Account - Treaty Clients	580,161,730	2.40
Barclays Securities Japan Limited	360,000,000	1.49
Japan Trustee Services Bank, Ltd. (trustee account 9)	299,810,500	1.24
The Dai-ichi Life Insurance Company, Limited	255,691,025	1.06
Japan Trustee Services Bank, Ltd. (trustee account 4)	244,388,600	1.01
Japan Trustee Services Bank, Ltd. (trustee account 1)	232,021,500	0.96
Japan Trustee Services Bank, Ltd. (trustee account 6)	225,430,500	0.93
Nomura Securities Co., Ltd.	217,296,500	0.90
<b>Total</b>	<b>4,469,415,555</b>	<b>18.51%</b>

As of March 31, 2013, there were 180 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 8% of our outstanding common stock on that date. Because some of these shares were held by brokers or other nominees, the number of record holders with addresses in the United States might not fully reflect the number of beneficial owners in the United States.

**Preferred Stock**

Classes of preferred stock with shares outstanding as of March 31, 2013 consisted of eleventh series class XI and thirteenth series class XIII preferred stock, all of which are non-voting. The following tables set forth information about the ownership of shares of eleventh series class XI preferred stock and thirteenth series class XIII preferred stock by our major shareholders of the respective preferred stock as of March 31, 2013, as appearing on the register of preferred shareholders:

**Eleventh Series Class XI Preferred Stock**

Name	As of March 31, 2013	
	Number of shares owned	Percentage of outstanding shares
Marubeni Corporation	14,500,000	4.26%
Shimizu Corporation	10,000,000	2.94
Electric Power Development Co., Ltd.	10,000,000	2.94
JFE Steel Corporation	6,000,000	1.76
All Nippon Airways Co., Ltd.	6,000,000	1.76
Daiichi Sankyo Company, Limited	6,000,000	1.76
Canon Inc.	5,000,000	1.47
Kyushu Electric Power Company, Incorporated	5,000,000	1.47
Cosmo Oil Company, Limited	5,000,000	1.47
Shiseido Company, Limited	5,000,000	1.47
<b>Total</b>	<b>72,500,000</b>	<b>21.28%</b>





**Table of Contents*****Thirteenth Series Class XIII Preferred Stock***

Name	As of March 31, 2013	
	Number of shares owned	Percentage of outstanding shares
Nissin Foods Holdings Co., Ltd.	6,500,000	17.72%
Nippon Oil Finance (Netherlands) B.V.	6,000,000	16.35
Shiseido Company, Limited	5,000,000	13.63
Sharp Finance Corporation	5,000,000	13.63
KOSE Corporation	2,500,000	6.81
Obayashi Corporation	2,000,000	5.45
Yanmar Co., Ltd.	2,000,000	5.45
Fuji Media Holdings, Inc.	1,000,000	2.73
Kurabo Industries Ltd.	500,000	1.36
Kohnan Shoji Co., Ltd.	500,000	1.36
<b>Total</b>	<b>31,000,000</b>	<b>84.49%</b>

Note:

- (1) All of the shares of the thirteenth series class XIII preferred stock issued by Mizuho Financial Group (36,690,000 shares) were acquired and cancelled on July 11, 2013.

As of March 31, 2013, there were no holders of our preferred stock with addresses in the United States.

To our knowledge, we are not directly or indirectly owned or controlled by any other corporation(s), by any foreign government or by any other natural or legal person(s) severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control.

**7.B. Related Party Transactions**

We and our subsidiary banks had, and expect to have in the future, banking transactions and other transactions in the ordinary course of business with our related parties. Although, for the fiscal year ended March 31, 2013, such transactions included, but were not limited to, call money, loans, deposits, guarantees and foreign exchange transactions, those transactions were immaterial and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

During the fiscal year ended March 31, 2013, none of our directors or executive officers or corporate auditors, and none of the close members of their respective families, had any transactions that are material or any transactions that are unusual in their nature or conditions, involving goods, services or tangible or intangible assets, to which we were, are or will be a party, and there were no such transactions proposed as of March 31, 2013.

During the fiscal year ended March 31, 2013, no loans were made to our directors or executive officers or corporate auditors other than loans in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and involving no more than the normal risk of collectability or presenting other unfavorable features.

**7.C. Interests of Experts and Counsel**

Not applicable.



## **Table of Contents**

### **ITEM 8. FINANCIAL INFORMATION**

#### **8.A. Consolidated Statements and Other Financial Information**

##### **Financial Statements**

Our consolidated financial statements are set forth in this annual report under Item 18. Financial Statements.

##### **Legal Proceedings**

We are involved in normal collection proceedings initiated by us and other legal proceedings in the ordinary course of our business. In addition, we are involved in the following legal proceedings.

An Indonesian subsidiary of ours acts as collateral agent for the trustee of bond issuances made by subsidiaries of Asia Pulp & Paper Company Ltd. ( APP ). In that role, the subsidiary is involved in a dispute between the bondholders and such APP subsidiaries in their capacities as the issuers, guarantors and/or pledgors of security for the bonds relating to foreclosure proceedings on the collateral and has been named as a defendant in a lawsuit brought by the obligors under the bonds in Indonesia. Our consolidated financial statements do not include a reserve in relation to this dispute because we do not believe the resolution of this matter will have a significant impact on our consolidated financial condition or results of operations, although there can be no assurance as to the foregoing.

##### **Dividend Policy**

We have been implementing disciplined capital management by pursuing the optimal balance between strengthening of stable capital base and steady returns to shareholders.

Based on the above policy, we paid annual cash dividends for the fiscal year ended March 31, 2013 of ¥6 per share of common stock (interim cash dividends of ¥3 per share of common stock and cash dividends at the end of the fiscal year of ¥3 per share of common stock). With respect to each class of preferred stock, we made dividend payments for the fiscal year ended March 31, 2013 as prescribed.

Our articles of incorporation provide for our ability to distribute an interim dividend to shareholders of record as of September 30 in each year pursuant to Article 454 Paragraph 5 of the Company Law, and we intend to distribute dividends twice per year, at the interim period and the end of the period, to return profits to shareholders in a timely way.

The distribution of surplus for the fiscal year end is subject to the authorization by a general meeting of shareholders, while the distribution of surplus for the interim period is made by resolution of our board of directors.

We will apply retained earnings to strengthen our financial condition and to the development of our business going forward.

#### **8.B. Significant Changes**

Except as disclosed in note 32 to our consolidated financial statements, no significant change in our financial position has occurred since the date of the financial statements included in this annual report.

**Table of Contents****ITEM 9. THE OFFER AND LISTING****9.A. Listing Details****Market Price Information for Our American Depositary Shares**

Our ADSs are listed on the New York Stock Exchange.

The following table sets forth, for the periods indicated, the high and low trading prices and average daily trading volume on the New York Stock Exchange for our ADSs:

Fiscal years ended/ending March 31,	Price per ADS		Average daily trading volume (shares)
	High	Low	
2009	\$ 12.00	\$ 3.26	420,986
2010	5.70	3.33	520,497
2011	4.27	2.67	720,409
2012	3.42	2.43	779,986
2013	4.68	2.80	478,892
2012:			
First quarter	3.41	2.98	1,051,168
Second quarter	3.42	2.77	701,948
Third quarter	2.99	2.43	609,654
Fourth quarter	3.40	2.69	758,067
2013:			
First quarter	3.35	2.80	452,314
Second quarter	3.49	3.01	360,966
Third quarter	3.67	3.01	353,956
Fourth quarter	4.68	3.62	759,719
2014:			
First quarter	4.55	3.62	1,197,898
Most recent six months:			
January	4.01	3.62	671,248
February	4.68	3.98	916,392
March	4.55	4.26	703,774
April	4.52	4.04	1,521,912
May	4.55	3.82	1,199,226
June	4.16	3.62	840,023
July (through July 22)	4.45	4.11	436,553

**Table of Contents****Market Prices Information for Our Shares**

See Item 9.C. The Offer and Listing Markets for information on the stock exchanges on which our common stock is listed.

The following table sets forth, for the periods indicated, the high and low trading prices and average daily trading volume on the First Section of the Tokyo Stock Exchange for our common stock:

Fiscal years ended/ending March 31,	Price per share		Average daily trading volume (shares)
	High	Low	
2009 <sup>(1)</sup>	¥ 606	¥ 166	184,530,927
2010	274	146	170,679,648
2011	192	110	173,457,514
2012	146	98	107,266,520
2013	221	110	142,901,584
2012:			
First quarter	141	119	107,583,580
Second quarter	139	110	108,696,137
Third quarter	115	98	80,150,326
Fourth quarter	146	105	132,589,166
2013:			
First quarter	138	110	95,949,077
Second quarter	137	119	74,752,544
Third quarter	157	121	99,371,152
Fourth quarter	221	158	313,648,683
2014:			
First quarter	233	180	327,942,982
Most recent six months:			
January	185	158	245,419,374
February	219	181	434,241,016
March	221	198	263,903,810
April	225	185	381,765,814
May	233	192	350,906,005
June	206	180	247,317,835
July (through July 23)	225	203	153,028,269

Note:

- (1) The price and volume figures for the fiscal year ended March 31, 2009 are calculated to reflect the allotment of shares or fractions of a share without consideration at the rate of 999 shares per 1 share and 9.99 shares per every 0.01 of a share that became effective on January 4, 2009.

**9.B. Plan of Distribution**

Not applicable.

**9.C. Markets**

The principal trading market for our shares of common stock is the First Section of the Tokyo Stock Exchange. Our shares have been listed on the First Section of the Tokyo Stock Exchange, under the code 8411, since our establishment as the holding company of the Mizuho group on March 12, 2003, as the successor to Mizuho Holdings. Our shares had been listed on the First Section of the Osaka Securities Exchange under the same code until the integration of the cash equity markets of the Osaka Securities Exchange and the Tokyo Stock Exchange which occurred

on July 16, 2013.

**Table of Contents**

Our ADSs have been listed on the New York Stock Exchange since November 8, 2006 and are quoted under the ticker symbol MFG.

**9.D. Selling Shareholders**

Not applicable.

**9.E. Dilution**

Not applicable.

**9.F. Expenses of the Issue**

Not applicable.



## **Table of Contents**

### **ITEM 10. ADDITIONAL INFORMATION**

#### **10.A. Share Capital**

Not applicable.

#### **10.B. Memorandum and Articles of Association**

##### **Objects and Purposes in our Articles of Incorporation**

Our corporate purpose, as specified in article 2 of our articles of incorporation, which is included in this annual report as Exhibit 1.1, is to engage in the following businesses as a bank holding company:

operation and management of bank holding companies, banks, long-term credit banks, specialized securities companies and other companies which we may own as our subsidiaries under the Banking Law; and

any other business incidental to the foregoing.

##### **Our Board of Directors**

There is no provision in our articles of incorporation as to our directors' power to vote on a proposal, arrangement or contract in which a director is materially interested. The Company Law, however, requires such director to refrain from voting on such matters at meetings of the board of directors.

The Company Law provides that compensation for directors be determined at a general meeting of shareholders. Our board of directors will determine the compensation for each director without exceeding the upper limit on the aggregate amount of compensation for directors as a group approved by the general meeting of shareholders. Our board of directors may, by its resolution, leave this decision to the discretion of our president.

The Company Law provides that the board of directors must approve significant loans from any third party to the company.

Neither the Company Law nor our articles of incorporation set a mandatory retirement age for our directors.

There is no requirement concerning the number of shares an individual must hold to qualify as a director under the Company Law or our articles of incorporation.

##### **Common Stock**

###### ***General***

Set forth below is information concerning our shares of common stock, including brief summaries of certain provisions of our articles of incorporation, our share handling regulations and the Company Law (Kaisha Hou) (Law No. 86 of 2005, as amended) relating to joint stock corporations (kabushiki kaisha) and certain related legislation, all as currently in effect.

Under our articles of incorporation, we are authorized to issue 48,000,000,000 shares of common stock.

As of March 31, 2013, 24,164,864,477 shares of common stock were issued.

Where relevant to the common stock, provisions of our preferred stock are also described below.

###### ***Distribution of Surplus***

###### ***General***

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Under the Company Law, distribution of cash or other assets by a joint stock corporation to its shareholders, including dividends, takes the form of distribution of Surplus (as defined in Restriction on Distribution of

**Table of Contents**

Surplus ). We are permitted to make distributions of Surplus to our shareholders any number of times per fiscal year pursuant to resolutions of our general meeting of shareholders, subject to certain limitations described in Restriction on Distribution of Surplus. Distributions of Surplus are required in principle to be authorized by a resolution of a general meeting of shareholders. Distributions of Surplus are, however, permitted pursuant to a resolution of the board of directors if:

- (1) our articles of incorporation so provide (our current articles of incorporation do not have such provision);
- (2) the normal term of office of our directors is one year; and
- (3) our non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present our assets and profit and loss, as required by an ordinance of the Ministry of Justice.

In an exception to the above rule, even if the requirements described in (1) through (3) are not met, we are permitted to make distributions of Surplus in cash to our shareholders by resolutions of the board of directors once per fiscal year if our articles of incorporation so provide. Our current articles of incorporation provide such distribution of Surplus as interim dividends, the record date for which is September 30 each year.

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of common stock held by each shareholder. A resolution of a general meeting of shareholders or the board of directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or (as the case may be) the board of directors, grant the right to our shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders (see Voting Rights with respect to a special resolution ).

Under our articles of incorporation, the record date for annual dividends and interim dividends is March 31 and September 30, respectively, in each year. In Japan, the ex-dividend date (the date from which purchasers of shares through Japanese stock exchanges will not be entitled to the dividends to be paid to registered shareholders as of any record date) and the record date for dividends precede the date of determination of the amount of the dividend to be paid. The ex-dividend date of the shares of common stock is generally the second business day prior to the record date. Under our articles of incorporation, we are not obligated to pay any distribution of Surplus to be made in cash which has not been received after the lapse of five years from the commencement date of such distribution.

*Restriction on Distribution of Surplus*

Payment of annual dividends on shares of common stock is subject to the prior payment of dividends on shares of preferred stock of ¥20 per share of eleventh series class XI preferred stock. Payment of an interim dividend on shares of our common stock is also subject to the prior payment of an interim preferred dividend of one-half the annual preferred dividend amount on the shares of the series of preferred stock.

In making a distribution of Surplus, we must set aside in our additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

**Table of Contents**

In the above formula:

A = the total amount of other capital surplus and other retained earnings, each such amount being that appearing on our non-consolidated balance sheet as of the end of the last fiscal year

B = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof

C = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)

D = (if we have reduced our additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)

E = (if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock

F = (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the total book value of the Surplus so distributed

G = certain other amounts set forth in an ordinance of the Ministry of Justice, including:

if we have reduced Surplus and increased our stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year, the amount of such reduction; and

if we have distributed Surplus to shareholders after the end of the last fiscal year, the amount set aside in our additional paid-in capital or legal reserve, if any, as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by us may not exceed a prescribed distributable amount (the Distributable Amount), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be the amount of Surplus less the aggregate of (a) the book value of our treasury stock, (b) the amount of consideration for any of our treasury stock disposed of by us after the end of the last fiscal year and (c) certain other amounts set forth in an ordinance of the Ministry of Justice, including (if the sum of one-half of our goodwill and deferred assets exceeds the total of the stated capital, additional paid-in capital and legal reserve, each such amount being the amount in our non-consolidated balance sheet as of the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If we have become at our option a company with respect to which its consolidated balance sheet should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), we shall further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of the shareholders' equity appearing on our non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of the shareholders' equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on our consolidated balance sheet as of the end of the last fiscal year. We did not opt for becoming such a company with respect to the fiscal year ended March 31, 2013.

If we have prepared interim financial statements as described below, and if such interim financial statements have been approved by the board of directors or (if so required by the Company Law) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. We may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements so prepared by us must be audited by our corporate auditors and/or outside accounting auditor, as required by an ordinance of the Ministry of Justice.

---

**Table of Contents*****Capital and Reserves***

We may reduce our additional paid-in capital or legal reserve generally by resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, we may reduce our stated capital generally by special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital or legal reserve. In addition, we may reduce our Surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case by resolution of a general meeting of shareholders.

***Stock Splits***

We may at any time split shares of common stock into a greater number of shares of common stock by resolution of the board of directors. When a stock split is to be made, so long as our only class of outstanding stock is the common stock, we may increase the number of authorized shares in the same ratio as that of such stock split by amending our articles of incorporation, of which amendment may be effected by resolution of the board of directors without approval by shareholders.

***Unit Share System***

We have adopted the unit share system under which shareholders will have one voting right for each unit of shares consisting of 100 shares held by them at general meetings of shareholders or at meetings of holders of a particular class of shares, and shares constituting less than a full unit will carry no voting rights. See **Preferred Stock Voting Rights** for information on the voting rights that holders of preferred stock may have at general meetings of shareholders. Our articles of incorporation provide that the holders of shares constituting less than a full unit will not have shareholder rights, except for those specified in an ordinance of the Ministry of Justice which include rights (i) to receive dividends, (ii) to receive cash or other assets in case of a consolidation or split of shares, share exchange or share transfer, or merger or (iii) to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders. Holders of shares constituting less than a full unit may at any time request us to purchase such shares constituting less than a full unit (a) at the current market price as determined pursuant to the Company Law in cases of such shares having a market price (such as our common stock) or (b) at the price as determined through negotiations between the holders of shares constituting less than a full unit and us in cases where such shares have no market price (such as our preferred stock), which request may not be withdrawn without our consent. In addition, holders of shares constituting less than a full unit may require us to sell them such number of shares, which, when combined with the number of shares already held by such holder, shall constitute a whole unit of shares; provided that we will be obliged to comply with such request only when we own a sufficient number of shares to accommodate such request. As prescribed in our share handling regulations, such requests shall be made through an account managing institution at which such shareholder has its account and Japan Securities Depository Center, Inc. ( JASDEC ) pursuant to the rules of JASDEC, without going through the notification procedure required for the exercise of shareholders' rights entitled regardless of record dates as described in **Transfer of Shares**. The board of directors may reduce the number of shares constituting one unit of shares or cease to use the unit share system by amendments to the articles of incorporation without a special resolution of the general meeting of shareholders which would otherwise be required.

***General Meetings of Shareholders***

The ordinary general meeting of shareholders shall be held no later than three months from the last day of each business year and is normally held in June of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating the place, the time and the purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is March 31 of each year.

## **Table of Contents**

Any shareholder holding at least 300 voting rights or 1% of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a representative director at least eight weeks prior to the date of such meeting. Any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened if our articles of incorporation so provide.

### ***Voting Rights***

Our shareholders have one voting right for each unit of shares held by them (regarding the voting rights held by holders of preferred stock, see Preferred Stock Voting Rights ).

Except as otherwise provided by law or in our articles of incorporation, a resolution shall be adopted at a general meeting of shareholders by a majority of the voting rights held by the shareholders present at the meeting. Our articles of incorporation provide that the quorum for election of directors and corporate auditors is one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. A shareholder may exercise its voting rights in writing or through a proxy, provided that the proxy shall also be a holder of our shares having voting rights at such meeting.

The Company Law provides that certain important matters shall be approved by a special resolution of a general meeting of shareholders. Under our articles of incorporation, the quorum for a special resolution is one-third of the total number of voting rights, and the approval of not less than two-thirds of the voting rights held by the shareholders present at the meeting is required for adopting a special resolution. Such important matters include:

1. any amendment to our articles of incorporation (except for such amendments that may be authorized by the board of directors under the Company Law such as (i) an increase of the number of authorized shares in the same ratio as that of a stock split, (ii) a reduction of the number of shares per unit of shares and (iii) abolishing the unit share system);
2. dismissal of a corporate auditor;
3. our dissolution, merger or consolidation requiring shareholders approval;
4. establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*) requiring shareholders approval;
5. transfer of the whole or a substantial part of our business;
6. taking over of the whole of the business of another company requiring shareholders approval;
7. our corporate split requiring shareholders approval;
8. consolidation of shares of common stock;
9. acquisition of shares of common stock by us from a specific shareholder other than our subsidiary;

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

10. distribution of Surplus in kind (except when shareholders are granted the right to require to make such distribution in cash instead of in kind);
11. issuance or transfer of new shares or existing shares held by us as treasury stock to persons other than the shareholders at a specially favorable price; and
12. issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders at a specially favorable price or under specially favorable conditions.

---

## **Table of Contents**

### ***Liquidation Rights***

In the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions of residual assets relating to the then outstanding preferred stock will be distributed among holders of common stock in proportion to the respective numbers of shares held by them. See Preferred Stock Liquidation Rights.

### ***Issue of Additional Shares and Pre-emptive Rights***

Holders of the common stock have no pre-emptive rights. Authorized but unissued shares of common stock may be issued at such times and upon such terms as the board of directors determines, subject to the limitations as to the issuance of new shares of common stock at a specially favorable price mentioned in Voting Rights. In the case of an issuance or transfer of shares or stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25% or more or change the controlling shareholder, in addition to a board resolution, the approval of the shareholders or an affirmative opinion from a person independent of our management is generally required pursuant to the regulations of the stock exchanges in Japan. The board of directors may, however, determine that shareholders of a particular class of stock shall be given subscription rights to new shares of the same class, in which case they must be given on uniform terms to all shareholders of that class as of a record date of which not less than two weeks prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks prior notice of the date on which such rights expire (but see Preferred Stock Issue of Additional Shares and Pre-emptive Rights regarding our preferred stock).

### ***Stock Acquisition Rights***

We may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from us, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. We may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by the board of directors unless it is made at a specially favorable price or under specially favorable conditions, as described in Voting Rights.

### ***Record Date***

As mentioned above, March 31 is the record date for the payment of annual dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders. September 30 is the record date for the payment of interim dividends. In addition, by a resolution of the board of directors and after giving at least two weeks prior public notice, we may at any time set a record date in order to determine the shareholders who are entitled to certain rights pertaining to our stock.

JASDEC is required to give us notice of the names and addresses of our shareholders, the numbers of shares held by them and other relevant information as of such record date promptly after we set each record date.

### ***Acquisition by Us of Common Stock***

We may acquire shares of common stock:

1. by way of purchase on any Japanese stock exchange on which the shares of our common stock are listed or by way of tender offer (in either case pursuant to a resolution of the board of directors as currently authorized by our articles of incorporation);
2. from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution of a general meeting of shareholders);  
or
3. from any of our subsidiaries (pursuant to a resolution of the board of directors).



## **Table of Contents**

In the case of 2. above, any other shareholder may make a request to a representative director to be included as a seller in the proposed purchase, unless the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in 2. above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

The total amount of the purchase price of shares of common stock may not exceed the Distributable Amount, as described in Distribution of Surplus Restriction on Distribution of Surplus.

We may hold the shares of common stock acquired, and may generally transfer or cancel such shares by resolution of the board of directors.

### ***Disposal of Shares of Common Stock Held by Shareholders whose Location is Unknown***

We are not required to send notices to a shareholder if notices given by us to such shareholder fail to arrive for five consecutive years or more at its address registered in our register of shareholders or otherwise notified to us.

In the above case, if the relevant shareholder also fails to receive dividends on the shares continuously for five years or more at its address registered in our register of shareholders or otherwise notified to us, then we may in general dispose of such shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

### ***Reporting of Substantial Shareholders***

The Financial Instruments and Exchange Law and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of capital stock of a company that is listed on any Japanese stock exchange to file a report with the Director of the relevant Local Finance Bureau of the Ministry of Finance within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in the holding or of any change in material matters set forth in any previously filed reports. For this purpose, shares issuable to such person upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares held by the holder and the company's total issued share capital. Copies of each report must also be furnished to the company issuing the shares and to all the Japanese stock exchanges on which the shares are listed.

There are other reporting requirements under the Banking Law. See Item 4.B. Information on the Company Business Overview Supervision and Regulation Japan Examination and Reporting Applicable to Shareholders.

### ***Holding of Shares of Our Common Stock by Foreign Investors***

There are no limitations imposed by the laws of Japan, our articles of incorporation or our other constituent documents on the rights of non-residents or foreign shareholders to hold or exercise voting rights on our shares of common stock or preferred stock.

### ***Transfer of Shares***

At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of listed shares under the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Law No. 75 of 2001, including regulations promulgated thereunder; the Book-entry Law ). Under the clearing system above, in order for any person to hold, sell or otherwise

**Table of Contents**

dispose of listed shares, such person must have an account at an account managing institution unless such person has an account at JASDEC.

Account managing institutions are financial instruments business operators (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-entry Law, and only those financial institutions that meet further stringent requirements of the Book-entry Law can open accounts directly at JASDEC. Under the Book-entry Law, any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded at the transferee's account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account. Under the Company Law and the Book-entry Law, in order to assert shareholders' rights to which shareholders as of record dates are entitled (such as the rights to vote at a general meeting of shareholders or receive dividends) against us, a shareholder must have its name and address registered in our register of shareholders. Under the clearing system, such registration is made upon our receipt of necessary information from JASDEC. On the other hand, in order to assert shareholders' rights to which shareholders are entitled regardless of record dates such as minority shareholders' rights including the right to propose a matter to be considered at a general meeting of shareholders, except for shareholders' rights to request us to purchase or sell shares constituting less than a full unit (as described in Unit Share System), upon the shareholder's request, JASDEC shall issue a notice of certain information, including the name and address of such shareholder, to us. Thereafter, such shareholder is required to present us a receipt of the request of the notice in accordance with our share handling regulations. Under the Book-entry Law, the shareholder shall exercise such shareholders' right within four weeks after the notice above. Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account managing institution. Such notice will be forwarded to us through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to such standing proxies or mailing addresses.

Under the clearing system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on Japanese stock exchanges.

Our transfer agent is Mizuho Trust & Banking, located at 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan.

The registered holder of deposited shares underlying the ADSs is the depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert their shareholders' rights against us.

**Preferred Stock**

The following is a summary of information concerning the shares of our preferred stock, including brief summaries of the relevant provisions of our articles of incorporation, our share handling regulations and the Company Law and certain related legislation, all as currently in effect. The detailed rights of our preferred stock are set forth in our articles of incorporation and the resolutions of our board of directors relating to the issuance of the relevant series of preferred stock.

**General**

Under our articles of incorporation, we are authorized to issue 914,752,000 shares of class XI preferred stock, 36,690,000 shares of class XIII preferred stock, 900,000,000 shares of each of the first to fourth series of class XIV preferred stock (provided that the aggregate number of shares authorized to be issued with respect to the four series of class XIV preferred stock may not exceed 900,000,000 shares), 900,000,000 shares of each of the first to fourth series of class XV preferred stock (provided that the aggregate number of shares authorized to be issued with respect to the four series of class XV preferred stock may not exceed 900,000,000 shares),

## **Table of Contents**

1,500,000,000 shares of each of the first to fourth series of class XVI preferred stock (provided that the aggregate number of shares authorized to be issued with respect to the four series of class XVI preferred stock may not exceed 1,500,000,000 shares).

As of March 31, 2013, 914,752,000 shares of eleventh series class XI preferred stock and 36,690,000 shares of thirteenth series class XIII preferred stock were issued and there were no fractional shares of each series of preferred stock. On July 11, 2013, we acquired and cancelled all of the outstanding shares of the thirteenth series class XIII preferred stock.

### ***Preferred Dividends***

Payment of annual dividends on shares of common stock is subject to the prior payment on shares of preferred stock. The amount of preferred dividends for each series of the preferred stock (except for the thirteenth series class XIII preferred stock all of which were acquired and cancelled by us on July 11, 2013) is as follows:

Eleventh series class XI preferred stock bears an annual non-cumulative dividend of ¥20 per share, and in the event we pay an interim dividend, holders are entitled to receive ¥10 per share in preference to common stock.

Each of the first to fourth series of class XIV preferred stock (currently not in issue) bears an annual non-cumulative dividend of the amount to be determined by resolution of the board of directors at the time of issuance, up to a maximum of ¥100 per share, and in the event we pay an interim dividend, holders are entitled to receive one half of such amount per share in preference to common stock.

Each of the first to fourth series of class XV preferred stock (currently not in issue) bears an annual non-cumulative dividend of the amount to be determined by resolution of the board of directors at the time of issuance, up to a maximum of ¥100 per share, and in the event we pay an interim dividend, holders are entitled to receive one half of such amount per share in preference to common stock.

Each of the first to fourth series of class XVI preferred stock (currently not in issue) bears an annual non-cumulative dividend of the amount to be determined by resolution of the board of directors at the time of issuance, up to a maximum of ¥100 per share, and in the event we pay an interim dividend, holders are entitled to receive one half of such amount per share in preference to common stock.

The amount of any preferred interim dividend will be deducted from the preferred dividend payable on preferred stock in respect of the same fiscal year.

No payment of dividends on our preferred stock or any other stock may be made unless we have sufficient Distributable Amount and a resolution to pay such dividend is obtained at the relevant ordinary general meeting of shareholders, in the case of annual dividends or at the board of directors, in the case of preferred interim dividends.

Dividends on our preferred stock are non-cumulative. If the full amount of any dividend is not declared on our preferred stock in respect of any fiscal year, holders of our preferred stock do not have any right to receive dividends in respect of the deficiency in any subsequent fiscal year, and we will have no obligation to pay the deficiency or to pay any interest regardless of whether or not dividends are paid in respect of any subsequent fiscal year. The holders of our preferred stock are not entitled to any further dividends or other participation in or distribution of surplus.

### ***Liquidation Rights***

In the event of our voluntary or involuntary liquidation, holders of our preferred stock will be entitled, equally in rank as among themselves and in preference over shares of common stock, to receive a distribution of ¥1,000 per share out of our residual assets upon our liquidation.

## **Table of Contents**

Holders of our preferred stock are not entitled to any further dividends or other participation in or distribution of our residual assets upon our liquidation.

### ***Voting Rights***

No holder of preferred stock has a right to receive notice of, or to vote at, a general meeting of shareholders, except as otherwise specifically provided under the Company Law or other applicable law or our articles of incorporation. Under our articles of incorporation, holders of units of our preferred stock will be entitled to receive notice of, and to vote at, general meetings of shareholders:

from the commencement of any ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting; or

from the close of any ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting,

until in each case such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is approved.

A separate resolution of a meeting of the holders of the preferred stock is required in order to approve the following matters which would prejudice the interests of the holders of the relevant preferred stock:

- (i) an amendment to the articles of incorporation to add new classes of shares to be issued, alter the terms of the shares or increase the number of authorized number of shares or authorized number of any class of shares, with certain exceptions;
- (ii) consolidation or split of shares;
- (iii) pro rated allocation of shares or stock acquisition rights to shareholders without any consideration;
- (iv) granting pre-emptive rights for new shares or stock acquisition rights to shareholders;
- (v) amalgamations or mergers;
- (vi) certain corporate splits;
- (vii) share exchanges;
- (viii) share transfers; and
- (ix) other matters set forth in the articles of incorporation.

Such separate resolution is not required when the articles of incorporation so provide, except in the case of (i) above.

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

A separate resolution of a meeting of the holders of the common stock is also required in cases where the above matters would prejudice the interests of the holders of the common stock.

Under our articles of incorporation, in cases where a matter to be resolved at an ordinary general meeting of shareholders is required to be approved by such separate resolution, the record date for the relevant meeting of the holders of the common stock or the preferred stock, as the case may be, is the same date as the record date for the ordinary general meeting of shareholders, when is March 31 of each year.

### ***Ranking***

We will not (unless the requisite sanction has been given by holders of preferred stock) create or issue any other shares ranking, as regards order of participation in the profits or assets of us on a liquidation or otherwise, in priority to the preferred stock in issue, but we may issue, without obtaining the consent of holders of the

## **Table of Contents**

preferred stock in issue, other preferred stock ranking pari passu with the preferred stock in issue as regards the order of such participation in profits or assets of us and carrying such rights as to rates of preferred dividends or terms of conversion as the board of directors may determine, subject to the limitations set forth in our articles of incorporation and the Company Law.

### ***Acquisition of Preferred Stock***

We may, if required, subject to regulatory approval, acquire any shares of the preferred stock then outstanding at any time out of the Distributable Amount (as defined in Common Stock Restriction on Distribution of Surplus ). On or after the date to be determined by a resolution of the board of directors at the time of the relevant preferred stock, we may also acquire all or a portion of each series of the first to fourth series of class XV (currently not in issue) or the first to fourth series of class XVI preferred stock (currently not in issue) at the acquisition price to be determined by a resolution of the board of director at the time the issuance of the relevant preferred stock on the date separately determined by a resolution of the board of director, without consent of the holders of such preferred stock. When a portion of a certain class of preferred stock is acquired, such acquisition shall be made from each holder thereof in number of shares determined by way of a lot or pro rata allocation. On July 11, 2013, we acquired and cancelled all of the outstanding shares of the thirteenth series class XIII preferred stock.

### ***Stock Splits***

Our articles of incorporation provide that no stock split, stock consolidation or free distribution of stock shall be made in respect of the preferred stock unless otherwise provided for in any law or regulation.

### ***Issue of Additional Shares and Pre-emptive Rights***

Our articles of incorporation provide that no holder of our preferred stock has any pre-emptive right to subscribe for or purchase shares, stock acquisition rights or bonds with stock acquisition rights in the event of an issuance of additional shares or bonds and that no free distribution of stock acquisition rights may be made to the holders of our preferred stock.

### ***Conversion***

Our articles of incorporation provide that holders of class XI, the first to fourth series of class XIV (currently not in issue) or the first to fourth series of class XV (currently not in issue) preferred stock may, at their option, convert their shares to common stock by requesting us to acquire such shares and issue or transfer common stock to them. Other classes of our preferred stock are non-convertible.

Our articles of incorporation also provide that class XI, the first to fourth series of class XIV (currently not in issue) or the first to fourth series of class XV (currently not in issue) preferred stock outstanding on the last day of the acquisition period will be mandatorily acquired by us on the immediately following day (the mandatory conversion date ) in consideration of shares of common stock of which number shall be calculated at the then-current market price per share of our common stock (the mandatory conversion price ).

Eleventh series class XI preferred stock may, at the option of the holder thereof, be acquired at any time from July 1, 2008 to June 30, 2016 in consideration of shares of common stock of which number shall be calculated at ¥282.90 per share, subject to anti-dilution adjustments due to, among other things, issuance of new shares of our common stock at issue price below the market price. For the purpose of determining the mandatory conversion price and the conversion price adjusted pursuant to the anti-dilution clause, the market price shall mean the average price of daily closing prices of our common stock on the Tokyo Stock Exchange for the 30 consecutive trading days commencing on the 45th trading day prior to the mandatory conversion date or the date on which the conversion price after the adjustment becomes effective, respectively. Anti-dilution adjustments are

**Table of Contents**

triggered upon an issuance of common stock at prices that are lower than the then current market price, stock splits and free allotments of common stock, and other similar events, so that the impact of these events are properly reflected in the conversion price.

The anti-dilution adjustments will generally be made in accordance with the following formula.

$$\begin{array}{rcl} \text{Conversion price after} & = & \text{Conversion price before} \times \\ \text{adjustment}^{(1)} & & \text{adjustment}^{(1)} \end{array}$$

$$\begin{array}{rcl} \text{Number of shares of} & + & \text{Number of shares of} \\ \text{common stock already} & & \text{common stock} \\ \text{issued} & & \text{to be newly issued} \end{array}$$

$$\begin{array}{rcl} \text{Number of shares of} & + & \text{Number of shares of} \\ \text{common stock already} & & \text{common stock to be newly} \\ \text{issued} & & \text{issued} \end{array}$$

$$\begin{array}{rcl} \text{Current market price per share} & \times & \text{Subscription} \\ \text{Number of shares of} & & \text{money per} \\ \text{common stock to be newly} & & \text{share} \\ \text{issued} & & \end{array}$$

Note:

- (1) Conversion of the preferred stock is conducted through the acquisition of the relevant shares of preferred stock by us followed by the delivery of the applicable number of shares of common stock. As such, the word "acquisition" is used in lieu of "conversion" in our articles of incorporation.

***Acquisition of Preferred Stock without Consideration or in Exchange for Common Stock***

In order to enable the relevant preferred stock to meet the criteria for inclusion in Additional Tier 1 capital under the capital adequacy guidelines which was revised by the Financial Services Agency, with effect as from March 31, 2013, to reflect the Basel III rules, the first to fourth series of class XIV (currently not in issue), the first to fourth series of class XV (currently not in issue) and the first to fourth series of class XVI (currently not in issue) preferred stock have the following feature.

In respect of the first and second series of class XIV (currently not in issue), the first and second series of class XV (currently not in issue) and the first and second series of class XVI (currently not in issue) preferred stock, upon the occurrence of an event determined by a resolution of the board of directors relating to the issuance of the relevant preferred stock as an event where a write-off of the relevant preferred stock or a conversion of the relevant preferred stock into common stock, or financial support or other similar measures taken by a public sector, without which we would become non-viable, is determined to be necessary, we shall mandatorily acquire the relevant preferred stock, in whole, free of consideration, on a date which falls after the occurrence of such event as determined by the resolution of the board of directors relating to the issuance of the relevant preferred stock and which date shall be separately determined by a resolution of the board of directors after the issuance of the relevant preferred stock, or a date which falls after the occurrence of the relevant certain event and which date shall be determined by the resolution of the board of directors relating to the issuance of the relevant preferred stock, giving due consideration to the capital adequacy requirements applicable to us and other factors.

In respect of the third and fourth series of class XIV (currently not in issue), the third and fourth series of class XV (currently not in issue) and the third and fourth series of class XVI (currently not in issue) preferred stock, upon the occurrence of an event determined by a resolution of the board of directors relating to the issuance of the relevant preferred stock as an event where a write-off of the relevant preferred stock or a conversion of the relevant preferred stock into common stock, or financial support or other similar measures taken by a public sector, without which we would become non-viable, is determined to be necessary, we shall mandatorily acquire the relevant preferred stock, in whole, on a date which falls after the occurrence of such event as determined by the resolution of the Board of Directors relating to the issuance of the relevant preferred stock and which date shall be separately determined by a resolution of the Board of Directors after the issuance of the relevant preferred stock, or a date which falls after the occurrence of the relevant certain event and which date shall be determined by the resolution of the board of directors relating to the issuance of the relevant

## **Table of Contents**

preferred stock, giving due consideration to the capital adequacy requirements applicable to us and other factors, and instead, we shall deliver our own common stock to holders of the relevant preferred stock. In this case, the terms of acquisition, including the number of shares of the common stock to be delivered in exchange for the acquisition of one (1) share of the relevant preferred stock, shall be determined by the resolution of the relevant board of directors relating to the issuance of the relevant preferred stock, giving due consideration to the market price of common stock, the subscription price of the relevant preferred stock and other factors.

### **10.C. Material Contracts**

There were no material contracts entered into by us for the two years preceding the filing of this annual report that were not entered into in the ordinary course of business.

### **10.D. Exchange Controls**

#### **Foreign Exchange and Foreign Trade Law**

The Foreign Exchange and Foreign Trade Law of Japan and the cabinet orders and ministerial ordinances incidental thereto, collectively the Foreign Exchange Law, set forth, among other matters, the regulations relating to the receipt by non-residents of Japan of payment with respect to shares to be issued by us and the acquisition and holding of shares by non-residents of Japan and foreign investors, both as defined below. It also applies in some cases to the acquisition and holding of ADSs representing such shares acquired and held by non-residents of Japan and by foreign investors. Generally, the Foreign Exchange Law currently in effect does not affect the right of a non-resident of Japan to purchase or sell ADSs outside Japan for non-Japanese currency.

Non-residents of Japan are defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally, the branches and offices of non-resident corporations that are located in Japan are regarded as residents of Japan while the branches and offices of Japanese corporations located outside Japan are regarded as non-residents of Japan.

Foreign investors are defined as:

individuals not resident in Japan;

judicial persons or other organizations that are organized under the laws of foreign countries or whose principal offices are located outside Japan;

corporations of which 50% or more of the shares are held by individuals not resident of Japan and/or judicial persons or other organizations that are organized under the laws of foreign countries or whose principal offices are located outside Japan; and

judicial persons or other organizations, a majority of officers (or a majority of officers having the power of representation) of which are non-resident individuals.

#### **Dividends and Proceeds of Sales**

Under the Foreign Exchange Law, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. The acquisition of our shares by non-residents of Japan by way of a stock split is not subject to any notification or reporting requirements.

#### **Acquisition of Shares**

In general, a non-resident of Japan who acquires shares from a resident of Japan is not subject to any prior filing requirement, although the Foreign Exchange Law empowers the Minister of Finance of Japan to require prior approval for any such acquisition in certain limited circumstances. While such prior approval is not





---

## **Table of Contents**

required in general, in the case where a resident of Japan transfers shares of a Japanese company for consideration exceeding ¥100 million to a non-resident of Japan, the resident of Japan that transfers the shares is required to report the transfer to the Minister of Finance of Japan within 20 days from the date of the transfer or the date of the payment for such transfer, whichever is later, unless the transfer is made through a bank or financial instruments business operator licensed or registered under Japanese law.

If a foreign investor acquires our shares and, together with parties who have a special relationship with that foreign investor, holds 10% or more of our issued shares as a result of such acquisition, the foreign investor must file a report of such acquisition with the Minister of Finance and any other competent Minister on or before the 15th day of the month following the month in which the acquisition was made, in principle. In certain limited circumstances, however, a prior notification of such acquisition must be filed with the Minister of Finance and any other competent Minister, who may modify or prohibit the proposed acquisition.

### **Deposit and Withdrawal under American Depositary Facility**

The deposit of shares with Mizuho Bank, in its capacity as custodian and agent for the depositary, in Tokyo, the issuance of ADSs by the depositary to a non-resident of Japan in respect of the deposit and the withdrawal of the underlying shares upon the surrender of the ADR are not subject to any of the formalities or restrictions referred to above. However, where as a result of a deposit or withdrawal the aggregate number of shares held by the depositary, including shares deposited with Mizuho Bank as custodian for the depositary, or the holder surrendering the ADR, as the case may be, would be 10% or more of the total outstanding shares, a report will be required, and in specified circumstances, a prior notification may be required, as noted above.

## **10.E. Taxation**

### **Japanese Taxation**

The following is a general summary of major Japanese tax consequences (limited to national tax) to holders of shares of our common stock or ADSs representing shares of our common stock who are non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan, which we refer to as non-resident holders in this section. The statements regarding Japanese tax laws set forth below are based on the laws and treaties in force and as interpreted by the Japanese tax authorities as at the date of this Annual Report and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements, or interpretations thereof, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock or ADSs, including specifically the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisers.

For the purpose of Japanese tax law and the tax treaty between the United States and Japan, a U.S. holder of ADSs will generally be treated as the owner of the shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares of our common stock or ADSs is subject to Japanese income tax collected by way of withholding on dividends paid by us, and such tax will be withheld prior to payment of dividends. Stock splits are, in general, not a taxable event.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations on their shares of stock to non-resident holders is generally 20.42% under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares of our common stock or ADSs) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation, the

**Table of Contents**

aforementioned 20.42% withholding tax rate is reduced to (i) 7.147% for dividends due and payable on or after January 1, 2013 but on or before December 31, 2013 and (ii) 15.315% for dividends due and payable on or after January 1, 2014. Due to the imposition of a special additional withholding tax (2.1% of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rate of 7%, 15% and 20%, as applicable, has been effectively increased, respectively, to 7.147%, 15.315% and 20.42%, during the period beginning on January 1, 2013 and ending on December 31, 2037.

Under the income tax treaty between the United States and Japan, the maximum rate of Japanese withholding tax which may be imposed on dividends paid to a qualified United States resident eligible to enjoy treaty benefits that is either a corporation owning, directly or indirectly, less than 10% of the voting stock of a Japanese corporation or an individual is generally reduced to 10% of the gross amount actually distributed, except where such United States resident conducts business in Japan through a permanent establishment situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. Dividends paid to pension funds which are qualified United States residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the preceding paragraph with respect to the dividends to be paid by us on shares of our common stock or ADSs. A non-resident holder of shares of our common stock who is entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax, or exemption therefrom, as the case may be, is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with any other required forms and documents) in advance, through the withholding agent, to the relevant tax authority before payment of dividends. A standing proxy for a non-resident holder may provide such application service. In addition, a certain simplified special application filing procedure will be available for non-resident holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, with respect to dividends paid on or after January 1, 2014. With respect to ADSs, this reduced rate or exemption will be applicable to non-resident holders of ADSs if the depository or its Agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends), together with certain other documents. To claim this reduced rate or exemption, non-resident holders of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depository. Non-resident holders who are entitled, under any applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure.

We do not assume any responsibility to ensure withholding at the reduced rate, or exemption therefrom, for non-resident holders who would be so eligible under an applicable tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale or other disposition of shares of our common stock or ADSs outside Japan by a non-resident holder, who is a portfolio investor, are not, in general, subject to Japanese income tax or corporation tax.

Any deposits or withdrawals of shares of our common stock by a non-resident holder in exchange for ADSs are, in general, not subject to Japanese income or corporation tax.

---

## **Table of Contents**

Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired our shares of our common stock or ADSs from an individual, as a legatee, heir or donee, even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

### **U.S. Taxation**

The following sets forth the material United States federal income tax consequences of the ownership of shares and ADSs as of the date hereof. The discussion set forth below is applicable to U.S. holders (as defined below) (i) who are residents of the United States for purposes of the current income tax treaty between Japan and the United States (the Treaty), (ii) whose shares or ADSs are, for purposes of the Treaty, neither effectively connected with nor attributable to a permanent establishment in Japan and (iii) who otherwise qualify for the full benefits of the Treaty.

The following summary is not a complete analysis or description of all potential U.S. federal income tax consequences to a particular U.S. holder. It does not address all U.S. federal income tax considerations that may be relevant to all categories of potential purchasers, certain of which (such as banks or other financial institutions, insurance companies, dealers in securities or currencies, tax-exempt entities, non-U.S. persons, persons holding a share or an ADS as part of a straddle, hedge, conversion or integrated transaction, partnerships or other pass-through entities for U.S. federal income tax purposes, traders in securities who have elected the mark-to-market method of accounting for their securities, regulated investment companies, real estate investment trusts, holders whose functional currency is not the U.S. dollar, holders liable for alternative minimum tax and holders of 10% or more of our voting shares) are subject to special tax treatment. This summary does not address any foreign, state, local or other tax consequences of investments in our shares or ADSs.

This summary addresses only shares or ADSs held as capital assets.

As used herein, a U.S. holder is a beneficial owner of shares or ADSs, as the case may be, that is, for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;

an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons as described in Section 7701(a)(30) of the Code or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership holds shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares or ADSs, you should consult your tax advisor.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

We urge U.S. holders to consult their own tax advisors concerning the U.S. federal, state and local and other tax consequences to them of the purchase, ownership and disposition of shares or ADSs.

**Table of Contents*****ADSs***

If a U.S. holder holds ADSs, for U.S. federal income tax purposes, such holder will generally be treated as the owner of the underlying shares that are represented by such ADSs. Accordingly, deposits or withdrawals of shares in exchange for ADSs are not subject to U.S. federal income tax.

***Taxation of Dividends***

Subject to the discussion under **U.S. Taxation – Passive Foreign Investment Company Rules** below, the gross amount of any distribution received with respect to our shares or ADSs (including amounts withheld to reflect Japanese withholding taxes), will be taxable as dividends, to the extent paid out of the current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The amount of distribution of property other than cash will be the fair market value of such property on the date of the distribution. Such cash or non-cash income, including withheld taxes, will be includable in a U.S. holder's gross income as ordinary income on the day actually or constructively received by such U.S. holder in the case of shares, or by the depository, in the case of ADSs. Such dividends received by a U.S. holder will not be eligible for the dividends-received deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations. To the extent that an amount received by a U.S. holder exceeds such holder's allocable share of our current and accumulated earnings and profits, such excess will be applied first to reduce such holder's tax basis in its shares or ADSs, thereby increasing the amount of gain or decreasing the amount of loss recognized on a subsequent disposition of the shares or ADSs. Then, to the extent such distribution exceeds such U.S. holder's tax basis, such excess will be treated as capital gain. However, we do not expect to keep earnings and profits in accordance with U.S. federal income tax principles. Therefore, U.S. holders should expect that a distribution will generally be treated as a dividend.

The amount of the dividend paid in Japanese yen will be the U.S. dollar value of the Japanese yen payments received. This value will be determined at the spot Japanese yen/U.S. dollar rate on the date the dividend is received by the depository in the case of U.S. holders of ADSs, or by the shareholder in the case of U.S. holders of shares, regardless of whether the dividend payment is in fact converted into U.S. dollars at that time. If the Japanese yen received as a dividend are not converted into U.S. dollars on the date of receipt, a U.S. holder will have basis in such Japanese yen equal to their dollar value on the date of receipt, and any foreign currency gains or losses resulting from the conversion of the Japanese yen will generally be treated as U.S. source ordinary income or loss.

The maximum rate of withholding tax on dividends paid to you pursuant to the treaty is 10%. As discussed under **Taxation** above, if the Japanese statutory rate is lower than the maximum applicable Treaty rate, the Japanese statutory rate will be applicable. If the statutory rate applicable to you is higher than the maximum Treaty rate, you will be required to properly demonstrate to us and the Japanese tax authorities your entitlement to the reduced withholding rate under the Treaty. Subject to certain limitations, the Japanese tax withheld may be creditable against the U.S. holder's U.S. federal income tax liability or may be claimed as a deduction from the U.S. holder's federal adjusted gross income provided that the U.S. holder elects to deduct all foreign taxes paid on the same taxable year. For foreign tax credit limitation purposes, the dividend will be income from sources outside the United States. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends we pay will generally constitute passive category income. Further, in certain circumstances, if a U.S. holder:

has held shares or ADSs for less than a specified minimum period during which such U.S. holder is not protected from the risk of loss;  
or

is obligated to make payments related to the dividends,  
such U.S. holder will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on shares or ADSs. The rules governing U.S. foreign tax credits are very complex and U.S. holders should consult their tax advisors regarding the availability of foreign tax credits under their particular circumstances.

**Table of Contents**

With respect to non-corporate U.S. investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The U.S. Treasury Department has determined that the Treaty meets these requirements. In addition, it is expected that we will be eligible for the benefits of the Treaty. A foreign corporation is also treated as a qualified foreign corporation with respect to individuals paid by that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the New York Stock Exchange), but not the shares, are readily tradable on an established securities market in the United States. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. Non-corporate holders who do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as investment income pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. U.S. holders should consult their own tax advisors regarding the application of the foregoing rules to their particular circumstances.

***Taxation of Capital Gains***

Subject to the discussion under U.S. Taxation Passive Foreign Investment Company Rules below, upon a sale or other disposition of shares or ADSs, a U.S. holder will recognize gain or loss in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. holder's tax basis, determined in U.S. dollars, in such shares or ADSs. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for such shares or ADSs exceeds one year. A U.S. holder's tax basis in its shares or ADSs will generally be the cost to the holder of such shares or ADSs. Any such gain or loss realized by a U.S. holder upon disposal of the shares or ADSs will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

***Passive Foreign Investment Company Rules***

Based on our projected composition of income and valuation of assets, including goodwill, we do not believe that we will be a passive foreign investment company ( PFIC ) for this year and do not expect to become one in the future, although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in valuation or composition of our income or assets. In addition, this determination is based in part upon certain proposed U.S. Treasury regulations that are not yet in effect (the Proposed Regulations ) and are subject to change in the future. The Proposed Regulations and other administrative pronouncements from the Internal Revenue Service (the IRS ) provide special rules for determining the character of income and assets derived in the banking business for purposes of the PFIC rules. Although we believe we have adopted a reasonable interpretation of the Proposed Regulations and administrative pronouncements, there can be no assurance that the IRS will follow the same interpretation.

In general, a foreign corporation is considered a PFIC for any taxable year if either:

at least 75% of its gross income is passive income; or

at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income.

---

## **Table of Contents**

The 50% of value test is based on the average of the value of our assets for each quarter during the taxable year. If we own at least 25% by value of another company's stock, we will be treated, for purposes of the PFIC rules, as owning the proportionate share of the assets and receiving our proportionate share of the income of that company.

If we are a PFIC for any taxable year during which a U.S. holder holds shares or ADSs, the U.S. holder will be subject to special tax rules with respect to any excess distribution that the U.S. holder receives and any gain the U.S. holder realizes from the sale or other disposition (including a pledge) of shares or ADSs. Additionally, non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

These special tax rules generally will apply even if we cease to be a PFIC in future years. Distributions U.S. holders receive in a taxable year that are greater than 125% of the average annual distributions they received during the shorter of the three preceding taxable years or their holding period for shares or ADSs will be treated as excess distributions. Under these special tax rules:

the excess distribution or gain will be allocated ratably over the U.S. holder's holding period for shares or ADSs;

the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and

the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

Alternatively, a U.S. holder could make a mark-to-market election provided that shares or ADSs are regularly traded on a qualified exchange. Under current law, the mark-to-market election may be available to U.S. holders of ADSs because the ADSs are listed on the New York Stock Exchange which constitutes a qualified exchange, although there can be no assurance that the ADSs will be regularly traded for purposes of the mark-to-market election. Under current law, the mark-to-market election may be available to U.S. holders of shares because the shares are listed on the Tokyo Stock Exchange, which constitutes a qualified exchange, although there can be no assurance that the shares will be regularly traded for purposes of the mark-to-market election. In addition, a U.S. holder of shares in a PFIC can sometimes avoid the rules described above by electing to treat the company as a qualified electing fund under Section 1295 of the Code. This option is not available to U.S. holders of shares because we do not intend to comply with the requirements necessary to permit U.S. holders to make this election.

If a U.S. holder holds shares or ADSs in any year in which we are classified as a PFIC, such holder would be required to file IRS Form 8621.

U.S. holders should consult their own tax advisors concerning the determination of our PFIC status and the U.S. federal income tax consequences of holding shares or ADSs if we are considered a PFIC in any taxable year.

### ***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to dividends in respect of the shares or ADSs or the proceeds from the sale, exchange or redemption of the shares or ADSs paid within the United States, and, in some cases, outside of the United States, to you, unless you are an exempt recipient. In addition, backup withholding tax may apply to those amounts if you fail to provide an accurate taxpayer identification number or fail either to report interest and dividends required to be shown on your U.S. federal income tax returns or make certain certifications. The amount of any backup withholding from a payment to you will be allowed as a refund or credit against your U.S. federal income tax liability, provided you furnish the required information to the IRS.

## **Table of Contents**

Certain U.S. holders are required to report information with respect to their investment in shares or ADSs not held in an account maintained by certain financial institution to the IRS. Investors who fail to report required information by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, on their tax return for each year in which they hold shares or ADSs could become subject to substantial penalties. Potential investors are urged to consult with their own tax advisors regarding the possible implications of these rules on their investment in shares or ADSs.

### **10.F. Dividends and Paying Agents**

Not applicable.

### **10.G. Statement by Experts**

Not applicable.

### **10.H. Documents on Display**

We file annual reports on Form 20-F with, and furnish periodic reports on Form 6-K to, the U.S. Securities and Exchange Commission. These reports, including this annual report on Form 20-F and the exhibits thereto, and other information can be inspected without charge at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of such materials by mail, at prescribed fees, from the Commission's Public Reference Room or from commercial document retrieval services. You may obtain information on the operation of the Commission's Public Reference Room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. You can also access to the documents filed via the Electronic Data Gathering, Analysis, and Retrieval system on the Commission's website (<http://www.sec.gov>).

### **10.I. Subsidiary Information**

Not applicable.



**Table of Contents****ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Progress in financial deregulation and internationalization has led to growth in the diversity and complexity of banking operations, exposing financial institutions to various risks, including credit, market operations, information technology, legal, settlement and other risks. We recognize the conducting of operations tailored to the risks and managing such risks as a key issue relating to overall management. In order to implement our business strategy while maintaining our financial stability, we maintain comprehensive risk management and control measures. We maintain basic policies for risk management established by our board of directors that are applicable to the entire Mizuho group. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide for the human resources training necessary for appropriate levels of risk management. The policies also provide for audits to measure the effectiveness and suitability of the risk management structure. In line with these basic policies, we maintain various measures to strengthen and enhance the sophistication of our risk management system. All yen figures and percentages in this item are truncated. Accordingly, the total of each column of figures may not be equal to the total of the individual items.

*Approach to the BIS Regulations*

The BIS Regulations, the regulations for international standards of the health of banks, have been revised in light of developments in risk management methods in order to better reflect the actual substance of the risks. We have been calculating capital adequacy ratios based on these regulations, known as Basel II, from March 31, 2007, when it was implemented in Japan. Basel II requires the observance of three main points. The first is minimum capital requirements relating to risk which should be maintained by banks. The second includes a supervisory review process with respect to assessment of risks that cannot be fully addressed through minimum capital requirements alone. The third is market discipline allowing for assessment by the market through appropriate disclosure. We have been calculating our capital adequacy ratios by applying the AIRB approach for the calculation of credit risk from March 31, 2009 and the AMA for the calculation of operational risk from September 30, 2009. Due to the strengthening of the Basel II framework, we revised the calculation methods with regard to our securitization products and trading activities from December 31, 2011, when such strengthening was implemented in Japan. In December 2010, the Basel III rules text was issued, pursuant to which the raising of capital requirement levels and the quality of capital were required and risk coverage was enhanced. In Japan, from March 31, 2013, the new minimum capital requirements began to be phased in, and we have been calculating capital adequacy ratios based on the revisions to capital adequacy guidelines published by the Financial Services Agency.

**Overview of Risk Management***Risk Management Structure*

Each of our subsidiaries adopts appropriate risk management measures for its business based on the size and nature of its risk exposures, while Mizuho Financial Group controls risk management for the Mizuho group as a whole. Mizuho Financial Group regularly receives reports and applications concerning the risk management situation from our principal banking subsidiaries and other core group companies and gives them appropriate instructions concerning risk management. Our principal banking subsidiaries and other core group companies each maintains its own system for managing various types of risk, regularly receiving reports on the status of risk at their respective subsidiaries, and gives them appropriate instructions concerning risk management.

*Basic Approach*

We classify our risk exposures according to the various kinds of risk, including credit risk, market risk, liquidity risk and operational risk, and manage each type of risk according to its characteristics. In addition to managing each type of risk individually, we have established a risk management structure to identify and evaluate overall risk and, where necessary, to devise appropriate responses to keep risk within limits that are managerially acceptable in both qualitative and quantitative terms. In line with the basic policies relating to

**Table of Contents**

overall risk management laid down by Mizuho Financial Group, companies within the Mizuho group identify risk broadly and take a proactive and sophisticated approach to risk management, including methodologies for operations that involve exposures to multiple categories of risk such as settlement and trust businesses.

***Risk Capital Allocation***

We endeavor to obtain a clear grasp of the group's overall risk exposure and have implemented measures to keep such risks within the group's financial base in accordance with the risk capital allocation framework. More specifically, we allocate risk capital to our principal banking subsidiaries, including their respective subsidiaries, and other core group companies to control risk within the limits set for each company. We also control risk within managerially acceptable limits by working to ensure that the overall risk we hold on a consolidated basis does not exceed shareholders' equity and other measures of financial strength. To ensure the ongoing financial health of Mizuho Financial Group, our principal banking subsidiaries and other core group companies, we regularly monitor the manner in which risk capital is being used in order to obtain a proper grasp of the risk profile within this framework. Reports are also submitted to the board of directors and other committees of each company. Risk capital is allocated to Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities by risk category, and is further allocated within their respective business units based on established frameworks.

**Credit Risk Management**

We define credit risk as the Mizuho group's exposure to the risk of losses that may be incurred due to a decline in, or total loss of, the value of assets (including off-balance-sheet instruments), as a result of deterioration in obligors' financial position. We have established the methods and structures necessary for grasping and managing credit risk, which has become increasingly complex due to financial deregulation, internationalization and the growing sophistication of transactions. Mizuho Financial Group manages credit risk for the Mizuho group as a whole. More specifically, we have adopted two different but mutually complementary approaches in credit risk management. The first approach is credit management, in which we manage the process for each individual transaction and individual obligor from execution until collection, based on our assessment of the credit quality of the customer. Through this process, we curb losses in the case of a credit event. The second is credit portfolio management, in which we utilize statistical methods to assess the potential for losses related to credit risk. Through this process, we identify credit risks and respond appropriately.

***Credit Risk Management Structure******Credit Risk Management of the Mizuho Group***

Our board of directors determines the Mizuho group's key matters pertaining to credit risk management. In addition, the portfolio management committee of Mizuho Financial Group discusses and coordinates the basic policies in connection with credit risk management and matters in connection with overall credit portfolio management and credit risk monitoring for the Mizuho group. Under the control of the Chief Risk Officer of Mizuho Financial Group, the Risk Management Division and the Credit Risk Management Division jointly monitor, analyze and submit suggestions concerning credit risk and formulate and execute plans in connection with basic matters pertaining to credit risk management.

***Credit Risk Management at Our Principal Banking Subsidiaries and Other Core Group Companies***

Our principal banking subsidiaries and other core group companies manage their credit risk according to the scale and nature of their exposures in line with basic policies set forth by Mizuho Financial Group. The board of directors of each company determines key matters pertaining to credit risk management. Their respective business policy committees are responsible for discussing and coordinating overall management of their individual credit portfolios and transaction policies towards obligors. The Chief Risk Officer of each principal banking subsidiary and core group company is responsible for matters relating to planning and implementing credit risk management. The credit risk management division of each principal banking subsidiary is responsible

---

**Table of Contents**

for planning and administering credit risk management and conducting credit risk measuring and monitoring, and such division regularly presents reports regarding its risk management situation to Mizuho Financial Group. Each credit division determines policies and approves/disapproves individual transactions in terms of credit review, credit management and collection from customers in accordance with the lines of authority set forth by each principal banking subsidiary. In addition, from the standpoint of internal controls, each of our principal banking subsidiaries has established internal audit divisions that are independent of the business divisions in order to ensure appropriate credit risk management.

***Individual Credit Management******Credit codes***

The basic code of conduct for all of our officers and employees engaged in the credit business is set forth in our credit code. Seeking to fulfill the bank's public and social role, our basic policy for credit business is determined in light of fundamental principles focusing on public welfare, safety, growth and profitability.

***Internal rating system***

One of the most important elements of the risk management infrastructure of our principal banking subsidiaries is the use of an internal rating system that consists of credit ratings and pool allocations. Credit ratings consist of obligor ratings which represent the level of credit risk of the obligor, and transaction ratings which represent the possibility of ultimately incurring losses related to each individual claim by taking into consideration the nature of any collateral or guarantee and the seniority of the claim. In principle, obligor ratings apply to all obligors and are subject to regular reviews at least once a year to reflect promptly the fiscal period end financial results of the obligors, as well as special reviews as required whenever a obligor's credit standing changes. This enables our principal banking subsidiaries to monitor both individual obligors and the status of the overall portfolio in a timely fashion. Because we consider obligor ratings to be an initial phase of the self-assessment process regarding the quality of our loans and off-balance-sheet instruments, such obligor ratings are closely linked to the obligor classifications and are an integral part of the process for determining the provision for loan losses and charge-offs in our self-assessment of loans and off-balance-sheet instruments.

Pool allocations are applied to small claims that are less than a specified amount by pooling customers and claims with similar risk characteristics and assessing and managing the risk for each such pool. We efficiently manage credit risk and credit screening by dispersing a sufficient number of small claims within each pool. We generally review the appropriateness and effectiveness of our approach to obligor ratings and pool allocations once a year in accordance with predetermined procedures.

***Self-assessment, provision for loan losses and off-balance-sheet instruments and charge-offs***

We conduct self-assessment of assets to ascertain the status of assets both as an integral part of credit risk management and in preparation for appropriate accounting treatment, including provision for loan losses and off-balance-sheet instruments and charge-offs. During the process of self-assessment, obligors are categorized into certain groups taking into consideration their financial condition and their ability to make payments, and credit ratings are assigned to all obligors, in principle, to reflect the extent of their credit risks. The related assets are then categorized into certain classes based on the risk of impairment. This process allows us to identify and control the actual quality of assets and determine the appropriate accounting treatment, including provision for loan losses and off-balance-sheet instruments and charge-offs. Specifically, the credit risk management division of each of our principal subsidiaries is responsible for the overall control of the self-assessment of assets of the respective banking subsidiaries, cooperating with the administrative divisions specified for each type of asset, including loan portfolios and securities, in executing and managing self-assessments.

---

**Table of Contents***Credit review*

Prevention of new impaired loans through routine credit management is important in maintaining the quality of our overall loan assets. Credit review involves analysis and screening of each potential transaction within the relevant business division. In case the screening exceeds the authority of the division, the credit division at headquarters carries out the review. The credit division has specialist departments for different industries, business sizes and regions, carries out timely and specialized examinations based on the characteristics of the customer and its market, and provides appropriate advice to the business division. In addition, in the case of obligors with low credit ratings and high downside risks, the business division and credit division jointly clarify their credit policy and in appropriate cases assist obligors at an early stage in working towards credit soundness.

*Collection and disposal of impaired loans*

With respect to collection and disposal of impaired loans, our specialist unit maintains central control and pursues corporate restructuring or collection efforts, as appropriate, toward taking the impaired loans off-balance. Specifically, we believe that supporting the restructuring efforts of corporations is an important role for financial institutions, and we support corporations undergoing restructuring by reviewing business plans, advising on restructuring methods and utilizing corporate restructuring schemes such as divestitures and mergers and acquisitions, taking advantage of our group-wide resources. These efforts have been steadily producing satisfactory results. In addition, we work on final disposal of impaired loans efficiently and swiftly by conducting bulk sales and by utilizing Mizuho Servicing Co., Ltd., our subsidiary that specializes in performing debt collection services for our group companies.

**Portfolio Management***Risk Measurement*

We use statistical methods to manage the possibility of losses by measuring the expected average loss for a one-year risk horizon ( Expected Loss ) and the maximum loss within a certain confidence interval ( credit VaR ). The difference between expected loss and credit VaR is measured as the credit risk amount ( Unexpected Loss ).

In establishing transaction spread guidelines for credit transactions, we aim to ensure an appropriate return from the transaction in light of the level of risk by utilizing credit cost data as a reference. Also, we monitor our credit portfolio from various perspectives and set guidelines noted below so that losses incurred through a hypothetical realization of the full credit VaR would be within the amount of risk capital and loan loss reserves.

*Risk Control Methods*

We recognize two types of risk arising from allowing unexpected loss to become too large. One type is credit concentration risk, which stems from granting excessive credit to certain individual counterparties or corporate groups. The other type is chain-reaction default risk, which arises from granting excessive credit to certain, areas, industrial sectors and other groupings. We make appropriate management to control these risks in line with our specific guidelines for each. The individual risk management divisions of our principal banking subsidiaries are responsible for monitoring adherence to these guidelines and reporting to their respective business policy committees.

**Market and Liquidity Risk Management**

We define market risk as the risk of losses incurred by the group due to fluctuations in interest rates, stock prices and foreign exchange rates. Our definition includes the risk of losses incurred when it becomes impossible to execute transactions in the market because of market confusion or losses arising from transactions at prices that are significantly less favorable than usual. We define liquidity risk as the risk of losses arising from funding

**Table of Contents**

difficulties due to a deterioration in our financial position that makes it difficult for us to raise necessary funds or that forces us to raise funds at significantly higher interest rates than usual. Mizuho Financial Group manages market and liquidity risk for the Mizuho group as a whole.

The following diagram shows our risk management structure:

***Market Risk Management Structure***

*Market Risk Management of the Mizuho Group*

Our board of directors determines key matters pertaining to market risk management policies. The ALM & market risk management committee of Mizuho Financial Group broadly discusses and coordinates matters relating to basic asset and liability management policies, risk planning and market risk management and proposes responses to emergencies such as sudden market changes. The Chief Risk Officer of Mizuho Financial Group is responsible for matters relating to market risk management planning and operations.

The Risk Management Division of Mizuho Financial Group is responsible for monitoring market risk, reports and analyses, proposals, setting limits and guidelines, and formulating and implementing plans relating to market risk management. The Risk Management Division assesses and manages the overall market risk of the

**Table of Contents**

Mizuho group. It also receives reports from our principal banking subsidiaries and other core group companies on their market risk management that enable it to obtain a solid grasp of the risk situation, submitting reports to the chief executive officer on a daily basis and to our board of directors and the executive management committee of Mizuho Financial Group on a regular basis.

To manage market risk, we set limits that correspond to risk capital allocations according to the risk profiles of our principal banking subsidiaries and other core group companies and thereby prevent market risk from exceeding our ability to withstand losses based on our financial strength represented by capital, etc. The amount of risk capital allocated to market risk corresponds to VaR and additional costs that may arise in order to close relevant positions. For trading and banking activities, we set limits for VaR and for losses. For banking activities, we set position limits based on interest rate sensitivity as needed.

These limits are discussed and coordinated by the ALM & market risk management committee, discussed further by the executive management committee, then determined by the chief executive officer. Various factors are taken into account including business strategies, historical limit usage ratios, risk-bearing capacity (profits, total capital and risk management systems), profit targets and the market liquidity of the products involved.

*Market Risk Management at Our Principal Banking Subsidiaries and Other Core Group Companies*

Our principal banking subsidiaries, which account for most of the Mizuho group's exposure to market risk, have formulated their basic policies in line with the basic policies determined by Mizuho Financial Group. Their boards of directors determine important matters relating to market risk management while their chief executive officers are responsible for controlling market risk. Their respective business policy committees, including their ALM & market risk management committees, are responsible for overall discussion and coordination of market risk management. Specifically, these committees discuss and coordinate matters relating to basic asset and liability management policies, risk planning and market risk management and propose responses to emergencies such as sudden market changes. The Chief Risk Officer of each subsidiary is responsible for matters pertaining to planning and implementing market risk management. Based on a common Mizuho group risk capital allocation framework, the above-mentioned companies manage market risk by setting limits according to the risk capital allocated to market risk by Mizuho Financial Group.

These companies have established specialized company-wide market risk management divisions to provide integrated monitoring of market risk, submit reports, analyses and proposals, set limits and formulate and implement plans relating to market risk management. The risk management divisions of each company submit reports on the status of market risk management to their respective chief executive officers and top management on a daily basis, and to their board of directors and executive management committee on a regular basis. They also provide regular reports to Mizuho Financial Group. To provide a system of mutual checks and balances in market operations, they have established middle offices specializing in risk management that are independent of their front offices, which engage in market transactions, and their back offices, which are responsible for book entries and settlements. When VaR is not adequate to control risk, the middle offices manage risk using additional risk indices, carry out stress tests and set stop loss limits as needed. They monitor their market liquidity risk for individual financial products in the market while taking turnover and other factors into consideration.

*Liquidity Risk Management Structure**Liquidity Risk Management of the Mizuho Group*

Our liquidity risk management structure is generally the same as the market risk management structure described above. However, the head of the Financial Control & Accounting Group of Mizuho Financial Group is additionally responsible for matters relating to planning and running cash flow management operations, while the Financial Planning Division is responsible for monitoring and adjusting the cash flow management situation and for planning and implementing cash flow management. Reports on the cash flow situation are submitted to the ALM & market risk management committee, the executive management committee and the chief executive officer.

## **Table of Contents**

We measure liquidity risk using indices pertaining to cash flow, such as limits on funds raised in the market. Limits on liquidity risk are discussed and coordinated by the ALM & market risk management committee, discussed further by the executive management committee and determined by the chief executive officer. We have established classifications for the cash flow conditions affecting the group, ranging from normal to cause for concern and critical, and have established procedures for dealing with cases which are deemed to fall into the cause for concern or critical categories. In addition, we have established a plan of operations so that we may respond swiftly in emergency situations that affect our cash flow under which we will consider measures such as a reduction in the amount of investments made, an expansion of funding from financial markets and deposits, the sale of investment securities and borrowings from the central bank.

### *Liquidity Risk Management at Our Principal Banking Subsidiaries and Other Core Group Companies*

The liquidity risk management structures of Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities are generally the same as the aforementioned market risk management structures, but the senior executives responsible for risk management are responsible for matters pertaining to planning and conducting liquidity risk management, while the senior executives of the asset and liability management and trading units are responsible for matters pertaining to planning and conducting cash flow management.

The methodologies used for ensuring precise control of liquidity risk include the formulation of management indices pertaining to cash flow, such as limits on funds raised in the market. As with Mizuho Financial Group, the above-mentioned companies have established classifications for the cash flow affecting them, ranging from normal to cause for concern and critical, and have established procedures for cases which are deemed to fall into the cause for concern or critical categories.

Each subsidiary has adopted stringent controls that call for the submission of reports on liquidity risk management and cash flow management to the ALM & market risk management committee and other business policy committees, the executive management committee and the chief executive officer of each subsidiary.

### ***Value-at-Risk***

We use the value-at-risk (the VaR) method, supplemented with stress testing, as our principal tool to measure market risk. The VaR method measures the maximum possible loss that could be incurred due to market movements within a certain time period (or holding period) and degree of probability (or confidence interval).

### *Trading Activities*

VaR related to our trading activities is based on the following:

variance co-variance model for linear risk and Monte-Carlo simulation for non-linear risk, which are simply aggregated to determine total risk;

confidence interval: one-tailed 99.0%;

holding period of one day; and

historical observation period of one year.

**Table of Contents**

The following tables show the VaR related to our trading activities by risk category for the fiscal years ended March 31, 2011, 2012 and 2013 and as of March 31, 2011, 2012 and 2013:

Risk category	Fiscal year ended March 31, 2011			As of March 31, 2011
	Daily average	Maximum	Minimum	
	(in billions of yen)			
Interest rate	¥ 1.5	¥ 2.1	¥ 1.1	¥ 1.4
Foreign exchange	1.4	2.4	0.6	1.9
Equities	1.1	1.8	0.4	1.1
Commodities	0.0	0.3	0.0	0.1
<b>Total</b>	<b>¥ 2.9</b>	<b>¥ 3.8</b>	<b>¥ 2.2</b>	<b>¥ 3.6</b>

Risk category	Fiscal year ended March 31, 2012			As of March 31, 2012
	Daily average	Maximum	Minimum	
	(in billions of yen)			
Interest rate	¥ 1.9	¥ 2.4	¥ 1.4	¥ 1.8
Foreign exchange	1.9	2.8	0.7	1.8
Equities	1.1	1.7	0.5	0.5
Commodities	0.0	0.1	0.0	0.0
<b>Total</b>	<b>¥ 3.8</b>	<b>¥ 4.8</b>	<b>¥ 2.8</b>	<b>¥ 3.0</b>

Risk category	Fiscal year ended March 31, 2013			As of March 31, 2013
	Daily average	Maximum	Minimum	
	(in billions of yen)			
Interest rate	¥ 1.6	¥ 2.2	¥ 1.1	¥ 1.2
Foreign exchange	2.3	3.4	1.1	2.7
Equities	0.5	0.9	0.1	0.4
Commodities	0.0	0.0	0.0	0.0
<b>Total</b>	<b>¥ 3.4</b>	<b>¥ 4.6</b>	<b>¥ 2.6</b>	<b>¥ 3.5</b>



**Table of Contents**

The following graph shows VaR figures of our trading activities for the fiscal year ended March 31, 2013:

The following table shows VaR figures of our trading activities for the fiscal years indicated:

	Fiscal years ended March 31,			Change
	2011	2012	2013	
	(in billions of yen, except number of cases)			
As of fiscal year end	¥ 3.6	¥ 3.0	¥ 3.5	¥ 0.5
Maximum	3.8	4.8	4.6	(0.2)
Minimum	2.2	2.8	2.6	(0.1)
Average	2.9	3.8	3.4	(0.4)
The number of cases where profits/losses exceeded VaR	1	2	4	2
<i>Non-trading Activities</i>				

The VaR related to our banking activities is based on the same conditions as those of trading activities, but the holding period is one month.

**Table of Contents**

The graph below shows the VaR related to our banking activities excluding our strategically-held equity portfolio for the year ended March 31, 2013:

The following table shows the VaR figures relating to our banking activities for the fiscal years indicated:

	Fiscal years ended March 31,			Change
	2011	2012	2013	
		(in billions of yen)		
As of fiscal year end	¥ 211.3	¥ 263.7	¥ 215.9	¥ (47.7)
Maximum	227.6	282.5	297.9	15.3
Minimum	137.8	210.3	213.3	3.0
Average	188.6	249.4	246.3	(3.0)

VaR is a commonly used market risk management technique. However, VaR models have the following shortcomings:

By its nature as a statistical approach, VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, particularly potential future events that are extreme in nature.

VaR may underestimate the probability of extreme market movements.

The use of a 99.0% confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this confidence level.

VaR does not capture all complex effects of various risk factors on the value of positions and portfolios and could underestimate potential losses.

**Table of Contents**

We also conduct interest sensitivity analyses of interest risk, our main source of market risk. The following table shows sensitivity to yen interest risk in our banking activities as of the dates indicated. Interest rate sensitivity (10 BPV) shows how much net present value varies when interest rates rise by 10 basis points (0.1%), and it explains the impact of interest rate movements on net present value when short- and long-term interest rates behave differently.

	2011	As of March 31, 2012 (in billions of yen)	2013	Change
Up to one year	¥ (10)	¥ (10)	¥ (7)	¥ 3
From one to five years	(36)	(54)	(56)	(2)
Over five years	(19)	(24)	(35)	(10)
Total	¥ (65)	¥ (89)	¥ (99)	¥ (9)

**Stressed Value-at-Risk**

The stressed value-at-risk (stressed VaR) measurement is based on a continuous 12-month period of significant financial stress.

Stressed VaR related to our trading activities is based on the following:

variance co-variance model for linear risk and Monte-Carlo simulation for non-linear risk, which are simply aggregated to determine total risk;

confidence interval: one-tailed 99.0%;

holding period of one day; and

historical observation period of one year of significant financial stress.

The following table shows stressed VaR figures of our trading activities for the fiscal years indicated:

	2012	Fiscal years ended March 31, 2013 (in billions of yen)	Change
As of fiscal year end	¥ 6.8	¥ 9.2	¥ 2.3
Maximum	10.5	12.0	1.4
Minimum	5.0	5.0	0.0
Average	7.4	8.0	0.5

Note: Maximum, minimum and average figures of 2012 in the above table have been calculated for the period from October 1, 2011 to March 31, 2012.

**Strategically-held Equity Portfolio Management Activities**

We take the market risk management approach with use of VaR and risk indices for strategically-held equity portfolio management activities as well as for trading activities and non-trading activities. The risk index for strategically-held equity portfolio management for the fiscal year

ended March 31, 2013, consisting of the sensitivity of the strategically-held equity portfolio to a 1% change in the equity index of TOPIX, was ¥28.0 billion.

***Back Testing and Stress Testing***

In order to evaluate the effectiveness of market risk measurements calculated using the value-at-risk method, we carry out regular back tests to compare value-at-risk with assumptive profits and losses. Assumptive

**Table of Contents**

profits and losses accounts for general market risk. The graph below shows daily value-at-risk of trading activities for the fiscal year ended March 31, 2013 and the corresponding paired distribution of profits and losses. We had four cases where profits or losses exceeded value-at-risk during the period. In addition, we conduct evaluations of the assumptions related to the value-at-risk models. Based on the number of times profits or losses exceeded VaR through back testing and the results of the evaluation of the model assumptions, we will make adjustments to the models as appropriate. Changes to fundamental portions of the VaR models are subject to the approval of our Chief Risk Officer.

Note: We conduct our back testing and assess the number of cases where profits/losses exceed VaR based on a 250 business day year. The expected average number of instances where one-day trading profits and losses exceeded VaR at the 99% confidence level is five. Because the value-at-risk method is based on statistical assumptions, we conduct stress testing to simulate the levels of losses that could be incurred in cases where the market moves suddenly to levels that exceed these assumptions. The stress testing methods we use include the calculation of losses on the basis of the largest fluctuations occurring over a period of more than five years and the calculation of losses based on market fluctuations occurring during historical market events. In addition, we conduct stress testing based on a sharp drop in the price of securitization and other products due to diminished market liquidity. The table below shows the assumed maximum loss results of stress testing in trading activities using the methods described above:

<b>Assumed maximum loss results</b>	<b>As of March 31, 2013 (in billions of yen)</b>	
Assumed maximum loss result calculated by stress testing (holding period: one month)	¥	68.8
Assumed maximum loss result calculated by stress testing based on a sharp drop in the price of securitization and other products due to diminished market liquidity (holding period: one year)	¥	11.0

**Table of Contents****Outlier Criteria**

As part of the capital adequacy requirements under BIS Regulations, the losses arising from a banking book in hypothetical interest rate shock scenarios under certain stress conditions are calculated and compared with the sum of Tier 1 and Tier 2 capital. If the interest rate risk of the banking book leads to an economic value decline of more than 20% of the sum of Tier 1 and Tier 2 capital, we will be deemed an outlier and may be required to reduce the banking book risk or adopt other responses. We measure losses arising from our banking book each month as a part of our stress tests.

The table below shows the results of calculations of losses in the banking book in cases where interest rate fluctuations occur under stress conditions. The results of calculations of losses in the banking book show that they are 5.9% of broadly-defined capital. Because the amount of risk on the banking book is therefore well under the 20% threshold and within controllable limits, we do not fall under the outlier category. The loss ratio to capital decreased from the previous fiscal year due mainly to the increase in broadly-defined capital.

Results of calculations under the outlier framework	Amount of loss	Broadly-defined capital (in billions of yen, except percentages)	Loss ratio to capital
As of March 31, 2011	¥ 784.9	¥ 7,910.9	9.9%
As of March 31, 2012	483.2	7,775.0	6.2
As of March 31, 2013	499.1	8,344.5	5.9
Effect of yen interest rate	126.3		
Effect of dollar interest rate	299.4		
Effect of euro interest rate	54.1		

Notes:

- (1) In the above results of calculations of losses, a part of demand deposits without fixed intervals for amending applicable interest rates is deemed core deposits and is treated accordingly in the calculation.
- (2) For the interest rate shock scenario used in connection with the above figures, we generate annual rate fluctuation data for five years derived from daily raw historical interest rate data of the past six years and then apply the actual fluctuation data, which show a rise in interest rates, at a 99.0% confidence level to the shock scenario.

**Market Risk Equivalent**

In order to calculate the amount of capital necessary to meet the capital requirements relating to market risk (the market risk equivalent), we apply internal models to calculate general market risk (risks related to factors that apply generally to the market, e.g., interest rates, foreign exchange rates) and the standardized measurement method to calculate specific risks (risks other than general market risk, e.g., credit quality and market liquidity of an individual security or instrument). In addition, our internal models are applied to trading transactions with market liquidity based on the relevant holding period.

Under the internal models, the market risk equivalent is expressed as the sum of;

The higher of (i) VaR on the calculation date and (ii) the average of VaR for the preceding 60 business days (including the calculation date) multiplied by a multiplication factor ranging from 3.00 to 4.00 that is determined based on the number of times VaR is exceeded upon back testing; and

The higher of (i) stressed VaR on the calculation date and (ii) the average of stressed VaR for the preceding 60 business days (including the calculation date) multiplied by the same multiplication factor as used in the bullet point above.



**Table of Contents**

The following table shows total market risk equivalent as of the dates indicated calculated using the standardized measurement method and internal models:

	2012	As of March 31, 2013	Change
	(in billions of yen)		
Calculated using standardized measurement method	¥ 68.4	¥ 74.0	¥ 5.5
Calculated using internal models	98.2	116.3	18.1
<b>Total market risk equivalent</b>	<b>¥ 166.6</b>	<b>¥ 190.3</b>	<b>¥ 23.7</b>

Note:

VaR and stressed VaR used to calculate market risk equivalent is based on the following:

variance co-variance model for linear risk and Monte-Carlo simulation for non-linear risk, which are simply aggregated to determine total risk;

confidence interval: one-tailed 99.0%;

holding period of 10 days; and

historical observation period of one year.

**Operational Risk Management**

We define operational risk as the risk of loss that we may incur resulting from inadequate or failed internal processes, people and systems or from external events. We recognize that operational risk includes information technology risk, operations risk, legal risk, human resources risk, tangible asset risk, regulatory change risk and reputational risk. We have determined risk management policies concerning risk management structures and methods for each kind of risk. Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities and Trust & Custody Services Bank respectively manage operational risk in an appropriate manner pursuant to risk management policies determined by Mizuho Financial Group.

Mizuho Financial Group, Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities and Trust & Custody Services Bank share common rules for data gathering, and we measure operational risk on a regular basis, taking into account possible future loss events and the changes in the business environment and internal management.

We have established and are strengthening management methods and systems to appropriately identify, assess, measure, monitor and control the operational risks which arise from the growing sophistication and diversification of financial operations and developments relating to information technology by utilizing control self-assessments and improving measurement methods.



**Table of Contents****Definition of Risks and Risk Management Methods**

As shown in the table below, we have defined each component of operational risk and we apply appropriate risk management methods in accordance with the scale and nature of each risk.

	<b>Definition</b>	<b>Principal Risk Management Methods</b>
Information Technology Risk	Risk that customers may suffer service disruptions, or that customers or the group may incur losses arising from system defects such as failures, faults, or incompleteness in computer operations, or illegal or unauthorized use of computer systems.	<p>Identify and evaluate the risk by setting specific standards that need to be complied with and implementing measures tailored based on evaluation results to reduce the risk.</p> <p>Ensure ongoing project management in systems development and quality control.</p> <p>Strengthen security to prevent information leaks.</p> <p>Improve effectiveness of emergency responses by improving backup systems and holding drills.</p>
Operations Risk	Risk that customers may suffer service disruptions, as well as the risk that customers or the group may incur losses because senior executives or employees fail to fulfill their tasks properly, cause accidents or otherwise act improperly.	<p>Establish clearly defined procedures for handling operations.</p> <p>Periodically check the status of operational processes.</p> <p>Conduct training and development programs by headquarters.</p> <p>Introduce information technology, office automation and centralization for operations.</p> <p>Improve the effectiveness of emergency responses by holding drills.</p>
Legal Risk	Risk that the group may incur losses due to violation of laws and regulations, breach of contract, entering into improper contracts or other legal factors.	<p>Review and confirm legal issues, including the legality of material decisions, agreements and external documents, etc.</p> <p>Collect and distribute legal information and conduct internal training programs.</p> <p>Analyze and manage issues related to lawsuits.</p>
Human Resources Risk	Risk that the group may incur losses due to drain or loss of personnel, deterioration of morale, inadequate development of human resources, inappropriate working schedule, inappropriate working and safety environment, inequality or inequity in human resource management or discriminatory conduct.	<p>Conduct employee satisfaction surveys.</p> <p>Understand the status of vacation days taken by personnel.</p> <p>Understand the status of voluntary resignations.</p>

**Table of Contents**

	<b>Definition</b>	<b>Principal Risk Management Methods</b>
Tangible Asset Risk	Risk that the group may incur losses from damage to tangible assets or a decline in the quality of working environment as a result of disasters, criminal actions or defects in asset maintenance.	<p>Manage the planning and implementation of construction projects related to the repair and replacement of facilities.</p> <p>Identify and evaluate the status of damage to tangible assets caused by natural disasters, etc., and respond appropriately to such damage.</p>
Regulatory Change Risk	Risk that the group may incur losses due to changes in various regulations or systems, such as those related to law, taxation and accounting.	<p>Understand important changes in regulations or systems that have significant influence on our business operations or financial condition in a timely and accurate manner.</p> <p>Analyze degree of influence of regulatory changes and establish countermeasures.</p> <p>Continuously monitor our regulatory change risk management mentioned above.</p>
Reputational Risk	Risk that the group may incur losses due to damage to our credibility or the value of the Mizuho brand when market participants or others learn about, or the media reports on, various adverse events, including actual materialization of risks or false rumors.	<p>Establish framework to identify and manage, on an integrated basis, information that may have a serious impact on group management and respond to such risk in a manner appropriate to its scale and nature.</p> <p>Swiftly identify rumors and devise appropriate responses depending on the urgency and possible impact of the situation to minimize possible losses.</p>
We also recognize and manage Information Security Risk and Compliance Risk, which constitute a combination of more than one of the above components of operational risk, as operational risk.		

**Measurement of operational risk equivalent***Implementation of the AMA*

We have adopted the AMA from September 30, 2009, for the calculation of operational risk equivalent in association with capital adequacy ratios based on Basel II. However, we use the Basic Indicator Approach (BIA) for entities that are deemed to be less important in the measurement of operational risk equivalent and for entities that are preparing to implement the AMA. The measurement results under the AMA are used not only as the operational risk equivalent in the calculation of capital adequacy ratios but also as Operational VAR for internal risk management purposes for implementing action plans to reduce operational risk, etc.

*Outline of the AMA*

## Outline of measurement system

We have established the model by taking account of four elements: internal loss data; external loss data; scenario analysis and business environment; and internal control factors (BEICFs). A statistical approach (one year holding period / one-tailed 99.9 percentile confidence interval) is taken for the

## Table of Contents

calculation of operational risk equivalent, employing both internal loss data (i.e., actually experienced operational loss events) and scenario data to reflect unexperienced potential future loss events in the measurement.

In the measurement of operational risk equivalent as of March 31, 2013, we did not exclude expected losses and also did not recognize the risk mitigating impact of insurance. In addition, we did not take into account the events related to credit risk in measuring operational risk equivalent.

### Outline of measurement model

Operational risk equivalent is calculated as a simple sum of those related to the seven loss event types defined by Basel II, large-scale natural disasters and litigation. In the measurement of operational risk equivalent as of March 31, 2013, we did not reflect the correlation effects among operational risk related to each of the seven loss event types.

### Operational risk by the loss event type

Loss Distribution (Compound Poisson Distribution) Approach (LDA) is adopted for the calculation of operational risk. LDA is based on the assumption that Poisson Distribution applies to the occurrence frequency of operational risk events, and loss severity is expressed through a separate distribution. Operational risk is calculated for each of the seven loss event types employing both internal loss data, based on our actual experience as operational loss events and scenario data. Scenario data, expressed as numerical values of occurrence frequency and loss severity, reflects external loss data and BEICFs, in order to estimate unexperienced potential future loss events (of low frequency and high severity).

Frequency Distribution and Severity Distribution are estimated employing the above mentioned internal loss data and scenario data, and Monte-Carlo simulations are then applied to these distributions to measure operational risk. The detailed steps of creation of scenario data are explained later in Scenario Analysis.

### Estimation of Frequency Distribution and Loss Severity Distribution

Frequency Distribution is estimated by applying information on occurrence frequency of both internal loss data and scenario data to Poisson Distribution. Loss Severity Distribution is generated as the result of combining, through a statistical approach (Extreme Value Theory), of the actual distribution for the low severity distribution portion created by internal loss data and another loss distribution (Log-normal Distribution or Generalized Pareto Distribution) for the high severity distribution portion created by scenario data.

### Operational risk of large-scale natural disasters

Monte-Carlo simulation is applied to the datasets expressed as a combination of the probability of occurrence of large-scale natural disasters and the probable loss amount in case of such occurrence, as opposed to estimating Frequency Distribution and Loss Severity Distribution.

### Operational risk of litigation

Each litigation is converted into data according to the profile of the individual litigation to which Monte-Carlo simulation is applied, as opposed to estimating Frequency Distribution and Loss Severity Distribution. In the measurement process, we assume that final decisions will be made on all litigation within one year.

### Verification

We confirm the appropriateness of the measurement model by verifying it, in principle, semi-annually.



**Table of Contents***Scenario analysis*

## Outline of scenario analysis

In the process of scenario analysis, scenario data is created as numerical values of occurrence frequency and loss severity reflecting external loss data and BEICFs, in order to estimate unexperienced potential future operational risk events (of low frequency and high severity).

As for external loss data, we refer to data publicly reported by domestic and overseas media, and such data are reflected in the estimation of occurrence frequency and loss severity distribution in the process of scenario analysis. In addition, BEICFs are utilized as indices to adjust occurrence frequency and loss severity distribution in the process of scenario analysis.

We categorize scenario analysis into four approaches in accordance with the characteristics of each loss event type and risk management structures.

<b>Approach</b>	<b>Loss event type(s) to be applied</b>
A	Internal fraud / External fraud / Clients, products and business practices / Execution, delivery and process management
B	Employment practices and workplace safety
C	Damage to physical assets
D	Business disruption and system failure

At Mizuho Financial Group, loss event types to which Approach A is applied account for a considerable amount of operational risk. The detailed process of Approach A is explained below as a typical example of scenario analysis.

## Setting units for scenario analysis

In order to ensure completeness and sufficiency, we set units that are commonly applied across group entities that adopt AMA (the Group Entities ) by referencing and categorizing risk scenarios recognized through control self-assessment, internal loss data of the Group Entities and external loss data, etc. Then each of the Group Entities selects the unit on which scenario analysis is conducted from the units established on a groupwide basis in accordance with its business activities and operational risk profile.

## Estimation of occurrence frequency

Basic occurrence frequency (once a year) is calculated for each scenario analysis unit. If a certain scenario analysis unit has relevant internal loss data of a pre-determined threshold amount or above, its basic occurrence frequency is calculated based on such data, and if not, the basic occurrence frequency (the occurrence frequency per year of losses at or above a pre-determined threshold) is calculated with reference to the situation of occurrence of internal loss data of less than the threshold amount and/or external loss data. The basic occurrence frequency is then adjusted within a pre-determined range for the purpose of reflecting the most recent BEICFs to determine the final occurrence frequency.

## Estimation of loss severity distribution

In order to estimate loss severity distribution, we use a pre-determined series of severity ranges. Basic loss severity distribution is calculated for each scenario analysis unit as an occurrence ratio (in percentile figures) of loss at each severity range when losses at or above a pre-determined threshold occurred, with reference to transaction amount data, external loss data, etc. Then the basic severity distribution is adjusted, if necessary, from the viewpoint of statistical data processing to determine the final loss severity distribution.

## Creation of scenario data

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

For each scenario analysis unit, scenario data is generated as a series of combinations of occurrence frequency per year at each severity range, based on the final occurrence frequency and the final loss severity distribution.

## **Table of Contents**

### **Compliance**

As the leading Japanese financial services group with a global presence and a broad customer base, we remain conscious of the importance of our social responsibilities and public mission at all times. We define compliance as the strict observance of all laws and regulations and the pursuit of fair and honest corporate activities that conform to the norms accepted by society and view ongoing compliance as one of the basic principles of sound business management. Each of our group companies maintains its own compliance structure in line with the basic policies established by Mizuho Financial Group.

#### ***Compliance Structure***

The chief executive officer of Mizuho Financial Group, Mizuho Bank, Mizuho Trust & Banking and Mizuho Securities each generally oversees compliance matters of the respective company, and the chief executive officer, etc. also head their respective compliance committees at which important matters concerning compliance are discussed. The four companies also have individual compliance divisions under a chief compliance officer. These divisions are responsible for compliance planning and implementation and control overall compliance management at the respective companies. At the level of each organizational unit (such as branches and divisions) at the four companies, the head of the unit is responsible for guidance and implementation related to compliance matters within such unit, and the compliance officer or the compliance administrator at each unit reviews the status of compliance.

Other core group companies have also established compliance structures adapted to the characteristics of their respective businesses.

Mizuho Financial Group monitors the status of compliance of the Mizuho group through reports submitted by our principal banking subsidiaries and other core group companies and adopts appropriate responses when necessary.

Compliance at subsidiaries of our principal banking subsidiaries and other core group companies is monitored and managed by their respective parent.

#### ***Compliance Activities***

We have established the Mizuho Code of Conduct, which sets forth clear and concrete standards of ethical behavior, and distributed it to all directors, senior management and employees of the Mizuho group so that they are well aware of its content and act accordingly.

Each of our group companies has also prepared a compliance manual, which serves as a practical guidebook for rigorous compliance enforcement and clarifies the laws and regulations that the group companies must observe in pursuing their business activities and the compliance activities they are required to follow.

We conduct compliance training for directors, senior management and employees so that they are fully acquainted with the contents of the manual.

We monitor the status of compliance levels through self assessments conducted by individual organizational units and monitoring conducted by the compliance division of each company.

Every fiscal year, each of our group companies establishes a compliance program, which contains concrete measures for compliance enforcement such as measures related to the management of the compliance framework, training and assessments. Progress regarding the implementation of the compliance program is monitored every six months.

## **Table of Contents**

### **Internal Audit**

Internal audits are designed as an integrated process, independent from other business operations, for evaluating the extent to which internal control achieves its objectives in key areas, including appropriate risk management, efficient and effective business operations, reliable financial reporting and compliance with laws, regulations and internal rules. We conduct internal audits from an objective and comprehensive standpoint, independent of operational reporting lines, and offer advice and remedial recommendations in connection with any problems that may be identified. Through this process, internal audits assist the boards of directors of each of our group companies to fulfill their managerial duties efficiently and effectively.

In line with the Basic Policy for Internal Audit established by Mizuho Financial Group, our principal banking subsidiaries and other core group companies conduct internal audits, which include the auditing of their respective subsidiaries. In addition, with respect to the management of risks applicable across the Mizuho group, we coordinate internal audits throughout the group to assess the risk management status of the group as a whole.

#### ***Internal Audit Management Structure***

##### ***Mizuho Financial Group***

Our internal audit committee determines all important matters concerning internal audits. The committee is chaired by our president and chief executive officer and is independent of our other business operations.

Our internal audit committee monitors and manages internal audits at our principal banking subsidiaries and other core group companies through internal audit reports submitted by such subsidiaries. Our internal audit committee discusses and makes decisions regarding internal audits at our principal banking subsidiaries and other core group companies and submits the results, together with the results of their examination of the internal audit reports, to our board of directors.

##### ***Mizuho Bank and Mizuho Trust & Banking***

Mizuho Bank and Mizuho Trust & Banking have also established internal audit committees that are independent of their other business operations.

Both banks have established internal audit divisions and credit review divisions (Credit Assessment and Auditing Office at Mizuho Trust & Banking) to conduct internal audits at their respective domestic and overseas business offices, head office divisions and group companies. Specifically, the internal audit divisions assess the suitability and effectiveness of business activities associated with compliance and risk management. The credit review divisions (Credit Assessment and Auditing Office at Mizuho Trust & Banking) audit credit ratings and the status of credit management in addition to auditing the self-assessment of assets to verify the accuracy and suitability of matters deemed necessary to assure the soundness of assets.

##### ***Other Core Group Companies***

Other core group companies have also established effective and efficient internal audit structures adapted to the characteristics of their respective businesses.



**Table of Contents****ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES****12.A. Debt Securities**

Not applicable.

**12.B. Warrants and Rights**

Not applicable.

**12.C. Other Securities**

Not applicable.

**12.D. American Depositary Shares**

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The table below sets out such fees payable to the depositary:

**Persons depositing or withdrawing shares must pay:**

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges

Any other charge incurred by the depositary or its agents in connection with the servicing of the deposited securities

The Bank of New York Mellon ( BNYM ), as depositary, has agreed to reimburse us annually for expenses related to the administration and maintenance of the depositary receipt facility including, but not limited to, investor relations expenses, legal fees, New York Stock Exchange continue listing fees or any other direct or non-direct depositary receipt program related expenses. There are limits on the amount of expenses for which the depositary will reimburse us, and the terms and conditions of the annual reimbursement are subject to be reviewed by us and BNYM on an annual basis. In the fiscal year ended March 31, 2013, the depositary reimbursed us \$75,000 as portion of our investor relations expenses and legal fees.

**For:**

Execution and delivery of ADRs and the surrender of ADRs

Any cash distribution to ADS registered holders

Distribution of securities distributed to holders of deposited securities that are distributed by the depositary to ADS registered holders

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable, telex and facsimile transmissions expenses (as are expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary

As necessary

---

**Table of Contents**

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures*

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2013. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based upon the evaluation referred to above, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures as of March 31, 2013 were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

*Management's Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Our management evaluated the effectiveness of our internal control over financial reporting as of March 31, 2013 based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that we maintained effective internal control over financial reporting as of March 31, 2013.

**Table of Contents**

Our independent registered public accounting firm, Ernst & Young ShinNihon LLC has issued an attestation report on our internal control over financial reporting as of March 31, 2013, which appears on page F-3.

***Attestation Report of the Registered Public Accounting Firm***

See the attestation report of our independent registered public accounting firm, Ernst & Young ShinNihon LLC, which appears on page F-3.

***Changes in Internal Control over Financial Reporting***

During the period covered by this annual report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of corporate auditors has determined that Mr. Masahiro Seki, a corporate auditor of ours, is an audit committee financial expert as defined in Item 16A of Form 20-F and is independent as defined in the listing standards of the NYSE. Mr. Seki has spent most of his career auditing Japanese companies that prepare their financial statements based on accounting standards generally accepted in the United States as well as multinational companies that operate in Japan and is a Japan-qualified certified public accountant.

**ITEM 16B. CODE OF ETHICS**

Mizuho Financial Group has adopted a code of ethics, which is applicable to all directors and executive officers, as well as all managers and other employees of the Company who engage in financial reporting, accounting or disclosure. The code of ethics is included in this annual report as Exhibit 11.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

*Fees for Services provided by Ernst & Young ShinNihon LLC*

The aggregate fees billed by Ernst & Young ShinNihon LLC, our independent registered public accounting firm, and its affiliates, for the fiscal years ended March 31, 2012 and 2013 are presented in the following table:

	Fiscal year ended March 31,	
	2012	2013
	(in millions of yen)	
Audit fees <sup>(1)</sup>	¥ 4,315	¥ 4,117
Audit-related fees <sup>(2)</sup>	503	463
Tax fees <sup>(3)</sup>	63	50
All other fees <sup>(4)</sup>	16	1
<b>Total</b>	<b>¥ 4,897</b>	<b>¥ 4,631</b>

Notes:

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

- (1) Audit fees include fees related to the audit of U.S. GAAP financial statements as well as Japanese GAAP financial statements used for home-country reporting purposes.
- (2) Audit-related fees include fees for services relating to agreed-upon procedures on internal controls, due diligence services related to our securitization business and services related to the implementation of Section 404 of the Sarbanes-Oxley Act.
- (3) Tax fees include fees for services relating to the preparation of tax returns and tax advice.
- (4) All other fees include fees for services relating to education to improve the financial business knowledge of our employees.

**Table of Contents**

*Pre-Approval Policies and Procedures*

We established the pre-approval policies and procedures required by the Sarbanes-Oxley Act on April 1, 2006. Under the procedures, Mizuho Financial Group and its subsidiaries must apply to our corporate auditors for pre-approval before entering into an agreement regarding audit and permitted non-audit services with Ernst & Young ShinNihon LLC.

We follow two types of pre-approval policies and procedures:

General pre-approval

General pre-approval is required for services which are expected to be performed during a given fiscal year. Our board of corporate auditors reviews the fees for each service and the maximum amount of aggregate fees that may be incurred and authorizes pre-approval at the beginning of each fiscal year.

Specific pre-approval

For those services which have not been approved pursuant to the general pre-approval procedure, specific pre-approval by our corporate auditors is required prior to each engagement. With respect to such services, two full-time corporate auditors must provide pre-approval and report such pre-approval at the monthly meeting of the board of corporate auditors.

Beginning April 1, 2013, to enhance the clarity of the procedure, we revised our general pre-approval policies and procedures so that, in addition to a specific maximum fee amount for new services, the maximum amount of increase/decrease from previous fee amounts for the same type of services as those performed in the past are authorized at the beginning of each fiscal year.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Mizuho Financial Group does not have an audit committee. We are relying on the general exemption contained in Rule 10A-3(c)(3) under the Exchange Act, which provides an exemption from the NYSE's listing standards relating to audit committees for foreign companies that have a board of corporate auditors that meet the requirements set forth in Rule 10A-3(c)(3). Our reliance on Rule 10A-3(c)(3) does not, in our opinion, materially adversely affect the ability of our board of corporate auditors to act independently and to satisfy the other requirements of Rule 10A-3.

**Table of Contents****ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table sets forth purchases of our common stock by us and our affiliated purchasers during the fiscal year ended March 31, 2013:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
April 1 to April 30, 2012	1,924	¥ 128		
May 1 to May 31, 2012	1,552	120		
June 1 to June 30, 2012	1,615	121		
July 1 to July 31, 2012	5,241	129		
August 1 to August 31, 2012	3,590	130		
September 1 to September 30, 2012	2,189	130		
October 1 to October 31, 2012	2,384	126		
November 1 to November 30, 2012	2,827	125		
December 1 to December 31, 2012	4,765	137		
January 1 to January 31, 2013	6,771	163		
February 1 to February 28, 2013	5,927	198		
March 1 to March 31, 2013	4,509	208		
<b>Total</b>	<b>43,294</b>	<b>¥ 152</b>		

Note:

- (1) A total of 43,294 shares were purchased other than through a publicly announced plan or program during the fiscal year ended March 31, 2013, due to our purchase of shares constituting less than one (1) unit from registered holders of shares constituting less than one (1) unit at the current market price of those shares.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

None.

**ITEM 16G. CORPORATE GOVERNANCE**

Our corporate governance practices are governed by applicable Japanese law, specifically the Company Law and Financial Instruments and Exchange Law of Japan, and our Articles of Incorporation. Also, because our shares are registered with the U.S. Securities and Exchange Commission and are listed on the New York Stock Exchange ( NYSE ), we are subject to corporate governance requirements applicable to NYSE-listed foreign private issuers. NYSE-listed companies that are foreign private issuers meeting certain criteria are permitted to follow home country practices in lieu of certain provision of Section 303A, and we are relying on this exemption.

A NYSE-listed foreign private issuer is required to provide to its US investors, a brief, general summary of the significant differences of corporate governance practices that differ from U.S. companies under NYSE listing standards. The following is a summary of the significant ways in which our corporate governance practices differ from NYSE standards followed by U.S. companies:

A NYSE-listed U.S. company is required to have a majority of directors, and an audit committee composed entirely of directors, that meet the independence requirements under Section 303A of the NYSE's Listed Company Manual. Under the Japanese Company Law, we are required to have a corporate governance system based on either (i) a board of corporate auditors or (ii) committees. We adopt a corporate governance system based on a board of corporate auditors. The basic function of the board of corporate auditors is similar to that of independent directors, including those who are members



## Table of Contents

of the audit committee, of a NYSE-listed U.S. company, i.e., to monitor the performance of the directors and review and express opinions on the method of auditing by the independent public accounting firm and on such accounting firm's audit reports for the protection of the company's shareholders. Under the Company Law, we are required to have at least half of our corporate auditors be outside corporate auditors who meet the independence requirements under the Company Law. Currently, three of our five corporate auditors are outside corporate auditors who meet such independence requirements. In addition, none of the corporate auditors may at the same time be directors, managers or employees of the company or any subsidiaries, or accounting participants or executive officers of such subsidiaries. While the Company Law does not require corporate auditors to have expertise in accounting or other special knowledge and experience, one of our corporate auditors is a certified public accountant.

We rely on an exemption from the audit committee requirements imposed by Rule 10A-3 of the U.S. Securities Exchange Act of 1934, as amended, which is available to foreign private issuers with a board of auditors (or similar body) meeting specified criteria. With respect to our board of corporate auditors, the criteria that we meet include the following:

responsible, to the extent permitted by law, for the appointment, retention and supervision of the work of a registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for us;

subject to procedures for the receipt, retention and treatment of complaints and the confidential, anonymous submission of concerns by employees regarding the status of our internal control system on accounting and financial reporting and internal and external audits;

each corporate auditor has the authority to engage independent counsel and other advisers if such engagement is necessary to carry out his or her duties; and

each corporate auditor has the ability to require us to pay any and all expenses necessary for carrying out his or her duties. Under the Company Law, companies that adopt a corporate governance system based on a board of corporate auditors, such as us, are not required to maintain directors that are outside directors who meet the independence requirements under the Company Law. However, three of our twelve directors are outside directors who meet such requirements.

A NYSE-listed U.S. company is required to have a nominating/corporate governance committee and a compensation committee, all of which must be composed entirely of independent directors. While we, a company that has corporate auditors, are not required to establish a nominating committee or a compensation committee under Japanese law, we voluntarily established similar committees, each with three outside directors and the president, to advise the board of directors on these matters in order to ensure transparency and impartiality in matters of personnel decisions affecting the board of directors and directors' compensation.

A NYSE-listed U.S. company must hold regularly scheduled executive sessions where participants are limited to non-management directors. Under the Company Law, Japanese corporations are not obliged to hold executive sessions where participants are limited to non-management directors.

The Company Law of Japan requires that the aggregate amount of remuneration to be paid to all directors and the aggregate amount of remuneration to be paid to all corporate auditors to be determined by a resolution of a general meeting of shareholders, unless their remuneration is provided for in the articles of incorporation. Such remuneration includes bonuses, retirement allowances and incentive stock options. Based on the above resolution, the distribution of remuneration among directors is broadly delegated to our board of directors, which takes into consideration of the advisory opinion by the compensation committee, and the distribution of remuneration among corporate auditors is determined by consultation among our corporate auditors.

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

A NYSE-listed U.S. company must adopt a code of business conduct and ethics and must post the code on its website. While we are not required to adopt such code under Japanese law or the rules of stock exchanges in Japan on which we are listed, we maintain the Mizuho Code of Conduct as our standard for corporate conduct to be observed by our directors, officers and employees.

**Table of Contents****PART III****ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide the financial statements and related information specified in Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The information required by this item is set forth in our consolidated financial statements starting on page F-1 of this annual report.

**ITEM 19. EXHIBITS****Exhibit**

<b>Number</b>	<b>Description of Exhibits</b>
1.1	Articles of Incorporation of Mizuho Financial Group, Inc., dated June 27, 2013 (English Translation)
1.2	Bylaws Regarding the Board of Directors of Mizuho Financial Group, Inc., effective from January 8, 2003 and as amended on June 8, 2003, June 27, 2006 and April 1, 2013 (English Translation)
1.3	Regulations of Board of Corporate Auditors of Mizuho Financial Group, Inc., effective from January 9, 2003 and as amended on September 25, 2006 and July 1, 2013 (English Translation)
1.4	Share Handling Regulations of Mizuho Financial Group, Inc., dated January 4, 2013 (English Translation)
2.1	Form of American Depositary Receipt*
2.2	Form of Deposit Agreement among the registrant, The Bank of New York Mellon (formerly The Bank of New York) as Depositary and all owners and holders from time to time of American Depositary Receipts issued thereunder**
8	List of significant subsidiaries of Mizuho Financial Group, Inc. see Item 4.C. Information on the Company Organizational Structure.
11	Code of Ethics of Mizuho Financial Group, Inc.***
12.1	CEO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
12.2	CFO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
13.1	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on August 19, 2009.

\*\* Incorporated by reference to our registration statement on Form 20-F (No. 001-33098) filed on October 19, 2006.

\*\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on August 10, 2007.

**Table of Contents**

**SELECTED STATISTICAL DATA**

In preparing the selected statistical data set forth below, foreign activities are defined as business transactions that involve customers residing outside of Japan. However, as the operations of Mizuho Financial Group, Inc. and its subsidiaries ( the MHFG Group or the Group ) are highly integrated globally, the MHFG Group has made certain estimates and assumptions in allocating assets, liabilities, income and expense between domestic and foreign operations. The Group considers domestic and foreign activities determined by such methods to be representative of the Group s operations.

A-1

**Table of Contents****I. Distribution of assets, liabilities and equity; interest rates and interest differential**

*Average balances of balance sheet items, interest and dividend income, interest expense and average yields and rates*

The following tables show the MHFG Group's average balances of balance sheet items, Interest and dividend income, Interest expense, average yields on interest-earning assets, and average rates on interest-bearing liabilities for the fiscal years ended March 31, 2011, 2012 and 2013. Average balances are generally based on a daily average. Month-end or quarter-end averages are used for certain average balances where it is not practicable to obtain applicable daily averages. The average balances determined by such methods are considered to be representative of the MHFG Group's operations.

	2011			2012			2013		
	Average balance	Interest and dividend income	Average yield	Average balance	Interest and dividend income	Average yield	Average balance	Interest and dividend income	Average yield
	(in billions of yen, except percentages)								
<b>Assets:</b>									
Interest-earning assets:									
Interest-bearing deposits in other banks:									
Domestic	371	1	0.27%	1,822	2	0.13%	3,096	3	0.10%
Foreign	1,643	8	0.46%	3,509	17	0.46%	3,600	15	0.42%
Total	2,014	9	0.43%	5,331	19	0.35%	6,696	18	0.27%
Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:									
Domestic	6,264	10	0.16%	6,122	11	0.17%	6,676	11	0.17%
Foreign	8,772	44	0.50%	9,082	35	0.39%	10,226	51	0.50%
Total	15,036	54	0.36%	15,204	46	0.30%	16,902	62	0.37%
Trading account assets:									
Domestic	8,981	33	0.37%	8,884	25	0.28%	9,019	15	0.17%
Foreign	7,848	170	2.17%	8,855	168	1.91%	11,352	154	1.36%
Total	16,829	203	1.21%	17,739	193	1.09%	20,371	169	0.83%
Investments:									
Domestic	36,967	214	0.58%	39,529	206	0.52%	38,974	191	0.49%
Foreign	1,663	34	2.04%	1,639	36	2.18%	2,045	34	1.73%
Total	38,630	248	0.64%	41,168	242	0.59%	41,019	225	0.55%
Loans <sup>(1)</sup> :									
Domestic	54,287	759	1.40%	53,770	707	1.31%	53,222	674	1.27%
Foreign	9,297	187	2.01%	11,334	230	2.03%	14,289	275	1.92%
Total	63,584	946	1.49%	65,104	937	1.44%	67,511	949	1.40%
Total interest-earning assets:									
Domestic	106,870	1,017	0.95%	110,127	951	0.86%	110,987	894	0.81%
Foreign	29,223	443	1.51%	34,419	486	1.41%	41,512	529	1.28%
Total	136,093	1,460	1.07%	144,546	1,437	0.99%	152,499	1,423	0.93%
Noninterest-earning assets:									

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Cash and due from banks	2,133	1,877	2,158
Other noninterest-earning assets <sup>(2)</sup>	21,940	19,123	19,109
Allowance for loan losses	(1,029)	(846)	(707)
<b>Total noninterest-earning assets</b>	<b>23,044</b>	<b>20,154</b>	<b>20,560</b>
Total average assets	159,137	164,700	173,059

Notes:

- (1) Average balances of loans include all nonaccrual loans. The amortized portion of net loan origination fees (costs) is included in interest income on loans.
- (2) The fair value carrying amounts of derivative contracts are reported in Other noninterest-earning assets.

**Table of Contents**

Within total average assets, the percentage attributable to foreign activities was 24.0%, 25.7% and 29.1%, respectively, for the fiscal years ended March 31, 2011, 2012 and 2013.

	Average balance	2011 Interest expense	Average rate	Average balance	2012 Interest expense	Average rate	Average balance	2013 Interest expense	Average rate
(in billions of yen, except percentages)									
<b>Liabilities and equity:</b>									
Interest-bearing liabilities:									
Deposits:									
Domestic	68,060	86	0.13%	68,474	64	0.09%	70,281	57	0.08%
Foreign	8,048	48	0.60%	9,878	67	0.68%	11,700	67	0.58%
Total	76,108	134	0.18%	78,352	131	0.17%	81,981	124	0.15%
Debentures Domestic	1,150	7	0.57%	86		0.45%			
Short-term borrowings <sup>(1)</sup> :									
Domestic	22,270	37	0.17%	25,591	43	0.17%	26,540	42	0.16%
Foreign	12,312	49	0.40%	13,248	34	0.25%	16,653	49	0.29%
Total	34,582	86	0.25%	38,839	77	0.20%	43,193	91	0.21%
Trading account liabilities:									
Domestic	4,183	14	0.34%	3,833	14	0.38%	2,986	13	0.44%
Foreign	900	17	1.91%	892	14	1.58%	965	11	1.09%
Total	5,083	31	0.62%	4,725	28	0.60%	3,951	24	0.60%
Long-term debt:									
Domestic	8,129	186	2.29%	8,172	175	2.13%	8,184	171	2.09%
Foreign	482	5	0.95%	650	5	0.84%	733	2	0.40%
Total	8,611	191	2.22%	8,822	180	2.04%	8,917	173	1.95%
Total interest-bearing liabilities:									
Domestic	103,792	330	0.32%	106,156	296	0.28%	107,991	283	0.26%
Foreign	21,742	119	0.55%	24,668	120	0.49%	30,051	129	0.43%
Total	125,534	449	0.36%	130,824	416	0.32%	138,042	412	0.30%
Noninterest-bearing liabilities <sup>(2)</sup>	30,045			29,477			30,267		
Equity	3,558			4,399			4,750		
Total average liabilities and equity	159,137			164,700			173,059		
Net interest income and average interest rate spread									
		1,011	0.71%		1,021	0.67%		1,011	0.63%
Net interest income as a percentage of average total interest-earning assets									
			0.74%			0.71%			0.66%

Notes:

(1)



## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Short-term borrowings consist of Due to trust accounts, Call money and funds purchased, Payables under repurchase agreements and securities lending transactions, Commercial paper, and Other short-term borrowings.

(2) The fair value carrying amounts of derivative contracts are reported in Noninterest-bearing liabilities.

Within total average liabilities, which is the total of interest-bearing liabilities and noninterest-bearing liabilities shown in the above table, the percentage attributable to foreign activities was 20.1%, 21.5% and 24.3%, respectively, for the fiscal years ended March 31, 2011, 2012 and 2013.

A-3

**Table of Contents***Analysis of net interest income*

The following tables show changes in the MHFG Group's Interest and dividend income, Interest expense, and Net interest income based on changes in volume and changes in rate for the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011 and the fiscal year ended March 31, 2013 compared to the fiscal year ended March 31, 2012. Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	Fiscal year ended March 31, 2012 versus fiscal year ended March 31, 2011			Fiscal year ended March 31, 2013 versus fiscal year ended March 31, 2012		
	Increase (decrease) due to changes in		Net change (in billions of yen)	Increase (decrease) due to changes in		Net change
Volume	Yield	Volume		Yield		
<b>Interest and dividend income:</b>						
<b>Interest-bearing deposits in other banks:</b>						
Domestic	2	(1)	1	1		1
Foreign	8	1	9		(2)	(2)
<b>Total</b>	<b>10</b>		<b>10</b>	<b>1</b>	<b>(2)</b>	<b>(1)</b>
<b>Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions:</b>						
Domestic		1	1	1	(1)	
Foreign	1	(10)	(9)	5	11	16
<b>Total</b>	<b>1</b>	<b>(9)</b>	<b>(8)</b>	<b>6</b>	<b>10</b>	<b>16</b>
<b>Trading account assets:</b>						
Domestic		(8)	(8)		(10)	(10)
Foreign	19	(21)	(2)	34	(48)	(14)
<b>Total</b>	<b>19</b>	<b>(29)</b>	<b>(10)</b>	<b>34</b>	<b>(58)</b>	<b>(24)</b>
<b>Investments:</b>						
Domestic	13	(21)	(8)	(3)	(12)	(15)
Foreign		2	2	7	(9)	(2)
<b>Total</b>	<b>13</b>	<b>(19)</b>	<b>(6)</b>	<b>4</b>	<b>(21)</b>	<b>(17)</b>
<b>Loans:</b>						
Domestic	(7)	(45)	(52)	(7)	(26)	(33)
Foreign	41	2	43	57	(12)	45
<b>Total</b>	<b>34</b>	<b>(43)</b>	<b>(9)</b>	<b>50</b>	<b>(38)</b>	<b>12</b>
<b>Total interest and dividend income:</b>						
Domestic	8	(74)	(66)	(8)	(49)	(57)
Foreign	69	(26)	43	103	(60)	43
<b>Total</b>	<b>77</b>	<b>(100)</b>	<b>(23)</b>	<b>95</b>	<b>(109)</b>	<b>(14)</b>



**Table of Contents**

	Fiscal year ended March 31, 2012 versus fiscal year ended March 31, 2011			Fiscal year ended March 31, 2013 versus fiscal year ended March 31, 2012		
	Increase (decrease) due to changes in		Net change (in billions of yen)	Increase (decrease) due to changes in		Net change
	Volume	Rate		Volume	Rate	
<b>Interest expense:</b>						
<b>Deposits:</b>						
Domestic		(22)	(22)	1	(8)	(7)
Foreign	13	6	19	10	(10)	
<b>Total</b>	<b>13</b>	<b>(16)</b>	<b>(3)</b>	<b>11</b>	<b>(18)</b>	<b>(7)</b>
<b>Debtures:</b>						
Domestic	(5)	(2)	(7)			
<b>Short-term borrowings:</b>						
Domestic	6		6	2	(3)	(1)
Foreign	2	(17)	(15)	9	6	15
<b>Total</b>	<b>8</b>	<b>(17)</b>	<b>(9)</b>	<b>11</b>	<b>3</b>	<b>14</b>
<b>Trading account liabilities:</b>						
Domestic	(1)	1		(3)	2	(1)
Foreign		(3)	(3)	1	(4)	(3)
<b>Total</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(2)</b>	<b>(2)</b>	<b>(4)</b>
<b>Long-term debt:</b>						
Domestic	1	(12)	(11)		(4)	(4)
Foreign	1	(1)			(3)	(3)
<b>Total</b>	<b>2</b>	<b>(13)</b>	<b>(11)</b>		<b>(7)</b>	<b>(7)</b>
<b>Total interest expense:</b>						
Domestic	1	(35)	(34)		(13)	(13)
Foreign	16	(15)	1	20	(11)	9
<b>Total</b>	<b>17</b>	<b>(50)</b>	<b>(33)</b>	<b>20</b>	<b>(24)</b>	<b>(4)</b>
<b>Net interest income:</b>						
Domestic	7	(39)	(32)	(8)	(36)	(44)
Foreign	53	(11)	42	83	(49)	34
<b>Total</b>	<b>60</b>	<b>(50)</b>	<b>10</b>	<b>75</b>	<b>(85)</b>	<b>(10)</b>

**Table of Contents****II. Investment portfolio**

The following table shows amortized cost, fair value and net unrealized gains (losses) of available-for-sale and held-to-maturity securities at March 31, 2011, 2012 and 2013:

	2011			2012			2013		
	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)	Amortized cost	Fair value	Net unrealized gains (losses)
(in billions of yen)									
Available-for-sale securities:									
Domestic:									
Japanese government bonds	29,280	29,213	(67)	32,629	32,647	18	30,710	30,783	73
Agency mortgage-backed securities <sup>(1)</sup>	687	682	(5)	824	830	6	842	862	20
Corporate bonds and other debt securities	4,543	4,553	10	3,653	3,670	17	3,054	3,084	30
Equity securities (marketable)	1,907	2,820	913	1,792	2,751	959	1,598	3,036	1,438
<b>Total domestic</b>	<b>36,417</b>	<b>37,268</b>	<b>851</b>	<b>38,898</b>	<b>39,898</b>	<b>1,000</b>	<b>36,204</b>	<b>37,765</b>	<b>1,561</b>
Foreign:									
U.S. Treasury bonds and federal agency securities	129	129		101	101		177	178	1
Other foreign gov t bonds	290	290		444	445	1	596	598	2
Agency mortgage-backed securities <sup>(2)</sup>	82	82		148	150	2	145	144	(1)
Corporate bonds and other debt securities	745	767	22	606	624	18	603	626	23
Equity securities (marketable)	12	13	1	40	41	1	101	103	2
<b>Total foreign</b>	<b>1,258</b>	<b>1,281</b>	<b>23</b>	<b>1,339</b>	<b>1,361</b>	<b>22</b>	<b>1,622</b>	<b>1,649</b>	<b>27</b>
<b>Total</b>	<b>37,675</b>	<b>38,549</b>	<b>874</b>	<b>40,237</b>	<b>41,259</b>	<b>1,022</b>	<b>37,826</b>	<b>39,414</b>	<b>1,588</b>
Held-to-maturity securities:									
Domestic:									
Japanese government bonds	1,201	1,207	6	1,801	1,815	14	3,000	3,020	20
Corporate bonds and other debt securities	1	1		1	1				
<b>Total domestic</b>	<b>1,202</b>	<b>1,208</b>	<b>6</b>	<b>1,802</b>	<b>1,816</b>	<b>14</b>	<b>3,000</b>	<b>3,020</b>	<b>20</b>
<b>Total</b>	<b>1,202</b>	<b>1,208</b>	<b>6</b>	<b>1,802</b>	<b>1,816</b>	<b>14</b>	<b>3,000</b>	<b>3,020</b>	<b>20</b>

Notes:

- (1) All of domestic agency mortgage-backed securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) Foreign agency mortgage-backed securities primarily consist of Government National Mortgage Association or Ginnie Mae securities, which are guaranteed by the United States government.

**Table of Contents**

The following table shows the book values, contractual maturities and weighted average yields of available-for-sale and held-to-maturity debt securities at March 31, 2013. Fair value and amortized cost are the basis of the book value for available-for-sale and held-to-maturity debt securities, respectively. Weighted average yields are calculated based on amortized cost for all debt securities.

	One year or less		After one year through five years		Maturity After five years through ten years		After ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(in billions of yen, except percentages)										
Available-for-sale securities:										
Domestic:										
Japanese government bonds	12,152	0.09%	14,192	0.15%	4,434	0.43%	5	1.92%	30,783	0.16%
Agency mortgage-backed securities		%		%		%	862	1.46%	862	1.46%
Corporate bonds and other debt securities	588	0.55%	1,436	0.70%	484	0.81%	576	2.23%	3,084	0.97%
Total domestic	12,740	0.11%	15,628	0.20%	4,918	0.46%	1,443	1.77%	34,729	0.27%
Foreign:										
U.S. Treasury bonds and federal agency securities	22	1.08%	55	0.48%	101	1.12%		%	178	0.92%
Other foreign gov t bonds	399	1.82%	190	2.87%	9	1.76%		%	598	2.15%
Agency mortgage-backed securities		%		%		%	144	2.97%	144	2.97%
Corporate bonds and other debt securities	188	1.45%	294	2.41%	88	1.12%	56	1.11%	626	1.83%
Total foreign	609	1.68%	539	2.37%	198	1.15%	200	2.50%	1,546	1.96%
Total	13,349	0.18%	16,167	0.27%	5,116	0.49%	1,643	1.86%	36,275	0.34%
Held-to-maturity securities:										
Domestic:										
Japanese government bonds	100	0.82%	2,900	0.35%		%		%	3,000	0.37%
Total domestic	100	0.82%	2,900	0.35%		%		%	3,000	0.37%
Total	100	0.82%	2,900	0.35%		%		%	3,000	0.37%

Other than Japanese government bonds and Japanese agency mortgage-backed securities issued by Japan Housing Finance Agency, the MHFG Group did not have any securities of individual issuers with respect to which their aggregate book value exceeded 10% of the Group's shareholders' equity at March 31, 2013.

In addition to Available-for-sale securities and Held-to-maturity securities, the MHFG Group's Investments also include Other investments. See Note 3 Investments to the consolidated financial statements included elsewhere in this annual report for information regarding Other investments.

**Table of Contents****III. Loan portfolio***Types of loans*

The following table shows loans outstanding by domicile and industry of borrower at March 31, 2009, 2010, 2011, 2012 and 2013:

	2009	2010	2011	2012	2013
	(in billions of yen)				
<b>Domestic:</b>					
Manufacturing	8,903	8,065	7,617	7,587	8,079
Construction and real estate	8,608	7,854	7,308	7,271	7,478
Services	5,324	5,153	4,287	3,981	3,972
Wholesale and retail	5,978	5,306	5,314	5,295	5,356
Transportation and communications	3,500	3,237	3,228	3,201	3,147
Banks and other financial institutions	4,727	4,290	3,908	3,501	3,143
Government and public institutions	8,655	5,459	7,154	6,912	6,907
Other industries <sup>(Note)</sup>	3,852	3,332	3,759	4,319	4,522
<b>Individuals:</b>					
Mortgage loans	11,067	11,093	11,436	11,191	11,234
Other	832	789	745	719	742
<b>Total domestic</b>	<b>61,446</b>	<b>54,578</b>	<b>54,756</b>	<b>53,977</b>	<b>54,580</b>
<b>Foreign:</b>					
Commercial and industrial	8,680	7,237	6,965	8,146	10,481
Banks and other financial institutions	2,224	1,722	2,588	3,343	4,089
Government and public institutions	301	292	453	522	596
Other <sup>(Note)</sup>	94	32	9	91	199
<b>Total foreign</b>	<b>11,299</b>	<b>9,283</b>	<b>10,015</b>	<b>12,102</b>	<b>15,365</b>
<b>Total</b>	<b>72,745</b>	<b>63,861</b>	<b>64,771</b>	<b>66,079</b>	<b>69,945</b>
<b>Less: Unearned income and deferred loan fees net</b>	<b>88</b>	<b>78</b>	<b>81</b>	<b>90</b>	<b>112</b>
<b>Total loans before allowance for loan losses</b>	<b>72,657</b>	<b>63,783</b>	<b>64,690</b>	<b>65,989</b>	<b>69,833</b>

Note: Other industries of domestic and other of foreign include trade receivables and lease receivables of consolidated variable interest entities.

There were no concentrations of loans exceeding 10% of total loans which are not disclosed as a category of loans in the table above.

**Table of Contents***Maturities and sensitivities of loans to changes in interest rates*

The following table shows the maturities of loan portfolio by domicile and industry of borrower at March 31, 2013:

	One year or less	Maturity After one year through five years (in billions of yen)	After five years	Total
<b>Domestic:</b>				
Manufacturing	4,552	2,909	618	8,079
Construction and real estate	2,434	3,239	1,805	7,478
Services	1,844	1,682	446	3,972
Wholesale and retail	3,506	1,607	243	5,356
Transportation and communications	1,386	1,354	407	3,147
Banks and other financial institutions	1,659	1,066	418	3,143
Government and public institutions	5,822	501	584	6,907
Other industries	2,448	1,010	1,064	4,522
Individuals	1,432	2,491	8,053	11,976
<b>Total domestic</b>	<b>25,083</b>	<b>15,859</b>	<b>13,638</b>	<b>54,580</b>
<b>Foreign:</b>				
<b>Total foreign</b>	<b>6,652</b>	<b>6,865</b>	<b>1,848</b>	<b>15,365</b>
<b>Total</b>	<b>31,735</b>	<b>22,724</b>	<b>15,486</b>	<b>69,945</b>

Of the above loans due after one year, loans which had floating rates and fixed rates at March 31, 2013 were as follows:

	(in billions of yen)
Floating rates	31,417
Fixed rates	6,793
<b>Total</b>	<b>38,210</b>



**Table of Contents***Impaired loans*

The MHFG Group considers loans to be impaired when it is probable that the Group will be unable to collect all the scheduled payments of principal and interest when due according to the contractual terms of the loan. The Group determines loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans. Impaired loans include loans past due for 90 days or more and restructured loans that meet the definition of troubled debt restructuring in accordance with ASC 310 Receivables. All of the Group's impaired loans are designated as nonaccrual loans. The Group does not have loans to borrowers that cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms for the periods presented other than those already designated as impaired loans. The following table shows the distribution of impaired loans at March 31, 2009, 2010, 2011, 2012 and 2013 by domicile and industry of borrower.

	2009	2010	2011	2012	2013
	(in billions of yen)				
<b>Domestic:</b>					
Manufacturing	213	270	309	297	336
Construction and real estate	396	302	265	205	249
Services	213	181	108	119	90
Wholesale and retail	160	159	177	201	173
Transportation and communications	142	139	54	53	59
Banks and other financial institutions	26	21	3	12	14
Other industries	2	1	1	4	5
Individuals	165	201	290	264	235
<b>Total domestic</b>	<b>1,317</b>	<b>1,274</b>	<b>1,207</b>	<b>1,155</b>	<b>1,161</b>
<b>Foreign:</b>					
Total foreign	115	130	116	155	303
<b>Total impaired loans</b>	<b>1,432</b>	<b>1,404</b>	<b>1,323</b>	<b>1,310</b>	<b>1,464</b>

Had interest on nonaccrual loans been accrued at the original contractual terms, gross interest income on domestic and foreign nonaccrual loans outstanding during the fiscal year ended March 31, 2013 would have been ¥24 billion and ¥7 billion, respectively. The MHFG group recognized interest income on those domestic and foreign loans of ¥19 billion and ¥5 billion, respectively, in the consolidated statements of income for the fiscal year ended March 31, 2013.

**Table of Contents***Cross-border outstandings*

Cross-border outstandings are defined as loans (including accrued interest), acceptances, interest-bearing deposits with other banks, other interest-bearing investments and any other monetary assets denominated in Japanese yen or other non-local currencies. This cross-border disclosure is based on the reports to the Bank of Japan required under Japanese foreign exchange-related law. Local currency outstandings are netted out from cross-border outstandings.

The following table sets forth the cross-border outstandings to borrowers in countries with respect to which the total of such outstandings exceeded 0.75% of consolidated total assets at March 31, 2011, 2012 and 2013:

	Public institutions	Banks	Others	Total	% of total assets	Undrawn commitments
(in billions of yen, except percentages)						
<b>2011</b>						
United States	2,400	432	2,121	4,953	3.06%	1,844
Germany	1,314	157	111	1,582	0.98%	159
<b>2012</b>						
United States	4,075	291	3,229	7,595	4.57%	2,265
Germany	1,669	146	137	1,952	1.17%	177
<b>2013</b>						
United States	5,248	374	3,441	9,063	5.07%	2,914
Germany	2,078	223	158	2,459	1.38%	258

**Table of Contents****IV. Summary of loan loss experience**

The following table shows an analysis of loan loss experience by domicile and industry of borrower for the fiscal years ended March 31, 2009, 2010, 2011, 2012 and 2013:

	2009	2010	2011	2012	2013
	(in billions of yen, except percentages)				
Allowance for loan losses at beginning of fiscal year	650	870	880	735	683
Provision (credit) for loan losses	567	222	1	(23)	140
<b>Charge-offs:</b>					
<b>Domestic:</b>					
Manufacturing	39	17	20	18	25
Construction and real estate	117	56	20	7	5
Services	18	17	20	7	10
Wholesale and retail	57	48	28	14	11
Transportation and communications	12	26	59	2	2
Banks and other financial institutions	19	1	1	1	
Other industries	1	2	1	2	
Individuals	24	27	17	19	17
Total domestic	287	194	166	70	70
Total foreign	57	66	19	10	25
Total charge-offs	344	260	185	80	95
<b>Recoveries:</b>					
<b>Domestic:</b>					
Manufacturing	3	7	7	12	4
Construction and real estate	4	25	14	12	8
Services	2	3	5	4	3
Wholesale and retail	4	5	5	9	3
Transportation and communications	2	1	1	2	1
Banks and other financial institutions		4	1	1	1
Other industries	1				
Individuals	3	3	2	3	4
Total domestic	19	48	35	43	24
Total foreign	10	6	13	9	8
Total recoveries	29	54	48	52	32
Net charge-offs	315	206	137	28	63
Others <sup>(Note)</sup>	(32)	(6)	(9)	(1)	13
Balance at end of fiscal year	870	880	735	683	773
Ratio of net charge-offs to average loans outstanding	0.45%	0.31%	0.22%	0.04%	0.09%

Note: Others include primarily foreign exchange translation.



**Table of Contents**

The following table shows an allocation of the MHFG Group's allowance for loan losses by domicile and industry of borrower at March 31, 2009, 2010, 2011, 2012 and 2013:

	2009		2010		2011		2012		2013	
	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans	Amount	% of loans in each category to total loans
(in billions of yen, except percentages)										
Domestic:										
Manufacturing	124	12.26%	165	12.63%	155	11.76%	132	11.48%	210	11.55%
Construction and real estate	157	10.54%	128	12.29%	104	11.28%	83	11.00%	79	10.69%
Services	111	7.39%	96	8.07%	55	6.62%	51	6.03%	35	5.68%
Wholesale and retail	106	8.26%	102	8.31%	103	8.20%	101	8.01%	84	7.66%
Transportation and communications	72	4.81%	95	5.07%	34	4.98%	27	4.84%	26	4.50%
Banks and other financial institutions	27	6.92%	29	6.72%	15	6.03%	20	5.30%	28	4.49%
Other industries <sup>(Note)</sup>	9	17.04%	8	13.77%	12	16.86%	12	17.00%	12	16.34%
Individuals	121	17.25%	128	18.60%	150	18.81%	127	18.03%	109	17.12%
Mortgage loans	89	15.65%	101	17.37%	120	17.66%	102	16.94%	86	16.06%
Other	32	1.60%	27	1.23%	30	1.15%	25	1.09%	23	1.06%
Total domestic	727	84.47%	751	85.46%	628	84.54%	553	81.69%	583	78.03%
Total foreign	143	15.53%	129	14.54%	107	15.46%	130	18.31%	190	21.97%
Total allowance for loan losses	870	100.00%	880	100.00%	735	100.00%	683	100.00%	773	100.00%

Note: Other industries include government and public institutions.

**Table of Contents****V. Deposits**

The following table shows the average amount of, and the average rate on, the following deposit categories for the fiscal years ended March 31, 2011, 2012 and 2013:

	2011		2012		2013	
	Average amount	Average rate	Average amount	Average rate	Average amount	Average rate
(in billions of yen, except percentages)						
<b>Domestic offices:</b>						
Noninterest-bearing demand deposits	9,582	%	10,307	%	10,470	%
Interest-bearing demand deposits	28,828	0.03%	29,876	0.02%	31,088	0.02%
Deposits at notice (Note)	668	0.03%	637	0.02%	652	0.02%
Time deposits	29,070	0.22%	28,154	0.16%	28,173	0.14%
Certificates of deposit	9,494	0.13%	9,807	0.11%	10,368	0.11%
<b>Foreign offices:</b>						
Noninterest-bearing demand deposits	530	%	606	%	787	%
Interest-bearing deposits, principally time deposits	6,536	0.56%	7,783	0.66%	8,255	0.59%
Certificates of deposit	1,512	0.79%	2,095	0.75%	3,445	0.54%
<b>Total</b>	<b>86,220</b>	<b>0.16%</b>	<b>89,265</b>	<b>0.15%</b>	<b>93,238</b>	<b>0.13%</b>

Note: Deposits at notice represent interest-bearing demand deposits which require the depositor to give two or more days notice in advance of withdrawal.

The amounts of total deposits by foreign depositors in domestic offices at March 31, 2011, 2012 and 2013 were ¥471 billion, ¥504 billion and ¥741 billion, respectively.

At March 31, 2013, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$106 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2013) or more as well as the balances of those deposits issued by foreign offices in amounts of US\$100,000 or more are shown in the following table:

	Time deposits	Certificates of deposit (in billions of yen)	Total
<b>Domestic offices:</b>			
Due in three months or less	9,146	10,981	20,127
Due after three months through six months	4,205	250	4,455
Due after six months through twelve months	3,528	156	3,684
Due after twelve months	1,423	6	1,429
<b>Total</b>	<b>18,302</b>	<b>11,393</b>	<b>29,695</b>
<b>Foreign offices</b>	<b>8,209</b>	<b>3,934</b>	<b>12,143</b>
<b>Total</b>	<b>26,511</b>	<b>15,327</b>	<b>41,838</b>

**Table of Contents****VI. Short-term borrowings**

The following table shows certain additional information with respect to the MHFG Group's short-term borrowings for the fiscal years ended March 31, 2011, 2012 and 2013:

	2011	2012	2013
	(in billions of yen, except percentages)		
<b>Due to trust accounts:</b>			
Average balance outstanding during the fiscal year	781	610	618
Maximum balance outstanding at any month-end during the fiscal year	678	651	668
Balance at end of fiscal year	629	560	619
Weighted average interest rate during the fiscal year	0.23%	0.25%	0.23%
Weighted average interest rate on balance at end of fiscal year	0.20%	0.16%	0.23%
<b>Call money and funds purchased, and payables under repurchase agreements and securities lending transactions:</b>			
Average balance outstanding during the fiscal year	25,581	26,066	30,990
Maximum balance outstanding at any month-end during the fiscal year	26,757	28,846	35,508
Balance at end of fiscal year	22,201	25,683	35,074
Weighted average interest rate during the fiscal year	0.28%	0.21%	0.24%
Weighted average interest rate on balance at end of fiscal year	0.22%	0.18%	0.19%
<b>Commercial paper and other short-term borrowings:</b>			
Average balance outstanding during the fiscal year	8,220	12,163	11,585
Maximum balance outstanding at any month-end during the fiscal year	15,151	13,950	15,093
Balance at end of fiscal year	15,151	13,950	6,724
Weighted average interest rate during the fiscal year	0.15%	0.16%	0.13%
Weighted average interest rate on balance at end of fiscal year	0.16%	0.14%	0.12%

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC.**

**Index to Consolidated Financial Statements**

	<b>Page</b>
Consolidated Financial Statements of Mizuho Financial Group, Inc. and Subsidiaries	
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets as of March 31, 2012 and 2013</u>	F-4
<u>Consolidated Statements of Income for the fiscal years ended March 31, 2011, 2012 and 2013</u>	F-6
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended March 31, 2011, 2012 and 2013</u>	F-7
<u>Consolidated Statements of Equity for the fiscal years ended March 31, 2011, 2012 and 2013</u>	F-8
<u>Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2011, 2012 and 2013</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-12



**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

of Mizuho Financial Group, Inc.

We have audited the accompanying consolidated balance sheets of Mizuho Financial Group, Inc. and subsidiaries (the Company) as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mizuho Financial Group, Inc. and subsidiaries at March 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 23, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

July 23, 2013

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Mizuho Financial Group, Inc.

We have audited Mizuho Financial Group, Inc. and subsidiaries (the Company) internal control over financial reporting as of March 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Mizuho Financial Group, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mizuho Financial Group, Inc. and subsidiaries as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2013 and our report dated July 23, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

July 23, 2013

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****MARCH 31, 2012 AND 2013**

	<b>2012</b>	<b>2013</b>
	<b>(in millions of yen)</b>	
<b>Assets:</b>		
Cash and due from banks (Note 8)	1,216,627	1,268,442
Interest-bearing deposits in other banks (Note 8)	6,146,850	11,215,597
Call loans and funds sold	249,032	530,542
Receivables under resale agreements	7,122,371	9,024,808
Receivables under securities borrowing transactions	6,406,410	5,543,914
Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥8,582,222 million in 2012 and ¥12,090,161 million in 2013) (Notes 8 and 27)	30,945,553	34,066,555
Investments (Notes 3, 8 and 27):		
Available-for-sale securities (including assets pledged that secured parties are permitted to sell or repledge of ¥4,272,258 million in 2012 and ¥6,549,038 million in 2013)	41,258,976	39,413,951
Held-to-maturity securities	1,801,615	3,000,403
Other investments	982,889	838,135
Loans (Notes 4, 5, 8 and 27)	65,989,062	69,833,483
Allowance for loan losses	(682,692)	(772,957)
Loans, net of allowance	65,306,370	69,060,526
Premises and equipment net (Note 6)	1,104,869	1,091,989
Due from customers on acceptances	77,326	101,590
Accrued income	246,164	276,193
Goodwill (Note 7)	5,635	6,147
Intangible assets (Note 7)	70,300	64,474
Deferred tax assets (Note 18)	836,731	641,777
Other assets (Notes 4, 8, 12, 19, 21 and 27)	2,583,915	2,601,951
Total assets	166,361,633	178,746,994

The following table presents certain assets of consolidated variable interest entities ( VIEs ), which are included in the consolidated balance sheets above. The assets in the table below include only those assets that can be used to settle obligations of consolidated VIEs on the following page, and are in excess of those obligations.

	<b>2012</b>	<b>2013</b>
	<b>(in millions of yen)</b>	
<b>Assets of consolidated VIEs:</b>		
Cash and due from banks	13,432	15,078
Interest-bearing deposits in other banks	24,238	3,216
Trading account assets	867,796	936,800
Investments	195,631	83,762
Loans, net of allowance	2,444,931	2,428,898
Other	191,098	343,522
Total assets	3,737,126	3,811,276

See the accompanying Notes to the Consolidated Financial Statements.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Continued)****MARCH 31, 2012 AND 2013**

	2012	2013
	(in millions of yen)	
<b>Liabilities and equity:</b>		
Deposits (Notes 8 and 9):		
Domestic:		
Noninterest-bearing deposits	11,357,317	12,138,640
Interest-bearing deposits	68,669,820	74,218,101
Foreign:		
Noninterest-bearing deposits	611,532	836,177
Interest-bearing deposits	10,595,711	13,028,638
Due to trust accounts (Note 10)	559,734	619,271
Call money and funds purchased	5,668,929	6,126,425
Payables under repurchase agreements	12,173,398	17,451,080
Payables under securities lending transactions	7,840,571	11,496,178
Commercial paper	212,732	252,277
Other short-term borrowings	13,737,238	6,471,823
Trading account liabilities (Note 27)	16,977,390	16,768,830
Bank acceptances outstanding	77,326	101,590
Income taxes payable (Note 18)	33,587	37,555
Deferred tax liabilities (Note 18)	15,853	14,301
Accrued expenses	176,891	158,664
Long-term debt (including liabilities accounted for at fair value of ¥460,825 million in 2012, and ¥552,354, million in 2013) (Notes 11 and 27)	8,461,818	8,802,223
Other liabilities (Notes 12, 19, 21, 22 and 27)	4,544,762	4,368,126
<b>Total liabilities</b>	<b>161,714,609</b>	<b>172,889,899</b>
<b>Commitments and contingencies (Note 22)</b>		
<b>Equity:</b>		
<b>MHFG shareholders' equity:</b>		
Preferred stock (Note 13)	410,368	377,354
Common stock (Note 14) no par value, authorized 48,000,000,000 shares in 2012 and 2013, and issued 24,048,165,727 shares in 2012, and 24,164,864,477 shares in 2013	5,427,992	5,460,821
Accumulated deficit	(1,606,108)	(883,390)
Accumulated other comprehensive income, net of tax	245,588	777,997
Less: Treasury stock, at cost Common stock 37,046,418 shares in 2012, and 22,128,230 shares in 2013	(7,074)	(4,662)
<b>Total MHFG shareholders' equity</b>	<b>4,470,766</b>	<b>5,728,120</b>
Noncontrolling interests (Note 23)	176,258	128,975
<b>Total equity</b>	<b>4,647,024</b>	<b>5,857,095</b>
<b>Total liabilities and equity</b>	<b>166,361,633</b>	<b>178,746,994</b>

The following table presents certain liabilities of consolidated VIEs, which are included in the consolidated balance sheets above. The creditors or investors of the consolidated VIEs have no recourse to the MHFG Group, except where the Group provides credit enhancement through guarantees or other means.

2012                      2013

	(in millions of yen)	
<b>Liabilities of consolidated VIEs:</b>		
Commercial paper	212,732	252,276
Other short-term borrowings	1,213	1,035
Trading account liabilities	3,563	10,585
Long-term debt	180,441	144,055
Other	879,638	978,685
<b>Total liabilities</b>	<b>1,277,587</b>	<b>1,386,636</b>

See the accompanying Notes to the Consolidated Financial Statements.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****FOR THE FISCAL YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

	2011	2012	2013
	(in millions of yen)		
<b>Interest and dividend income:</b>			
Loans, including fees	945,784	936,574	947,983
<b>Investments:</b>			
Interest	174,538	170,651	162,451
Dividends	73,573	71,579	63,329
Trading account assets	203,817	193,288	169,216
Call loans and funds sold	4,960	6,601	4,947
Receivables under resale agreements and securities borrowing transactions	48,903	39,684	57,220
Deposits	8,609	18,709	18,229
<b>Total interest and dividend income</b>	<b>1,460,184</b>	<b>1,437,086</b>	<b>1,423,375</b>
<b>Interest expense:</b>			
Deposits	134,495	131,140	124,053
Debentures	6,533	385	
Trading account liabilities	31,370	28,436	23,688
Call money and funds purchased	8,522	8,604	7,686
Payables under repurchase agreements and securities lending transactions	62,622	47,114	66,995
Other short-term borrowings	14,499	20,481	16,490
Long-term debt	190,816	179,799	173,939
<b>Total interest expense</b>	<b>448,857</b>	<b>415,959</b>	<b>412,851</b>
<b>Net interest income</b>	<b>1,011,327</b>	<b>1,021,127</b>	<b>1,010,524</b>
Provision (credit) for loan losses (Notes 4 and 5)	647	(23,044)	139,947
<b>Net interest income after provision (credit) for loan losses</b>	<b>1,010,680</b>	<b>1,044,171</b>	<b>870,577</b>
<b>Noninterest income:</b>			
Fees and commissions (Note 25)	582,100	575,413	612,808
Foreign exchange gains (losses) net (Note 26)	55,998	98,054	20,514
Trading account gains (losses) net (Note 26)	206,016	333,315	534,100
Investment gains (losses) net (Note 3)	70,468	(32,991)	121,159
Gains on disposal of premises and equipment	13,537	19,924	12,411
Other noninterest income (Note 21)	108,413	96,420	138,427
<b>Total noninterest income</b>	<b>1,036,532</b>	<b>1,090,135</b>	<b>1,439,419</b>
<b>Noninterest expenses:</b>			
Salaries and employee benefits (Note 19)	552,348	587,332	572,301
General and administrative expenses	500,369	477,512	439,708
Impairment of goodwill (Note 7)	9,379	5,637	
Occupancy expenses	169,916	174,788	171,697
Fees and commission expenses	96,113	107,898	109,018
Provision (credit) for losses on off-balance-sheet instruments (Note 22)	4,443	(1,203)	4,584
Other noninterest expenses (Notes 4 and 21)	103,287	119,507	127,508
<b>Total noninterest expenses</b>	<b>1,435,855</b>	<b>1,471,471</b>	<b>1,424,816</b>

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Income before income tax expense	611,357	662,835	885,180
Income tax expense (Note 18)	193,227	13,878	4,024
Net income	418,130	648,957	881,156
Less: Net income (loss) attributable to noncontrolling interests	5,461	(7,432)	5,744
Net income attributable to MHFG shareholders	412,669	656,389	875,412
<b>Earnings per common share (Note 17):</b>		<b>(in yen)</b>	
Basic net income per common share	20.44	28.07	36.05
Diluted net income per common share	19.22	26.78	34.47

See the accompanying Notes to the Consolidated Financial Statements.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE FISCAL YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

	2011	2012	2013
	(in millions of yen)		
Net income	418,130	648,957	881,156
Other comprehensive income (loss), net of tax:			
Unrealized net gains (losses) on available-for-sale securities, net of tax (Notes 3 and 18):			
Unrealized holding gains (losses)	(189,526)	78,037	430,391
Less: reclassification adjustments for losses (gains) included in net income	(48,036)	27,248	(61,495)
Total	(237,562)	105,285	368,896
Foreign currency translation adjustments, net of tax:			
Foreign currency translation adjustments	(20,257)	(9,740)	87,650
Less: reclassification adjustments for losses (gains) included in net income	2,860	1,926	1
Total	(17,397)	(7,814)	87,651
Pension liability adjustments, net of tax (Notes 18 and 19):			
Unrealized gains (losses)	(87,891)	23,395	67,961
Less: reclassification adjustments for losses (gains) included in net income	9,079	16,292	10,715
Total	(78,812)	39,687	78,676
Total other comprehensive income (loss), net of tax	(333,771)	137,158	535,223
Total comprehensive income	84,359	786,115	1,416,379
Less: Total comprehensive income (loss) attributable to noncontrolling interests	(3,723)	(10,570)	8,558
Total comprehensive income attributable to MHFG shareholders	88,082	796,685	1,407,821

See the accompanying Notes to the Consolidated Financial Statements.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY****FOR THE FISCAL YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

	2011	2012 (in millions of yen)	2013
<b>Preferred stock (Note 13):</b>			
Balance at beginning of fiscal year	535,971	453,576	410,368
Change during year	(82,395)	(43,208)	(33,014)
Balance at end of fiscal year	453,576	410,368	377,354
<b>Common stock (Note 14):</b>			
Balance at beginning of fiscal year, previously reported	4,324,705	5,164,160	5,427,992
Cumulative effect of change in accounting principles (Notes 2 and 24)	334		
Balance at beginning of fiscal year, adjusted	4,325,039	5,164,160	5,427,992
Issuance of new shares of common stock	757,790		
Issuance of new shares of common stock for stock exchanges (Note 14)		244,100	
Issuance of new shares of common stock by conversion of preferred stock	82,395	43,208	33,014
Gains (losses) on disposal of treasury stock	(1,315)	(48)	(631)
Stock-based compensation (Note 20)	452	106	529
Change in ownership interest in consolidated subsidiaries	(201)	(23,534)	(83)
Balance at end of fiscal year	5,164,160	5,427,992	5,460,821
<b>Accumulated deficit:</b>			
Balance at beginning of fiscal year, previously reported	(2,325,109)	(2,046,024)	(1,606,108)
Cumulative effect of change in accounting principles, net of tax (Notes 2 and 24)	1,382		
Balance at beginning of fiscal year, adjusted	(2,323,727)	(2,046,024)	(1,606,108)
Net income	412,669	656,389	875,412
Dividends declared	(134,966)	(216,473)	(152,694)
Balance at end of fiscal year	(2,046,024)	(1,606,108)	(883,390)
<b>Accumulated other comprehensive income, net of tax:</b>			
Unrealized net gains on available-for-sale securities (Note 3):			
Balance at beginning of fiscal year, previously reported	755,010	514,128	628,636
Cumulative effect of change in accounting principles (Notes 2 and 24)	(6,273)		
Balance at beginning of fiscal year, adjusted	748,737	514,128	628,636
Change during year	(234,609)	114,508	366,488
Balance at end of fiscal year	514,128	628,636	995,124
Foreign currency translation adjustments:			
Balance at beginning of fiscal year	(150,204)	(165,028)	(169,881)
Change during year	(14,824)	(4,853)	87,461
Balance at end of fiscal year	(165,028)	(169,881)	(82,420)
Pension liability adjustments (Note 19):			

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Balance at beginning of fiscal year	(168,974)	(244,128)	(213,167)
Change during year	(75,154)	30,961	78,460
Balance at end of fiscal year	(244,128)	(213,167)	(134,707)
Balance at end of fiscal year	104,972	245,588	777,997

See the accompanying Notes to the Consolidated Financial Statements.

F-8

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY (Continued)****FOR THE FISCAL YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

	2011	2012	2013
	(in millions of yen)		
<b>Treasury stock, at cost:</b>			
Balance at beginning of fiscal year	(5,184)	(3,197)	(7,074)
Purchases of treasury stock	(3)	(2,560)	(395)
Disposal of treasury stock	1,990	12,001	2,807
Effect of stock exchanges (Note 14)		(13,318)	
Balance at end of fiscal year	(3,197)	(7,074)	(4,662)
Total MHFG shareholders' equity	3,673,487	4,470,766	5,728,120
<b>Noncontrolling interests:</b>			
Balance at beginning of fiscal year, previously reported	365,803	361,869	176,258
Cumulative effect of change in accounting principles (Notes 2 and 24)	(366)		
Balance at beginning of fiscal year, adjusted	365,437	361,869	176,258
Effect of stock exchanges (Note 14)		(216,558)	
Effect of other increase/decrease in consolidated subsidiaries	6,519	65,183	(36,457)
Dividends paid to noncontrolling interests	(6,364)	(23,666)	(19,384)
Net income (loss) attributable to noncontrolling interests	5,461	(7,432)	5,744
Unrealized net gains on available-for-sale securities attributable to noncontrolling interests	(2,953)	(2,044)	2,408
Foreign currency translation adjustments attributable to noncontrolling interests	(2,573)	(1,353)	190
Pension liability adjustments attributable to noncontrolling interests	(3,658)	259	216
Balance at end of fiscal year	361,869	176,258	128,975
Total equity	4,035,356	4,647,024	5,857,095

See the accompanying Notes to the Consolidated Financial Statements.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE FISCAL YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

	2011	2012 (in millions of yen)	2013
<b>Cash flows from operating activities:</b>			
Net income	418,130	648,957	881,156
Less: Net income (loss) attributable to noncontrolling interests	5,461	(7,432)	5,744
Net income attributable to MHFG shareholders	412,669	656,389	875,412
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	167,420	165,721	157,165
Provision (credit) for loan losses	647	(23,044)	139,947
Investment losses (gains) net	(70,468)	32,991	(121,159)
Foreign exchange losses (gains) net	(66,988)	(5,747)	160,588
Deferred income tax expense (benefit)	174,864	(40,939)	(43,831)
Net change in trading account assets	2,783,405	(2,953,353)	(2,336,912)
Net change in trading account liabilities	(2,417,969)	329,761	(536,213)
Net change in loans held for sale	30,598	3,860	4,571
Net change in accrued income	23,655	(9,321)	(22,386)
Net change in accrued expenses	(24,702)	15,286	(20,215)
Other net	(61,319)	38,965	445,045
Net cash provided by (used in) operating activities	951,812	(1,789,431)	(1,297,988)
<b>Cash flows from investing activities:</b>			
Proceeds from sales of investments	56,896,414	69,659,407	75,617,212
Proceeds from maturities of investments	15,422,900	15,079,088	14,578,614
Purchases of investments	(73,120,343)	(87,496,663)	(89,109,906)
Proceeds from sales of loans	246,633	224,957	144,244
Net change in loans	(1,742,702)	(1,703,880)	(2,501,863)
Net change in interest-bearing deposits in other banks	(6,438,858)	2,074,843	(4,638,673)
Net change in call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	(1,522,389)	480,641	(268,103)
Proceeds from sales of premises and equipment	2,108	13,231	18,002
Purchases of premises and equipment	(214,447)	(174,517)	(161,359)
Net cash used in investing activities	(10,470,684)	(1,842,893)	(6,321,832)
<b>Cash flows from financing activities:</b>			
Net change in deposits	3,190,397	2,109,866	7,417,964
Net change in debentures	(776,865)	(740,933)	
Net change in call money and funds purchased, and payables under repurchase agreements and securities lending transactions	(1,552,577)	3,594,469	7,468,344
Net change in due to trust accounts	18,882	(69,662)	59,537
Net change in commercial paper and other short-term borrowings	6,131,912	(1,261,955)	(7,251,033)
Proceeds from issuance of long-term debt	1,167,647	1,052,849	1,602,983
Repayment of long-term debt	(778,791)	(1,479,148)	(1,488,151)
Proceeds from noncontrolling interests	2,320	627	1,057
Payment to noncontrolling interests	(577)	(107)	(11)
Proceeds from issuance of common stock	757,790	5	
Proceeds from sales of treasury stock	4	1,961	1,074
Purchases of treasury stock	(3)	(2,560)	(7)
Dividends paid	(133,925)	(215,902)	(152,514)
Dividends paid to noncontrolling interests	(6,364)	(23,666)	(19,384)

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Net cash provided by financing activities	8,019,850	2,965,844	7,639,859
Effect of exchange rate changes on cash and due from banks	(15,906)	(1,424)	31,776
Net increase (decrease) in cash and due from banks	(1,514,928)	(667,904)	51,815
Cash and due from banks at beginning of fiscal year	3,399,459	1,884,531	1,216,627
Cash and due from banks at end of fiscal year	1,884,531	1,216,627	1,268,442

See the accompanying Notes to the Consolidated Financial Statements.

F-10

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2011, 2012 AND 2013**

	2011	2012	2013
	(in millions of yen)		
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid	462,907	427,104	447,766
Income taxes paid (refunded), net	25,283	40,211	92,547
Noncash investing activities:			
Transfer from loans into other investments		1,351	
Investment in capital leases	11,153	2,985	8,547
Noncash acquisition of noncontrolling interests in stock exchanges (Note 14)		216,558	

Note: Certain cash flows for the fiscal year ended March 31, 2011 and 2012 have been aggregated to conform to the current year's presentation.

See the accompanying Notes to the Consolidated Financial Statements.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Basis of presentation and summary of significant accounting policies***Basis of presentation*

Mizuho Financial Group, Inc. ( MHFG ) is a joint stock corporation with limited liability under the laws of Japan. MHFG, through its subsidiaries ( the MHFG Group , or the Group ), provides domestic and international financial services in Japan and other countries. MHFG's subsidiaries are segmented on the basis of the nature of the financial products and services. As of March 31, 2013, our major subsidiaries were Mizuho Bank, Ltd. ( MHBK ), Mizuho Corporate Bank, Ltd. ( MHCB ), Mizuho Trust & Banking Co., Ltd. ( MHTB ) and Mizuho Securities Co., Ltd. ( MHSC ). MHBK was a retail-oriented banking subsidiary and offered financial services mainly to individual customers, small and medium enterprises ( SMEs ), middle-market corporations and local governmental entities in Japan. MHCB was a wholesale banking subsidiary and offered various financial services to large Japanese corporations, financial institutions, public sector entities and foreign corporations. MHBK and MHCB conducted a merger on July 1, 2013. MHTB is a trust bank subsidiary and offers mainly trust-related products and consulting services. MHSC is a securities and investment banking subsidiary and offers full-line securities services to corporations, financial institutions, public sector entities and individuals. MHSC and Mizuho Investors Securities Co., Ltd. ( MHIS ) conducted a merger on January 4, 2013. The merger was accounted for as a transaction between entities under common control. Other major subsidiaries include Trust & Custody Services Bank, Ltd. ( TCSB ), Mizuho Capital Co., Ltd., and Mizuho Business Financial Center Co., Ltd. See Note 29 Business segment information for further discussion of the Group's segment information.

The accompanying consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ( U.S. GAAP ). The consolidated financial statements are stated in Japanese yen, the currency of the country in which MHFG is incorporated and principally operates.

The accompanying consolidated financial statements include the accounts of MHFG and its subsidiaries. When determining whether to consolidate investee entities, we performed a careful analysis of the facts and circumstances of a particular relationship among entities as well as ownership of voting shares. The consolidated financial statements also include the accounts of the VIEs for which MHFG or its subsidiaries have been determined to be the primary beneficiary under the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 810, Consolidation ( ASC 810 ). All significant intercompany transactions and balances have been eliminated in consolidation. The MHFG Group accounts for investments in entities over which it has significant influence using the equity method of accounting. These investments are included in Other investments and the Group's proportionate share of income or loss is included in Investment gains (losses) net.

*Use of estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Specific areas, among others, requiring the application of management's estimates and judgment include assumptions pertaining to the allowance for loan losses, allowance for losses on off-balance-sheet instruments, deferred tax assets, derivative financial instruments, investments and pension and other employee benefits. Actual results could differ from estimates and assumptions made.

*Definition of cash and due from banks*

For purposes of the consolidated statements of cash flows, Cash and due from banks include cash on hand, cash items in the process of collection and noninterest-bearing deposits with banks.



---

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Translation of foreign currency financial statements and foreign currency transactions*

Financial statements of overseas entities are prepared using the functional currency of each entity and translated into Japanese yen for consolidation purposes. Assets and liabilities are translated using the fiscal-year-end exchange rate of each functional currency, and income and expense using the average rate of each functional currency for the period.

Foreign currency translation gains and losses related to the financial statements of overseas entities of the MHFG Group, net of related income tax effects, are credited or charged directly to Foreign currency translation adjustments, a component of Accumulated other comprehensive income (loss), net of tax. Tax effects of gains and losses on foreign currency translation of financial statements of overseas entities are not recognized unless it is apparent that the temporary differences will reverse in the foreseeable future.

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the fiscal-year-end foreign exchange rates, and gains and losses resulting from such translation are included in Foreign exchange gains (losses) net, as appropriate. Foreign currency denominated income and expenses are translated using average exchange rates for the period.

*Call loans and call money*

Call loans and call money represent lending/borrowing through the Japanese short-term money market to/from other financial institutions such as banks, insurance companies, and securities brokerage houses.

*Repurchase and resale agreements, securities lending and borrowing and other secured financing transactions*

Securities sold under agreements to repurchase ( repurchase agreements ), securities purchased under agreements to resell ( resale agreements ) and securities lending and borrowing transactions are accounted for as secured financing or lending transactions when control over the underlying securities is not deemed to be surrendered by the transferor. Otherwise, they are recorded as sales of securities with related forward repurchase commitments or purchases of securities with related forward resale commitments in accordance with ASC 860, Transfers and Servicing ( ASC 860 ).

Repurchase transactions where the maturity of the security transferred as collateral matches the maturity of the repurchase agreements ( repo-to-maturity transactions ) are accounted for as sales rather than collateralized financings where the criteria for derecognition of the securities transferred under ASC 860 are met. The amounts of securities derecognized from the consolidated balance sheets under repo-to-maturity transactions as of March 31, 2012 and 2013 were ¥33,070 million and ¥0 million, respectively. Except for those repo-to-maturity transactions, there were no such transactions accounted for as sales.

Under resale agreements, securities borrowing and certain derivatives transactions, the MHFG Group receives collateral in the form of securities. In many cases, the MHFG Group is permitted to sell or repledge the securities obtained as collateral. Disclosures of such collateral are presented in Note 8 Pledged assets and collateral . With respect to securities lending, repurchase agreements, and certain derivative transactions, counterparties may have the right to sell or repledge securities that the MHFG Group has pledged as collateral. The MHFG Group separately discloses those pledged securities in the consolidated balance sheets.

The MHFG Group monitors credit exposure arising from resale agreements, repurchase agreements, securities borrowing and securities lending transactions on a daily basis, and additional collateral is obtained from or returned to counterparties as appropriate.

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Trading securities and trading securities sold, not yet purchased*

Trading securities consist of securities and money market instruments that are bought and held principally for the purpose of reselling in the near term with the objective of generating profits on short-term fluctuations in price. Trading securities sold, not yet purchased, are securities and money market instruments sold to third parties that the MHFG Group does not own and is obligated to purchase at a later date to cover the short position. Trading securities and trading securities sold, not yet purchased, are classified at the date of commitment or purchase. Trading securities and trading securities sold, not yet purchased, are recorded at fair value in the consolidated balance sheets in Trading account assets and Trading account liabilities with realized and unrealized gains and losses recorded on a trade date basis in Trading account gains (losses) net in earnings. Interest and dividends on trading account debt and equity securities, including securities sold, not yet purchased, are recorded in Interest and dividend income or Interest expense on an accrual basis.

*Investments*

Debt securities that the MHFG Group has both the positive intent and ability to hold to maturity are classified as Held-to-maturity securities and carried at amortized cost. Debt securities that the MHFG Group may not hold to maturity as well as any marketable equity securities, other than those classified as trading account securities, are classified as Available-for-sale securities, and are carried at fair value, with unrealized gains and losses reported in Accumulated other comprehensive income (loss), net of tax.

The credit component of an other-than-temporary impairment of a debt security is reported in Investment gains (losses) net and the noncredit component is reported in Other comprehensive income (loss). See Note 3 Investments for further discussion of impairment. Interest and dividends, as well as amortization of premiums and accretion of discounts, are reported in Interest and dividend income. Amortization of premiums and accretion of discounts on debt securities are recognized over the remaining maturity under the interest method. Gains and losses on disposition of investments are computed using the first-in first-out method for debt securities and the average method for equity securities, and are recorded on the trade date.

Other investments include marketable and non-marketable equity securities accounted for using the equity method, marketable and non-marketable investments held by consolidated investment companies which are held at fair value under specialized industry accounting principles for investment companies, and other non-marketable equity securities carried at cost, less other-than-temporary impairment, if any.

*Derivative financial instruments*

Derivative financial instruments are bought and held principally for the purpose of market making for customers, proprietary trading in order to generate trading revenues and fee income, and also to manage the MHFG Group's exposure to interest rate, credit and market risks related to asset and liability management. Such derivative financial instruments include interest rate, foreign currency, equity, commodity and credit default swap agreements, options, caps and floors, and financial futures and forward contracts.

Derivatives bought and held for trading purposes are recorded in the consolidated balance sheets at fair value in Trading account assets and Trading account liabilities. The fair value of derivatives in a gain position and a loss position are reported as Trading account assets and Trading account liabilities, respectively.

Derivatives used for asset and liability management include contracts that qualify for hedge accounting under ASC 815, Derivatives and Hedging (ASC 815). To be eligible for hedge accounting, derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the particular risk being hedged. All qualifying hedging derivatives are valued at fair value.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and included in Trading account assets or Trading account liabilities. Derivatives that do not qualify for hedge accounting under ASC 815 are treated as trading positions and are accounted for as such. The fair value amounts recognized for such derivatives are not offset against the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting agreement with the same counterparty.

The fair value of derivative financial instruments is based on quoted market prices or broker-dealer quotes. If quoted market prices or broker-dealer quotes are not available, the fair value is estimated using quoted market prices for similar instruments, option or binomial pricing models or present value cash flow analysis, applying current observable market information, where available. The determination of fair value includes various factors such as exchange or over-the-counter market quotes, time value and volatility factors for options and warrants, observed prices for similar or synthetic instruments, and counterparty credit quality including potential exposure.

Changes in fair value of all derivatives are recorded in earnings, except for derivatives qualifying as net investment hedges under ASC 815 which are recorded in Accumulated other comprehensive income (loss), net of tax. The fair value changes of all derivatives relating to foreign currency exchange rates are included in Foreign exchange gains (losses) net and Trading account gains (losses) net. Other elements of the fair value changes, including interest rate, equity and credit related components except that of certain credit derivatives hedging the credit risk in corporate loan portfolio, are recognized in Trading account gains (losses) net. The net gain (loss) resulting from changes in the fair values of certain credit derivatives where the Group purchases protection to mitigate its credit risk exposure related to its corporate loan portfolio is recorded in Other noninterest income (expenses).

Certain financial and hybrid instruments often contain embedded derivative instruments that possess implicit or explicit contract terms in a manner similar to that of a derivative instrument. Such derivative instruments are required to be fair-valued separately from the host contracts if they meet the criteria of an embedded derivative. Such criteria include whether the entire instrument is not marked to market through earnings, the economic characteristics and risks of the embedded terms are not clearly and closely related to those of the host contract and the embedded terms would meet the definition of a derivative on a stand-alone basis.

*Loans*

Loans are generally carried at the principal amount adjusted for unearned income and deferred net nonrefundable loan fees and costs. Loan origination fees, net of certain direct origination costs are deferred and recognized over the contractual life of the loan as an adjustment of yield using a method that approximates the interest method. Interest income on performing loans is accrued and credited to income as it is earned. Unearned income and discounts or premiums on purchased loans are deferred and recognized over the life of the loan using a method that approximates the interest method.

Loans are considered impaired when, based on current information and events, it is probable that the MHFG Group will be unable to collect all the scheduled payments of principal and interest when due according to the contractual terms of the loan. Factors considered by management in determining if a loan is impaired include delinquency status and the ability of the debtor to make payment of the principal and interest when due. Impaired loans include loans past due for 90 days or more and restructured loans that meet the definition of troubled debt restructuring ( TDR ) in accordance with ASC 310 Receivables ( ASC 310 ).

All of the MHFG Group s impaired loans are designated as nonaccrual loans and thus interest accrual and amortization of net origination fees are suspended and capitalized interest is written off. Cash received on nonaccrual loans is accounted for as reduction of the loan principal if the ultimate collectibility of the principal amount is uncertain, otherwise, as interest income. Loans are not restored to accrual status until interest and

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

principal payments are current and future payments are reasonably assured. Impaired loans return to non-impaired loans, as well as accrual status, when the MHFG Group determines that the borrower poses no problems regarding current certainty of debt fulfillment. In general, such determination is made if the borrower qualifies for an obligor rating of E2 or above and is not classified as a special attention obligor. With respect to loans restructured in TDR, in general, such loans return to non-impaired loans, as well as accrual status, when the borrower qualifies for an obligor rating of D or above. See Note 4 Loans for the definitions of obligor ratings.

Loans that have been identified to be sold are classified as loans held for sale within Other assets and are accounted for at the lower of cost or fair value. If management decides to retain certain loans held for sale for the foreseeable future or until maturity or payoff, such items are transferred to Loans at the lower of cost or fair value.

*Securitization*

The MHFG Group engages in securitization activities related to mortgage loans and other loans in the normal course of business. The MHFG Group records a loan securitization as a sale when the transferred loans are legally isolated from the Group's creditors and the accounting criteria for a sale are met in accordance with ASC 860. Otherwise, the transfer is accounted for as a collateralized borrowing.

*Allowance and provision (credit) for loan losses*

The MHFG Group maintains an appropriate amount of allowance for loan losses to absorb probable losses inherent in the loan portfolio and makes adjustments to such allowance through Provision (credit) for loan losses in the consolidated statements of income. Loan principal that management judges to be uncollectible, based on detailed loan reviews and a credit quality assessment, is charged off against the allowance for loan losses. In general, the MHFG Group charges off loans when the Group determines the debtor as substantially bankrupt or bankrupt. See Note 4 Loans for the definitions of obligor categories. Obligors classified in the retail portfolio segment are generally determined to be substantially bankrupt when they are past due for more than six months, and as for other obligors, the Group separately monitors the credit quality of each obligor without using time-based triggers. Subsequent recoveries of previously charged-off loan balances are recorded as an increase to the allowance for loan losses as the recoveries are received.

The credit quality review process and the credit rating process serve as the basis for determining the allowance for loan losses. Through such processes loans are categorized into groups to reflect the probability of default, whereby the MHFG Group's management assesses the ability of borrowers to service their debt, taking into consideration current financial information, ability to generate cash, historical payment experience, analysis of relevant industry segments and current trends. In determining the appropriate level of the allowance, the MHFG Group evaluates the probable loss by category of loan based on its risk type and characteristics.

The allowance for loan losses is determined in accordance with ASC 310 and ASC 450, Contingencies (ASC 450). The MHFG Group measures the impairment of a loan when it is probable that the Group will be unable to collect all amounts due according to the contractual terms of the loan agreement, based either on (1) the present value of expected future cash flows, after considering restructuring effect and subsequent payment default with respect to TDRs, discounted at the loan's initial effective interest rate, (2) the loan's observable market price, or (3) the fair value of the collateral if the loan is collateral dependent. The collateral that the Group obtains for loans consists primarily of real estate or listed securities. In obtaining the collateral, the Group evaluates the value of the collateral and its legal enforceability. The Group also conducts subsequent re-evaluations at least once a year. As to real estate, valuation is generally conducted by an appraising subsidiary which is independent from the Group's loan origination sections using generally accepted valuation techniques

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

such as (1) the replacement cost approach, (2) the sales comparison approach or (3) the income approach. In the case of large real estate collateral, the Group generally retains third-party appraisers to conduct the valuation. As to listed securities, observable market prices are used for valuation.

The formula allowance is applied to groups of small balance, homogeneous loans that are collectively evaluated for impairment and for non-homogeneous loans that have not been identified as impaired. The evaluation of inherent loss for these loans involves a high degree of uncertainty, subjectivity and judgment because probable loan losses are not easily identifiable or measurable. In determining the formula allowance, the MHFG Group therefore relies on a statistical analysis that incorporates loss rates based on its own historical loss experience and third party data such as the number of corporate default cases which is updated once a year. In determining the allowance amount, the Group analyzes (1) the probability of default: (a) through the most recently available data for the past six years, in the case of normal obligors; and (b) through the most recently available data since April 2002, which is when MHBK and MHCB were newly formed, in the case of watch obligors; and (2) the loss given default through the most recently available data for the past six years. As to TDR loans in the retail portfolio segment, which are subject to collective evaluation for impairment, the restructuring itself, as well as subsequent payment default, if any, are considered in determining obligor ratings.

The historical loss rate is adjusted, where appropriate, to reflect current factors, such as general economic and business conditions affecting the key lending areas of the MHFG Group, credit quality trends, specific industry conditions within portfolio segments, and recent loss experience in particular segments of the portfolio. The estimation of the formula allowance is back-tested on a periodic basis by comparing the allowance with the actual results subsequent to the balance sheet date.

*Allowance and provision (credit) for losses on off-balance-sheet instruments*

The MHFG Group maintains an allowance for losses on off-balance-sheet credit instruments, such as guarantees, standby letters of credit, commitments to invest in securities and commitments to extend credit, in the same manner as the allowance for loan losses. The allowance is recorded in Other liabilities. Net changes in the allowance for losses on off-balance-sheet instruments are accounted for in the Provision (credit) for losses on off-balance-sheet instruments in the consolidated statements of income.

*Premises and equipment*

Premises and equipment are stated at historical cost, and depreciation and amortization are recorded over the estimated useful lives of the assets, except for leasehold improvements, which are amortized over the shorter of the estimated useful lives of the assets or the lease term. Depreciation and amortization are principally computed under the straight-line method with respect to buildings and leasehold improvements and under the declining-balance method with respect to other premises and equipment.

The useful lives of premises and equipment are as follows:

	<b>Years</b>
Buildings	2 to 50
Equipment and furniture	2 to 20
Leasehold improvements	2 to 50

Regular repairs and maintenance costs that do not extend the estimated useful life are charged to expense as incurred. Upon sale or disposition of premises and equipment, the cost and related accumulated depreciation or amortization are removed from the accounts, and any gains or losses on disposal are included in Gains on disposal of premises and equipment or Occupancy expenses.

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Impairment of long-lived assets*

The MHFG Group's long-lived assets that are held for use are reviewed periodically for events or changes in circumstances that indicate possible impairment. The Group's impairment review is based on an undiscounted cash flow analysis of a group of assets, combined with associated liabilities, at the lowest level for which identifiable cash flows exist. Impairment occurs when the carrying value of the asset group exceeds the future undiscounted cash flows that the asset group is expected to generate. When there is impairment, the future cash flows are then discounted to determine the estimated fair value of the asset group and an impairment charge is recorded for the difference between the carrying value and the estimated fair value of the asset group. The long-lived assets to be disposed of by sale are carried at the lower of the carrying amount or fair value, less estimated cost to sell.

*Software*

Internal and external costs incurred in connection with developing and obtaining software for internal use that occur during the application development stage are capitalized. Such costs include salaries and benefits for employees directly involved with and who devote time to the project, to the extent such time is incurred directly on the internal use software project. The capitalization of software ceases when the software project has been substantially completed. The capitalized software is amortized on a straight-line basis over the estimated useful life, generally 5 to 10 years. Internal use software is reviewed for impairment when triggering events occur.

*Goodwill*

Goodwill represents the excess of the total fair value of the acquired company which consists of the consideration transferred, the fair value of any interest in the acquiree already held by the acquirer and the fair value of any noncontrolling interest in the acquiree over the fair value of net identifiable assets acquired at the date of acquisition in a business combination. The MHFG Group accounts for goodwill in accordance with ASC 350, Intangibles Goodwill and Other (ASC 350). Goodwill is recorded at a designated reporting unit level for the purpose of assessing impairment. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its estimated fair value.

*Intangible assets*

Intangible assets having definite useful lives are amortized over their estimated useful lives on either a straight-line basis or the method that reflects the pattern in which the economic benefits of the intangible assets are consumed. Intangible assets acquired by the merger of MHSC and Shinko Securities Co., Ltd. (Shinko) consist primarily of customer relationship intangibles, and are amortized over a weighted-average amortization period of 16 years. Intangible assets having indefinite useful lives are not amortized and are subject to impairment tests. An impairment loss is recorded to the extent the carrying amount of indefinite-lived intangible asset exceeds its estimated fair value. For intangible assets subject to amortization, an impairment loss is recorded if the carrying amount is not recoverable and exceeds its estimated fair value.

*Pension and other employee benefits*

MHFG and certain subsidiaries sponsor severance indemnities and pension plans, which provide defined benefits to retired employees. Periodic expense and accrued liabilities are computed based on the actuarial present value of benefits, net of investment returns expected from plan assets and their fair values at the balance sheet date. Net periodic expense is charged to Salaries and employee benefits.

---

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Stock-based compensation*

The compensation cost associated with stock compensation-type stock options is measured with fair value method using the Black-Scholes option pricing model.

*Long-term debt*

Premiums, discounts and issuance costs of long-term debt are amortized based on a method that approximates the interest method over the terms of the long-term debt.

*Obligations under guarantees*

The MHFG Group provides customers with a variety of guarantees and similar arrangements, including standby letters of credit, financial and performance guarantees, credit protections, and liquidity facilities. The MHFG Group recognizes guarantee fee income over the guarantee period. The MHFG Group receives such a guarantee fee at the inception of the guarantee or by installment, and in either case, the present value of the total fees approximates the fair value of the guarantee.

*Fair Value Measurements*

The MHFG Group carries certain of its financial assets and liabilities at fair value on a recurring basis. These financial assets and liabilities are primarily composed of trading account assets, trading account liabilities and available-for-sale securities. In addition, the Group measures certain financial assets and liabilities, at fair value on a non-recurring basis. Those assets and liabilities primarily include items that are measured at the lower of cost or fair value such as loans held for sale, and items that were initially measured at cost and have been written down to fair value for impairment such as loans and other investments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with ASC 820, Fair Value Measurement (ASC 820), the Group classifies its financial assets and liabilities into the fair value hierarchy (Level 1, 2, and 3). See Note 27 Fair value for the detailed definition of each level.

When determining fair value, the MHFG Group considers the principal or most advantageous market in which the Group would transact and consider assumptions that market participants would use when pricing the asset or liability. The Group maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. See Note 27 Fair value for descriptions of valuation methodologies used for its assets and liabilities by product.

*Fees and commissions*

Fee revenue is recognized when all of the following criteria have been met: persuasive evidence of an agreement exists, services have been rendered, the price is fixed or determinable, and collectibility is reasonably assured. Fees on securities-related business and fees on funds transfer and collection services are generally recognized as revenue when the related services are performed. Fees on credit-related business, excluding loan origination fees to be deferred and recognized over the loan period as an adjustment of yield, are generally recognized either at one time when the service is rendered or over the related transaction period. Fees and commissions are presented on a gross basis and exclusive of consumption taxes.

*Income taxes*

Income taxes are accounted for in accordance with ASC 740, Income Taxes (ASC 740). Deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities





**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

for financial reporting purposes and those corresponding amounts used for income tax purposes, and (2) operating loss and tax credit carryforwards. A valuation allowance for any portion of the deferred tax assets is recorded unless it is more likely than not that the deferred tax assets will be realized. Deferred income tax benefit or expense is recognized for the changes in the net deferred tax asset or liability between periods.

*Earnings per common share*

Basic earnings per common share are computed by dividing net income attributable to MHFG common shareholders by the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per common share reflect the possible exercise of all convertible securities, such as convertible preferred stock to the extent they are not anti-dilutive. See Note 17 *Earnings per common share* for the computation of basic and diluted earnings per common share.

**2. Recently issued accounting pronouncements***Recently adopted accounting pronouncements*

On July 1, 2009, the ASC was officially launched. The ASC, which reorganized the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics, is the single source of authoritative U.S. GAAP for nongovernmental entities.

In June 2009, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No.166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No.140 ( SFAS No.166 ), which is now included in ASC 860. The statement requires more information about transfers of financial assets, including securitization transactions, where enterprises have continuing exposure to the risks related to the transferred financial assets. The statement eliminates the concept of qualifying SPE and modifies the requirements for derecognizing financial assets. The statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009.

In June 2009, the FASB issued SFAS No.167, *Amendments to FASB Interpretation No.46(R)* ( SFAS No.167 ), which is now included in ASC 810. The statement provides new guidance on how an enterprise determines whether the enterprise's variable interests give it a controlling financial interest in VIEs. The determination is based on, among other things, VIE's purpose and design, an enterprise's ability to direct the activities of the VIE that most significantly impact the entity's economic performance, and if an enterprise has the obligation to absorb losses of or the right to receive benefits from the VIE that could be significant. The statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. In February 2010, the FASB issued Accounting Standards Update ( ASU ) No.2010-10, *Consolidation (Topic 810) Amendments for Certain Investment Funds* ( ASU No.2010-10 ). The ASU provides that the consolidation requirements of SFAS No.167 are deferred for an entity that has all the attributes of an investment company (or similar entity). On April 1, 2010, the MHFG Group adopted SFAS No.167, together with SFAS No.166, which primarily resulted in the consolidation of certain former qualifying SPEs, guaranteed principal money trust products and collateral loan obligations ( CLO ) where the MHFG Group acts as an asset manager. The adoption of the statements resulted in an increase to the beginning balance of additional paid-in capital included in Common stock of ¥334 million, and a decrease to the beginning balance of Accumulated deficit and Accumulated other comprehensive income of ¥1,382 million and ¥6,273 million, respectively.

In January 2010, the FASB issued ASU No.2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements* ( ASU No.2010-06 ). The ASU provides amendments to ASC 820 that require new disclosures regarding (1) transfers in and out of Levels 1 and 2 and (2) more

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

detailed activity in Level 3. The ASU also provides amendments to ASC 820 that clarify existing disclosures regarding (1) level of disaggregation and (2) inputs and valuation techniques. The ASU is effective for interim and annual reporting periods beginning after December 15, 2009, except for the new disclosures related to the activity in Level 3, which do not become effective until fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. ASU No.2010-06 is an accounting principle which expands disclosure requirements, and had no impact on the MHFG Group's consolidated results of operations or financial condition.

In March 2010, the FASB issued ASU No.2010-11, Derivatives and Hedging (Topic 815) Scope Exception Related to Embedded Credit Derivatives (ASU No.2010-11). The ASU clarifies the scope exception for embedded credit derivative features related to the transfer of credit risk, which are subject to potential bifurcation, and indicate circumstances which do not qualify for the scope exception. The ASU is effective at the beginning of the first fiscal quarter beginning after June 15, 2010. The adoption of ASU No.2010-11 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In July 2010, the FASB issued ASU No.2010-20, Receivables (Topic 310) Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU No.2010-20). The ASU requires disclosures that facilitate financial statement users' evaluation of (1) the nature of credit risk inherent in the entity's portfolio of financing receivables, (2) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (3) the changes and reasons for those changes in the allowance for credit losses. The new disclosures required include (1) aging of past due receivables, (2) credit quality indicators, and (3) modifications of financing receivables. It is also required that the certain existing disclosures should be provided on a disaggregated basis. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010, whereas the disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. In January 2011, the FASB issued ASU No.2011-01, Receivables (Topic310) Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No.2010-20 (ASU No.2011-01) to delay the effective date of the disclosures about troubled debt restructurings for public entities, and in April 2011, it was provided that such disclosure requirements would be effective for interim and annual periods beginning on or after June 15, 2011 in ASU No.2011-02, Receivables (Topic310) A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring (ASU No.2011-02). ASU 2011-02 also clarifies the guidance on a creditor's evaluation for troubled debt restructurings of whether it has granted a concession and whether a debtor is experiencing financial difficulties. ASU No.2010-20 is an accounting principle which expands disclosure requirements, and had no impact on the MHFG Group's consolidated results of operations or financial condition.

In December 2010, the FASB issued ASU No.2010-28, Intangibles Goodwill and Other (Topic 350) When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU No.2010-28). The ASU requires Step 2 of the impairment test should be performed in circumstances where the carrying amount of a reporting unit is zero or negative and there are qualitative factors that indicate it is more likely than not that a goodwill impairment exists. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of ASU No.2010-28 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In December 2010, the FASB issued ASU No.2010-29, Business Combinations (Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations (ASU No.2010-29). The ASU clarifies that, if a reporting entity presents comparative financial statements, the pro forma revenue and earnings of the combined entity should be reported as though the business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The ASU is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

annual reporting period beginning on or after December 15, 2010. ASU No.2010-29 is an accounting principle which clarifies disclosure requirements, and had no impact on the MHFG Group's consolidated results of operations or financial condition.

In April 2011, the FASB issued ASU No.2011-03, Transfers and Servicing (Topic 860) Reconsideration of Effective Control for Repurchase Agreements (ASU No.2011-03). The ASU amends the conditions to determine whether a transferor in repurchase agreements (repos) and other similar agreements maintains effective control over the financial assets transferred by removing from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The ASU is effective for the first interim or annual period beginning on or after December 15, 2011, and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. The adoption of ASU No.2011-03 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU No.2011-04) in order to improve comparability of fair value measurements presented and disclosed in financial statements prepared with U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments in ASU No. 2011-04 change the wording to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to align with IFRS. The amendments also clarify the existing fair value measurement and disclosure requirements, which include (1) application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and (3) disclosing quantitative information about the unobservable inputs used for Level 3 items. The amendments also change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements, which include (1) measuring the fair value of financial instruments that are managed within a portfolio, (2) application of premiums and discounts in a fair value measurement and (3) additional disclosures about fair value measurements. The ASU is effective for interim and annual periods beginning after December 15, 2011. The adoption of ASU No.2011-04 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In June 2011, the FASB issued ASU No.2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income (ASU No.2011-05). The ASU eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity, and requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The ASU also requires reclassification adjustments from other comprehensive income to net income be presented on the face of financial statements. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and should be applied retrospectively. In December 2011, the FASB issued ASU No.2011-12, Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No.2011-05 (ASU No.2011-12) to indefinitely defer only those changes in ASU No.2011-05 that relate to the presentation of reclassification adjustments. All other requirements in ASU No.2011-05 are not affected, and entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. ASU No.2011-05 is an accounting principle which alters disclosure requirements, and had no impact on the MHFG Group's consolidated results of operations or financial condition.

In September 2011, the FASB issued ASU No.2011-08, Intangibles Goodwill and Other (Topic 350) Testing Goodwill for Impairment (ASU No.2011-08). The ASU permits an entity the option to first assess qualitative

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Under this ASU, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of ASU No.2011-08 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

*Accounting pronouncements issued but not yet effective*

In December 2011, the FASB issued ASU No.2011-10, Property, Plant, and Equipment (Topic 360) Derecognition of in Substance Real Estate a Scope Clarification (ASU No.2011-10). The ASU clarifies that, even when a reporting entity ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. The ASU is effective for fiscal years and interim periods within those years, beginning on or after June 15, 2012. The MHFG Group does not expect that the adoption of ASU No.2011-10 will have a material impact on its consolidated results of operations or financial condition.

In December 2011, the FASB issued ASU No.2011-11, Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities (ASU No.2011-11). The ASU enhances disclosures by requiring improved information about financial instruments and derivative instruments that are either (1) offset on the statement of financial position or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Under the ASU, entities are required to provide both net and gross information for these financial instruments and derivative instruments in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. The ASU is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. An entity should provide the disclosures required retrospectively for all comparative periods presented. In January 2013, the FASB issued ASU No.2013-01,

Balance Sheet (Topic 210) Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (ASU No.2013-01). ASU No.2013-01 clarifies that the scope of ASU No.2011-11 applies to derivatives including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transaction. ASU No.2011-11 is an accounting principle which expands disclosure requirements, and has no impact on the MHFG Group's consolidated results of operations or financial condition.

In July 2012, the FASB issued ASU No.2012-02, Intangibles Goodwill and Other (Topic 350) Testing Indefinite-Lived Intangible Assets for Impairment (ASU No.2012-02). The ASU permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. Under this ASU, an entity will have an option not to calculate annually the fair value of an indefinite-lived intangible asset if the entity determines that it is not more likely than not that its fair value is less than its carrying amount. The ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The MHFG Group does not expect that the adoption of ASU No.2012-02 will have a material impact on its consolidated results of operations or financial condition.

In February 2013, the FASB issued ASU No.2013-02, Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU No.2013-02). The ASU

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income ( AOCI ) by the respective line items of net income. The ASU also requires an entity to provide information about the amounts reclassified out of AOCI by component. The ASU is effective for reporting periods beginning after December 15, 2012. Early adoption is permitted. ASU No.2013-02 is an accounting principle which expands disclosure requirements, and has no impact on the MHFG Group's consolidated results of operations or financial condition.

In June 2013, the FASB issued ASU No.2013-08, Financial Services Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements ( ASU No.2013-08 ). The ASU changes the approach to the investment company assessment and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value. The ASU also requires additional disclosures of (a) the fact that the entity is an investment company, (b) information about changes, if any, in an entity's status as an investment company, and (c) information about financial support provided or contractually required to be provided by an investment company to any of its investees. The ASU is effective for an entity's interim and annual reporting periods in fiscal years that begin after December 15, 2013. Early adoption is prohibited. The MHFG Group is currently evaluating the potential impact that the adoption of ASU No.2013-08 will have on its consolidated results of operations and financial condition.

**3. Investments**

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale and held-to-maturity securities at March 31, 2012 and 2013 are as follows:

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	(in millions of yen)			
<b>2012</b>				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds	32,629,290	29,428	12,064	32,646,654
Japanese local government bonds	269,434	3,222	90	272,566
U.S. Treasury bonds and federal agency securities	101,205	310	79	101,436
Other foreign government bonds	443,836	969	262	444,543
Agency mortgage-backed securities (Note)	971,799	9,381	896	980,284
Residential mortgage-backed securities	564,152	10,375	3,261	571,266
Commercial mortgage-backed securities	338,393	2,828	10,949	330,272
Japanese corporate bonds and other debt securities	2,560,049	32,066	14,518	2,577,597
Foreign corporate bonds and other debt securities	525,978	18,139	2,174	541,943
Equity securities (marketable)	1,832,468	964,700	4,753	2,792,415
Total	40,236,604	1,071,418	49,046	41,258,976
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds	1,800,614	14,587	62	1,815,139
Japanese corporate bonds	1,001			1,001
Total	1,801,615	14,587	62	1,816,140

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Amortized cost	Gross unrealized gains (in millions of yen)	Gross unrealized losses	Fair value
<b>2013</b>				
Available-for-sale securities:				
Debt securities:				
Japanese government bonds	30,709,499	79,378	5,677	30,783,200
Japanese local government bonds	239,695	4,109	47	243,757
U.S. Treasury bonds and federal agency securities	177,438	623	36	178,025
Other foreign government bonds	596,305	1,914	94	598,125
Agency mortgage-backed securities (Note)	986,646	20,496	1,429	1,005,713
Residential mortgage-backed securities	430,325	13,889	2,131	442,083
Commercial mortgage-backed securities	246,169	7,487	3,528	250,128
Japanese corporate bonds and other debt securities	2,197,270	22,582	5,288	2,214,564
Foreign corporate bonds and other debt securities	542,958	17,768	1,803	558,923
Equity securities (marketable)	1,699,475	1,440,102	144	3,139,433
Total	37,825,780	1,608,348	20,177	39,413,951
Held-to-maturity securities:				
Debt securities:				
Japanese government bonds	3,000,403	20,023	82	3,020,344
Total	3,000,403	20,023	82	3,020,344

Note: Agency mortgage-backed securities presented in the above table consist of U.S. agency securities and Japanese agency securities, of which the fair values were ¥150,253 million and ¥830,031 million, respectively, at March 31, 2012, and ¥143,954 million and ¥861,759 million, respectively, at March 31, 2013. U.S. agency securities primarily consist of Government National Mortgage Association or Ginnie Mae securities, which are guaranteed by the United States government. All of Japanese agency securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.

The amortized cost and fair value of available-for-sale and held-to-maturity debt securities at March 31, 2013 by contractual maturity are shown in the table below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Securities not due at a single maturity date and securities embedded with call or prepayment options, such as mortgage-backed securities, are included in the table below based on their original final or contractual maturities.

	Available-for-sale debt securities		Held-to-maturity debt securities	
	Amortized cost	Fair value	Amortized cost	Fair value
				(in millions of yen)
Due in one year or less	13,345,014	13,349,365	100,032	100,770
Due after one year through five years	16,120,370	16,166,503	2,900,371	2,919,574
Due after five years through ten years	5,058,100	5,115,719		
Due after ten years	1,602,821	1,642,931		
Total	36,126,305	36,274,518	3,000,403	3,020,344

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In accordance with ASC 320, Investments Debt and Equity Securities ( ASC 320 ), for debt securities, if an entity has the intent to sell a debt security or more likely than not will be required to sell a debt security before recovery of its amortized cost basis, the full amount of an other-than-temporary impairment loss shall be recognized immediately through earnings. Other than either case described above, an entity must evaluate expected cash flows to be received and determine if a credit loss exists, and if so, the amount of other-than-temporary impairment related to the credit loss shall be recognized in earnings, while the remaining decline in fair value shall be recognized in other comprehensive income, net of applicable taxes. For equity securities, if an equity security is deemed other-than-temporarily impaired, it shall be written down to fair value, with the full decline recognized in earnings.

The MHFG Group performs periodic reviews to identify impaired securities. Impairment is evaluated considering the length of time and extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer, as well as the MHFG Group's ability and intent to hold the investments for an adequate period of time until an anticipated market price recovery or maturity.

For the fiscal years ended March 31, 2011, 2012 and 2013, the MHFG Group recognized in earnings other-than-temporary impairment on available-for-sale securities of ¥77,042 million, ¥117,029 million and ¥76,393 million, respectively, of which ¥12,394 million, ¥7,238 million and ¥4,085 million, respectively, were on debt securities and ¥64,648 million, ¥109,791 million and ¥72,308 million, respectively, were on equity securities. No impairment losses were recorded on held-to-maturity securities for the periods.

The other-than-temporary impairment losses for debt securities were mainly attributable to the decline in the fair value of residential mortgage-backed securities ( RMBS ) and commercial mortgage-backed securities ( CMBS ) that the MHFG Group had the intent to sell. In accordance with ASC 320-10-35-33A and ASC 320-10-35-34B, the other-than-temporary impairment of these securities was recognized in earnings. There has never been any amount related to credit losses recognized in earnings on debt securities where a portion of other-than-temporary impairment was recognized in other comprehensive income.

The other-than-temporary impairment losses for equity securities were mainly attributable to the decline in the fair value of Japanese equity securities. Certain equity securities were determined not to be other-than-temporarily impaired as the length of time that their fair values were below their costs were reasonably short and/or the impairments were immaterial in amount.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables show the gross unrealized losses and fair value of available-for-sale and held-to-maturity securities, aggregated by the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2012 and 2013:

	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
	(in millions of yen)					
<b>2012</b>						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds	12,325,775	3,501	683,322	8,563	13,009,097	12,064
Japanese local gov t bonds	25,251	80	5,743	10	30,994	90
U.S. Treasury bonds and federal agency securities	40,503	79			40,503	79
Other foreign gov t bonds	205,750	227	7,312	35	213,062	262
Agency mortgage-backed securities <sup>(1)</sup>	229,915	628	102,451	268	332,366	896
Residential mortgage-backed securities	39,480	544	153,112	2,717	192,592	3,261
Commercial mortgage-backed securities	6,639	41	192,865	10,908	199,504	10,949
Japanese corporate bonds and other debt securities	477,021	1,725	292,956	12,793	769,977	14,518
Foreign corporate bonds and other debt securities	103,500	619	93,087	1,555	196,587	2,174
Equity securities (marketable)	61,355	4,388	2,039	365	63,394	4,753
Total	13,515,189	11,832	1,532,887	37,214	15,048,076	49,046
Held-to-maturity securities:						
Debt securities:						
Japanese government bonds	49,950	62			49,950	62
Total	49,950	62			49,950	62



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Less than 12 months		12 months or more		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
<b>2013</b>						
Available-for-sale securities:						
Debt securities:						
Japanese government bonds	5,059,495	1,520	406,684	4,157	5,466,179	5,677
Japanese local government bonds	27,243	47			27,243	47
U.S. Treasury bonds and federal agency securities	69,168	36			69,168	36
Other foreign government bonds	207,942	94			207,942	94
Agency mortgage-backed securities <sup>(2)</sup>	90,832	1,429			90,832	1,429
Residential mortgage-backed securities	12,778	9	122,363	2,122	135,141	2,131
Commercial mortgage-backed securities	7,159	111	122,588	3,417	129,747	3,528
Japanese corporate bonds and other debt securities	88,146	333	222,516	4,955	310,662	5,288
Foreign corporate bonds and other debt securities	54,599	114	65,417	1,689	120,016	1,803
Equity securities (marketable)	8,488	128	699	16	9,187	144
<b>Total</b>	<b>5,625,850</b>	<b>3,821</b>	<b>940,267</b>	<b>16,356</b>	<b>6,566,117</b>	<b>20,177</b>
Held-to-maturity securities:						
Debt securities:						
Japanese government bonds	199,730	82			199,730	82
<b>Total</b>	<b>199,730</b>	<b>82</b>			<b>199,730</b>	<b>82</b>

## Notes:

- (1) Agency mortgage-backed securities presented in the above table consist of U.S. agency securities and Japanese agency securities, of which the fair values were ¥25,251 million and ¥307,115 million, respectively, at March 31, 2012. U.S. agency securities primarily consist of Government National Mortgage Association or Ginnie Mae securities, which are guaranteed by the United States government. All of Japanese agency securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.
- (2) Agency mortgage-backed securities presented in the above table represent U.S. agency securities.

The unrealized losses on investments in a continuous loss position for 12 months or more at March 31, 2013 were attributed mainly to Japanese government bonds, RMBS, CMBS, and Japanese corporate bonds and other debt securities. The MHFG Group did not intend to sell those securities and it was not more likely than not that the Group would be required to sell them before recovery of their amortized cost basis. Those securities were not considered other-than-temporarily impaired. As to RMBS, CMBS, and Japanese corporate bonds and other debt securities with similar credit risks as the other-than-temporarily impaired securities, the Group determined that it was expected to recover their entire amortized cost basis, after considering various factors such as the extent to which their fair values were below their amortized costs, the external and/or internal ratings and the present values of cash flows expected to be collected. As to Japanese government bonds, since the unrealized losses had not resulted from credit deterioration, but primarily from changes in interest rates, their entire amortized cost basis was expected to be collected.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the fiscal years ended March 31, 2011, 2012 and 2013, gross realized gains on sales of available-for-sale securities were ¥194,908 million, ¥100,371 million and ¥193,298 million, respectively, and gross realized losses on those sales were ¥40,376 million, ¥28,840 million and ¥21,422 million, respectively.

***Other investments***

The following table summarizes the composition of other investments:

	2012	2013
	(in millions of yen)	
Equity method investments	231,730	225,696
Investments held by consolidated investment companies	190,343	75,780
Other equity interests	560,816	536,659
Total other investments	982,889	838,135

***Equity method investments***

Investments in investees over which the MHFG Group has the ability to exert significant influence are accounted for using the equity method of accounting. Such investments included marketable equity securities carried at ¥59,703 million and ¥68,289 million, at March 31, 2012 and 2013, respectively. The aggregated market values of those marketable equity securities were ¥60,661 million and ¥111,543 million, respectively. These amounts included an investment in the Joint Stock Commercial Bank for Foreign Trade of Vietnam, which was made in December 2011.

On September 22, 2010, the MHFG Group converted certain preferred shares of Orient Corporation ( Orico ) into the common shares of Orico. As a result of the effective acquisition of such common shares, the Group's proportionate share to the total outstanding common shares of Orico increased to 27.1%. Since then, the Group's investments in common shares of Orico have been classified as equity method investments. The Group's proportionate share as of March 31, 2013 was 24.6%. Retroactive application of the equity method of accounting to the investments in Orico did not have a material effect on the Group's consolidated results of operations, financial condition, or retained earnings. The Group and a certain third party still hold convertible preferred shares of Orico, and if fully converted, the Group's proportionate share to the total outstanding common shares of Orico would increase to 58.0%.

***Investments held by consolidated investment companies***

The MHFG Group consolidates certain investment companies for which it has control either through ownership or other means. Investment companies are subject to specialized industry accounting which requires investments to be carried at fair value, with changes in fair value recorded in earnings. The MHFG Group maintains this specialized industry accounting for investments held by consolidated investment companies, which consist of marketable and non-marketable investments.

***Other equity interests***

Other equity interests consist primarily of non-marketable equity securities outside the scope of ASC 320, for which the MHFG Group has neither significant influence nor control over the investees. These securities are stated at acquisition cost, with other-than-temporary impairment, if any, included in earnings. The fair values of these securities at March 31, 2012 and 2013 were not readily determinable. The MHFG Group monitors the status of each investee, including its credit rating, to determine whether impairment losses should be recognized.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Loans**

The table below presents loans outstanding by domicile and industry of borrower at March 31, 2012 and 2013:

	2012	2013
	(in millions of yen)	
Domestic:		
Manufacturing	7,586,608	8,078,871
Construction and real estate	7,270,414	7,477,853
Services	3,981,279	3,972,011
Wholesale and retail	5,295,142	5,355,974
Transportation and communications	3,200,570	3,147,106
Banks and other financial institutions	3,501,266	3,142,998
Government and public institutions	6,911,725	6,907,426
Other industries <sup>(Note)</sup>	4,318,959	4,521,994
Individuals:		
Mortgage loans	11,191,410	11,234,561
Other	719,346	741,519
<b>Total domestic</b>	<b>53,976,719</b>	<b>54,580,313</b>
Foreign:		
Commercial and industrial	8,146,215	10,481,071
Banks and other financial institutions	3,343,181	4,088,651
Government and public institutions	521,988	595,911
Other <sup>(Note)</sup>	90,470	199,518
<b>Total foreign</b>	<b>12,101,854</b>	<b>15,365,151</b>
<b>Total</b>	<b>66,078,573</b>	<b>69,945,464</b>
Less: Unearned income and deferred loan fees net	89,511	111,981
<b>Total loans before allowance for loan losses</b>	<b>65,989,062</b>	<b>69,833,483</b>

Note: Other industries of domestic and other of foreign include trade receivables and lease receivables of consolidated VIEs. Net losses on sales of loans were ¥886 million, ¥4,576 million and ¥853 million, of which valuation losses related to loans held for sale accounted for at the lower of cost or fair value were ¥645 million, ¥3,435 million and ¥54 million for the fiscal years ended March 31, 2011, 2012 and 2013, respectively.

*Credit quality information*

Under the MHFG Group's credit risk management, the Group uses an internal rating system that consists of credit ratings and pool allocations as the basis of its risk management infrastructure. Credit ratings consist of obligor ratings which represent the level of credit risk of the obligor, and transaction ratings which represent the ultimate possibility of incurrence of losses for individual loan by taking into consideration various factors such as collateral or guarantee involved. In principle, obligor ratings are applied to all obligors except those to which pool allocations are

applied, and are subject to regular review at least once a year as well as special review which is required whenever the obligor's credit standing changes. Pool allocations are applied to small balance loans. The Group pools loans with similar risk characteristics, and the risk is assessed and managed according to such pool. The Group generally reviews the appropriateness and effectiveness of the approach to obligor ratings and pool allocations once a year in accordance with predetermined procedures.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below presents the MHFG Group's definition of obligor ratings used by MHBK, MHCB and MHTB:

<b>Obligor category</b>	<b>Obligor rating</b>	<b>Definition</b>
Normal	A	Obligors whose certainty of debt fulfillment is very high, hence their level of credit risk is very low.
	B	Obligors whose certainty of debt fulfillment poses no problems for the foreseeable future, and their level of credit risk is low.
	C	Obligors whose certainty of debt fulfillment and their level of credit risk pose no problems for the foreseeable future.
	D	Obligors whose current certainty of debt fulfillment poses no problems, however, their resistance to future environmental changes is low.
Watch	E1	Obligors that require observation going forward because of either minor concerns regarding their financial position, or somewhat weak or unstable business conditions.
	E2	Obligors that require special observation going forward because of problems with their borrowings such as reduced or suspended interest payments, problems with debt fulfillment such as failure of principal or interest payments, or problems with their financial position as a result of their weak or unstable business condition.
Intensive control	F	Obligors that are not yet bankrupt but are in financial difficulties and are deemed likely to become bankrupt in the future because of insufficient progress in implementing their management improvement plans or other measures (including obligors that are receiving ongoing support from financial institutions).
Substantially bankrupt	G	Obligors that have not yet become legally or formally bankrupt but are substantially insolvent because they are in serious financial difficulties and are deemed to be incapable of being restructured.
Bankrupt	H	Obligors that have become legally or formally bankrupt.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below presents credit quality information of loans based on the MHFG Group's internal rating system at March 31, 2012 and 2013:

	Normal obligors				Watch obligors excluding special attention obligors <sup>(1)</sup>			Impaired loans	Total
	A-B	C-D	Retail <sup>(2)</sup>	Other <sup>(3)</sup>	E1-E2	Retail <sup>(2)</sup>	Other <sup>(3)</sup>		
	(in millions of yen)								
<b>2012</b>									
Domestic:									
Manufacturing	3,915,950	2,545,195	121,101	326,741	346,323	25,504	9,088	296,706	7,586,608
Construction and real estate	2,212,752	3,550,102	687,440	154,900	430,372	28,683	679	205,486	7,270,414
Services	1,903,329	1,500,985	225,458	2,611	198,066	31,943		118,887	3,981,279
Wholesale and retail	1,709,599	2,677,141	261,228	88,693	303,264	54,582	97	200,538	5,295,142
Transportation and communications	2,115,552	852,938	92,915	265	71,995	13,402	54	53,449	3,200,570
Banks and other financial institutions	2,670,218	603,291	2,105	387	213,431	201		11,633	3,501,266
Government and public institutions	6,857,436	11,125		43,164					6,911,725
Other industries	1,203,546	897,378	3,137	2,107,898	11,462	515	90,990	4,033	4,318,959
Individuals		189,208	11,097,497	183,133	47,078	125,277	4,363	264,200	11,910,756
<b>Total domestic</b>	<b>22,588,382</b>	<b>12,827,363</b>	<b>12,490,881</b>	<b>2,907,792</b>	<b>1,621,991</b>	<b>280,107</b>	<b>105,271</b>	<b>1,154,932</b>	<b>53,976,719</b>
Foreign:									
<b>Total foreign</b>	<b>6,310,641</b>	<b>3,176,830</b>	<b>3,409</b>	<b>1,404,505</b>	<b>960,170</b>	<b>191</b>	<b>91,223</b>	<b>154,885</b>	<b>12,101,854</b>
<b>Total</b>	<b>28,899,023</b>	<b>16,004,193</b>	<b>12,494,290</b>	<b>4,312,297</b>	<b>2,582,161</b>	<b>280,298</b>	<b>196,494</b>	<b>1,309,817</b>	<b>66,078,573</b>
<b>2013</b>									
Domestic:									
Manufacturing	4,171,212	2,615,406	119,183	307,946	498,638	22,569	8,013	335,904	8,078,871
Construction and real estate	2,524,644	3,486,850	659,844	148,893	387,254	20,671	664	249,033	7,477,853
Services	1,736,931	1,734,482	219,089	4,035	160,754	26,621		90,099	3,972,011
Wholesale and retail	1,853,573	2,699,053	261,322	83,065	236,545	49,710	11	172,695	5,355,974
Transportation and communications	2,236,404	685,237	94,233	350	59,573	12,274		59,035	3,147,106
Banks and other financial institutions	2,246,804	666,197	2,172	5,311	208,510	221		13,783	3,142,998
Government and public institutions	6,797,133	11,729		98,564					6,907,426
Other industries	1,620,061	743,214	3,341	2,058,974	13,044	448	77,548	5,364	4,521,994
Individuals		191,360	11,219,209	170,768	33,618	121,468	4,032	235,625	11,976,080
<b>Total domestic</b>	<b>23,186,762</b>	<b>12,833,528</b>	<b>12,578,393</b>	<b>2,877,906</b>	<b>1,597,936</b>	<b>253,982</b>	<b>90,268</b>	<b>1,161,538</b>	<b>54,580,313</b>
Foreign:									
<b>Total foreign</b>	<b>8,293,654</b>	<b>3,650,488</b>	<b>4,881</b>	<b>2,021,284</b>	<b>980,343</b>	<b>137</b>	<b>111,684</b>	<b>302,680</b>	<b>15,365,151</b>
<b>Total</b>	<b>31,480,416</b>	<b>16,484,016</b>	<b>12,583,274</b>	<b>4,899,190</b>	<b>2,578,279</b>	<b>254,119</b>	<b>201,952</b>	<b>1,464,218</b>	<b>69,945,464</b>

Notes:

- (1) Special attention obligors are watch obligors with debt in TDR or 90 days or more delinquent debt. Loans to such obligors are considered impaired.
- (2) Amounts represent small balance, homogeneous loans which are subject to pool allocations.
- (3) Non-impaired loans held by subsidiaries other than MHBK, MHCB and MHTB constitute Other, since their portfolio segments are not identical to those used by MHBK, MHCB and MHTB.

F-32



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Impaired loans*

The MHFG Group considers loans to be impaired when it is probable that the Group will be unable to collect all the scheduled payments of principal and interest when due according to the contractual terms of the loan. The Group determines loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans, and all of the Group's impaired loans are designated as nonaccrual loans. The Group does not have loans to borrowers that cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms for the periods presented other than those already designated as impaired loans. The table below presents impaired loans information at March 31, 2012 and 2013.

	Recorded investment <sup>(1)</sup>		Total	Unpaid principal balance	Related allowance <sup>(3)</sup>	Average recorded investment	Interest income recognized <sup>(4)</sup>
	Requiring an allowance for loan losses	Not requiring an allowance for loan losses <sup>(2)</sup>					
(in millions of yen)							
<b>2012</b>							
Domestic:							
Manufacturing	287,471	9,235	296,706	318,736	103,601	301,383	4,397
Construction and real estate	158,339	47,147	205,486	246,189	43,770	232,473	3,167
Services	105,809	13,078	118,887	139,842	33,233	117,306	2,346
Wholesale and retail	188,231	12,307	200,538	221,300	74,235	190,179	3,590
Transportation and communications	47,103	6,346	53,449	56,814	18,720	55,136	1,125
Banks and other financial institutions	11,577	56	11,633	12,761	5,105	8,385	348
Other industries	3,995	38	4,033	4,137	3,668	3,144	55
Individuals	134,886	129,314	264,200	296,466	12,461	276,518	5,237
Total domestic	937,411	217,521	1,154,932	1,296,245	294,793	1,184,524	20,265
Foreign:							
Total foreign	141,572	13,313	154,885	157,887	62,047	134,614	3,158
Total	1,078,983	230,834	1,309,817	1,454,132	356,840	1,319,138	23,423
<b>2013</b>							
Domestic:							
Manufacturing	325,727	10,177	335,904	365,049	118,475	299,978	5,297
Construction and real estate	189,060	59,973	249,033	269,770	46,574	227,920	2,824
Services	77,982	12,117	90,099	106,397	22,153	103,113	1,949
Wholesale and retail	160,477	12,218	172,695	189,231	62,962	186,594	3,076
Transportation and communications	55,202	3,833	59,035	61,554	18,870	54,633	1,220
Banks and other financial institutions	13,727	56	13,783	13,821	5,007	11,950	227
Other industries	5,224	140	5,364	5,484	3,818	4,791	73
Individuals	116,875	118,750	235,625	252,182	9,429	250,718	4,343
Total domestic	944,274	217,264	1,161,538	1,263,488	287,288	1,139,697	19,009
Foreign:							
Total foreign	297,859	4,821	302,680	305,801	119,053	220,561	5,321

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Total	1,242,133	222,085	1,464,218	1,569,289	406,341	1,360,258	24,330
-------	-----------	---------	-----------	-----------	---------	-----------	--------

Notes:

- (1) Amounts also represent the outstanding balances of nonaccrual loans. The MHFG Group's policy for placing loans in nonaccrual status is completely corresponded to the Group's definition of impaired loans.
  - (2) These impaired loans do not require an allowance for loan losses because the MHFG Group has sufficient collateral to cover probable loan losses.
  - (3) The allowance for loan losses on impaired loans includes those for groups of small balance, homogeneous loans totaling ¥504,750 million as of March 31, 2013 which were collectively evaluated for impairment, in addition to those that were individually evaluated for impairment.
  - (4) Amounts represent gross interest income on impaired loans which were included in Interest income on loans.
- The remaining balance of impaired loans which had been partially charged off were ¥58,474 million and ¥51,720 million as of March 31, 2012 and 2013, respectively.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Troubled debt restructurings*

The MHFG Group considers restructuring, with respect to which concessions that it would not otherwise consider were granted to obligors in financial difficulty, as TDR. The Group considers the relevant obligor to be in financial difficulty when its obligor rating is at E2 or below. The following table presents TDRs that were made during the fiscal years ended March 31, 2012 and 2013.

	Loan forgiveness or debt to equity swaps		Interest rate reduction and/or Postponement of principal and/or interest
	Recorded investment <sup>(1)</sup>	Charge-offs <sup>(2)</sup> (in millions of yen)	
<b><u>2012</u></b>			
Domestic:			
Manufacturing	9,467	7,578	189,978
Construction and real estate			74,399
Services			109,576
Wholesale and retail	2,793	1,441	233,703
Transportation and communications			53,644
Banks and other financial institutions			23,789
Other industries			3,652
Individuals			60,209
Total domestic	12,260	9,019	748,950
Foreign:			
Total foreign			69,576
Total	12,260	9,019	818,526
<b><u>2013</u></b>			
Domestic:			
Manufacturing			277,957
Construction and real estate			129,908
Services			68,930
Wholesale and retail		1,243	218,497
Transportation and communications			52,206
Banks and other financial institutions			34,468
Other industries			1,809
Individuals			62,160
Total domestic		1,243	845,935
Foreign:			
Total foreign	1,062	3,750	140,064
Total	1,062	4,993	985,999

Notes:

- (1) Amounts represent book values of loans immediately after the restructurings.
- (2) Charge-offs represent the loss impact on the consolidated statements of income for the fiscal year that resulted from the restructurings.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Payment default is deemed to occur when the loan becomes three months past due or the obligor is downgraded to category of substantially bankrupt or bankrupt. The following table presents payment defaults occurred during the fiscal years ended March 31, 2012 and 2013 with respect to the loans modified as TDR within the previous twelve months.

	Recorded investment	
	2012	2013
	(in millions of yen)	
Domestic:		
Manufacturing	7,337	18,740
Construction and real estate	4,116	18,751
Services	7,863	5,976
Wholesale and retail	9,999	19,920
Transportation and communications	20,278	4,386
Banks and other financial institutions		
Other industries		
Individuals	800	5,517
Total domestic	50,393	73,290
Foreign:		
Total foreign	3,475	6,374
Total	53,868	79,664

*Age analysis of past due loans*

The table below presents an analysis of the age of the recorded investment in loans that are past due at March 31, 2012 and 2013:

	30-59 days past due	60-89 days past due	90 days or more past due (in millions of yen)	Total past due	Current	Total
<b>2012</b>						
Domestic:						
Manufacturing	3,587	2,409	46,353	52,349	7,534,259	7,586,608
Construction and real estate	6,395	4,864	59,307	70,566	7,199,848	7,270,414
Services	3,325	2,436	14,571	20,332	3,960,947	3,981,279
Wholesale and retail	5,577	2,212	17,745	25,534	5,269,608	5,295,142
Transportation and communications	630	5,859	7,591	14,080	3,186,490	3,200,570
Banks and other financial institutions			6	6	3,501,260	3,501,266
Government and public institutions					6,911,725	6,911,725
Other industries	62		174	236	4,318,723	4,318,959
Individuals	41,802	23,189	85,964	150,955	11,759,801	11,910,756
Total domestic	61,378	40,969	231,711	334,058	53,642,661	53,976,719

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Foreign:						
Total foreign	2,137	5,728	14,531	22,396	12,079,458	12,101,854
Total	63,515	46,697	246,242	356,454	65,722,119	66,078,573

F-35

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total
	(in millions of yen)					
<b>2013</b>						
Domestic:						
Manufacturing	3,788	1,911	32,830	38,529	8,040,342	8,078,871
Construction and real estate	11,815	4,038	69,333	85,186	7,392,667	7,477,853
Services	3,385	1,916	13,829	19,130	3,952,881	3,972,011
Wholesale and retail	2,771	2,851	16,483	22,105	5,333,869	5,355,974
Transportation and communications	711	558	3,687	4,956	3,142,150	3,147,106
Banks and other financial institutions			6	6	3,142,992	3,142,998
Government and public institutions					6,907,426	6,907,426
Other industries		18	122	140	4,521,854	4,521,994
Individuals	41,987	24,114	69,774	135,875	11,840,205	11,976,080
Total domestic	64,457	35,406	206,064	305,927	54,274,386	54,580,313
Foreign:						
Total foreign	127	885	11,132	12,144	15,353,007	15,365,151
Total	64,584	36,291	217,196	318,071	69,627,393	69,945,464

**5. Allowance for loan losses**

In accordance with ASC 450, a formula-based allowance utilizing historical loss factors, after adjusted for existing economic conditions where appropriate, is applied to groups of non-homogeneous loans and small balance, homogeneous loans which have not been identified as impaired. In MHBK, MHC<sup>(Note)</sup> and MHTB, when management estimates probable credit losses to determine the allowance for loan losses, small balance, homogeneous loans are classified in the retail portfolio segment to which pool allocations apply, and loans other than classified in the retail portfolio segment are classified in the corporate portfolio segment. The corporate portfolio segment consists of loans originated by MHBK, MHC<sup>(Note)</sup> and MHTB, and includes mainly business loans such as those used for working capital and capital expenditure, as well as loans for which the primary source of repayment of the obligation is income generated by the relevant assets such as project finance, asset finance and real estate finance. The retail portfolio segment consists mainly of residential mortgage loans, originated by MHBK. The other portfolio segment consists of loans of subsidiaries other than MHBK, MHC<sup>(Note)</sup> and MHTB, such as consolidated VIEs and overseas subsidiaries. See Note 1 Basis of presentation and summary of significant accounting policies for further detail of the methodology used to determine allowance for loan losses and Note 4 Loans for further detail of obligor ratings and pool allocations.

Note: MHBK and MHC<sup>(Note)</sup> merged on July 1, 2013 and were launched as the new MHBK.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Changes in Allowance for loan losses by portfolio segment for the fiscal years ended March 31, 2011, 2012 and 2013 are shown below:

	Corporate	Retail (in millions of yen)	Other	Total
<b>2011<sup>(1) (2)</sup></b>				
Balance at beginning of fiscal year	736,630	119,749	23,054	879,433
Provision (credit) for loan losses	(47,532)	33,352	14,827	647
Charge-offs	163,269	3,258	18,063	184,590
Less: Recoveries	45,213	1,499	934	47,646
Net charge-offs	118,056	1,759	17,129	136,944
Others <sup>(3)</sup>	(7,926)		(680)	(8,606)
Balance at end of fiscal year	563,116	151,342	20,072	734,530
<b>2012</b>				
Balance at beginning of fiscal year	563,116	151,342	20,072	734,530
Provision (credit) for loan losses	(19,433)	(21,375)	17,764	(23,044)
Charge-offs	54,599	5,133	20,410	80,142
Less: Recoveries	48,354	1,442	2,460	52,256
Net charge-offs	6,245	3,691	17,950	27,886
Others <sup>(3)</sup>	(1,963)		1,055	(908)
Balance at end of fiscal year	535,475	126,276	20,941	682,692
<b>2013</b>				
Balance at beginning of fiscal year	535,475	126,276	20,941	682,692
Provision (credit) for loan losses	137,549	(14,180)	16,578	139,947
Charge-offs	69,845	4,249	20,503	94,597
Less: Recoveries	27,447	1,342	2,911	31,700
Net charge-offs	42,398	2,907	17,592	62,897
Others <sup>(3)</sup>	11,269		1,946	13,215



Balance at end of fiscal year	641,895	109,189	21,873	772,957
-------------------------------	---------	---------	--------	---------

Notes:

- (1) Prior impaired loans portfolio segment has been disaggregated into corporate and retail portfolio segments.
- (2) Certain Allowance for loan losses booked in other portfolio segment is classified to retail portfolio segment, as such allowance is set for loans in retail portfolio segment. The amounts for the fiscal year ended March 31, 2011 have been modified to conform to the current period's presentation.
- (3) Others include primarily foreign exchange translation.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below presents Allowance for loan losses and loans outstanding by portfolio segment disaggregated on the basis of impairment method at March 31, 2012 and 2013:

	Corporate	Retail (in millions of yen)	Other	Total
<b>2012</b>				
Allowance for loan losses	535,475	126,276	20,941	682,692
of which individually evaluated for impairment	252,853	23,396	9,333	285,582
of which collectively evaluated for impairment	282,622	102,880	11,608	397,110
Loans <sup>(Note)</sup>	48,572,906	12,959,663	4,546,004	66,078,573
of which individually evaluated for impairment	667,824	55,149	43,074	766,047
of which collectively evaluated for impairment	47,905,082	12,904,514	4,502,930	65,312,526
<b>2013</b>				
Allowance for loan losses	641,895	109,189	21,873	772,957
of which individually evaluated for impairment	398,622	14,815	9,247	422,684
of which collectively evaluated for impairment	243,273	94,374	12,626	350,273
Loans <sup>(Note)</sup>	51,801,814	13,007,792	5,135,858	69,945,464
of which individually evaluated for impairment	1,160,489	45,961	59,974	1,266,424
of which collectively evaluated for impairment	50,641,325	12,961,831	5,075,884	68,679,040

Note: Amounts represent loan balances before deducting unearned income and deferred loan fees.

In the fiscal years ended March 31, 2011 and 2012, Provision for loan losses decreased by ¥221,455 million and ¥23,691 million, respectively, from the previous fiscal years. Both of the decreases were due mainly to upgrades in the obligor category of a broad range of borrowers as a result of the effectiveness of the MHFG Group's credit management activities which was enhanced against the backdrop of the improving domestic economic environment, reflecting the continuing gradual recovery of the Japanese economy.

In the fiscal year ended March 31, 2013, Provision for loan losses increased by ¥162,991 million from the previous fiscal year. The increase was due primarily to an increase in allowance for loan losses as a result of an increase in foreign impaired loans that required an allowance for loan losses and of increased estimated loss reflecting changes in business environment surrounding some domestic obligors, offset in part by the effects of the continuing gradual recovery of the Japanese economy.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Premises and equipment**

Premises and equipment at March 31, 2012 and 2013 consist of the following:

	2012	2013
	(in millions of yen)	
Land	271,083	268,948
Buildings	735,188	743,473
Equipment and furniture	480,068	418,647
Leasehold improvements	89,200	90,306
Construction in progress	11,575	23,875
Software	668,448	657,702
<b>Total</b>	<b>2,255,562</b>	<b>2,202,951</b>
Less: Accumulated depreciation and amortization	1,150,693	1,110,962
<b>Premises and equipment net</b>	<b>1,104,869</b>	<b>1,091,989</b>

Depreciation and amortization expense for premises and equipment for the fiscal years ended March 31, 2011, 2012 and 2013 was ¥162,128 million, ¥160,231 million and ¥151,550 million, respectively.

Premises and equipment under capital leases, which is primarily comprised of data processing equipment, amounted to ¥45,392 million and ¥49,727 million at March 31, 2012 and 2013, respectively. Accumulated depreciation and amortization on such premises and equipment at March 31, 2012 and 2013 amounted to ¥28,254 million and ¥27,830 million, respectively.

**7. Goodwill and intangible assets***Goodwill*

The changes in Goodwill during the fiscal years ended March 31, 2011, 2012 and 2013 were as follows:

	Global Corporate Group	Global Retail Group	Total
	(in millions of yen)		
<b>2011</b>			
Balance at beginning of fiscal year		15,016	15,016
Goodwill acquired <sup>(1)</sup>	1,973		1,973
Impairment losses recognized		9,379	9,379
Foreign exchange translation			
Balance at end of fiscal year	1,973	5,637	7,610
<b>Gross amount of goodwill</b>	<b>27,688</b>	<b>39,559</b>	<b>67,247</b>
Accumulated impairment losses	25,715	33,922	59,637

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

<b>2012</b>			
Balance at beginning of fiscal year	1,973	5,637	7,610
Goodwill acquired <sup>(2)</sup>		3,776	3,776
Impairment losses recognized		5,637	5,637
Foreign exchange translation	(130)	16	(114)
Balance at end of fiscal year	1,843	3,792	5,635
Gross amount of goodwill	27,558	43,351	70,909
Accumulated impairment losses	25,715	39,559	65,274

F-39

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Global Corporate Group	Global Retail Group	Total
	(in millions of yen)		
<b>2013</b>			
Balance at beginning of fiscal year	1,843	3,792	5,635
Goodwill acquired			
Impairment losses recognized			
Foreign exchange translation	336	176	512
Balance at end of fiscal year	2,179	3,968	6,147
Gross amount of goodwill	27,894	43,527	71,421
Accumulated impairment losses	25,715	39,559	65,274

## Notes:

(1) Goodwill acquired is entirely related to the acquisition of Eurekaledge Pte, LTD.

(2) Goodwill acquired is entirely related to the acquisition of PT. Mizuho Balimor Finance.

Due to prolonged severe business environment for the former MHIS, it was determined that the carrying amount of the former MHIS operating segment exceeded its fair value, and therefore, goodwill impairment losses of ¥9,379 million and ¥5,637 million were recognized in the Global Retail Group during the fiscal years ended March 31, 2011 and 2012, respectively.

*Intangible assets*

The table below presents the gross carrying amount, accumulated amortization and net carrying amount of intangible assets, at March 31, 2012 and 2013.

	Gross carrying amount	2012 Accumulated amortization	Net carrying amount (in millions of yen)	Gross carrying amount	2013 Accumulated amortization	Net carrying amount
<b>Intangible assets subject to amortization:</b>						
Customer relationships <sup>(Note)</sup>	73,949	13,721	60,228	73,949	19,238	54,711
Other	2,399	2,071	328	2,363	2,050	313
Total	76,348	15,792	60,556	76,312	21,288	55,024
<b>Intangible assets not subject to amortization:</b>						
Total	9,744		9,744	9,450		9,450
Total	86,092	15,792	70,300	85,762	21,288	64,474

Note:

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Customer relationships were acquired by the merger of MHSC and Shinko on May 7, 2009. See Note 1 Basis of presentation and summary of significant accounting policies for further information. For the fiscal years ended March 31, 2011, 2012, and 2013, the MHFG Group recognized ¥5,292 million, ¥5,490 million, and ¥5,615 million, respectively, of amortization expenses for intangible assets.

F-40

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below presents the estimated aggregate amortization expenses for intangible assets for the next five years:

	(in millions of yen)
Fiscal year ending March 31:	
2014	5,668
2015	5,331
2016	5,038
2017	4,760
2018	4,579

**8. Pledged assets and collateral**

The following amounts, by balance sheet classifications, have been pledged as collateral for borrowings and for other purposes at March 31, 2012 and 2013:

	2012	2013
	(in billions of yen)	
Interest-bearing deposits in other banks	47	28
Trading account assets	12,124	13,752
Available-for-sale securities	17,912	15,939
Loans	9,107	8,860
Other assets	1,009	900
Total	40,199	39,479

The associated liabilities collateralized by the above assets at March 31, 2012 and 2013 are summarized below:

	2012	2013
	(in billions of yen)	
Deposits	450	259
Call money and funds purchased	1,596	1,580
Payables under repurchase agreements	5,393	7,726
Payables under securities lending transactions	7,635	11,092
Other short-term borrowings	9,825	5,626
Long-term debt	3,129	321
Total	28,028	26,604

The Bank of Japan ( the BOJ ) requires private depository institutions to maintain a certain amount of funds as reserves in current accounts with the BOJ, based on average deposit balances and certain other factors. There are similar reserve deposit requirements for foreign offices engaged in banking businesses in foreign countries. At March 31, 2012 and 2013, the deposit amounts maintained with the BOJ and foreign central banks, which were included in Cash and due from banks and Interest-bearing deposits in other banks, were ¥5,656 billion and ¥10,507 billion, respectively. Those balances included the reserve funds required to be maintained by the MHFG Group, which amounted to ¥1,050 billion and ¥1,099 billion at March 31, 2012 and 2013, respectively.

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

At March 31, 2012 and 2013, the MHFG Group had received collateral that can be sold or repledged, with a fair value of ¥14,704 billion and ¥15,501 billion, respectively, of which ¥11,859 billion and ¥13,834 billion, respectively, were sold or repledged. Such collateral was primarily obtained under resale or securities borrowing agreements, and was used generally as collateral under repurchase or securities lending agreements, or to cover short sales.

F-41



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Deposits**

The balances of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$106 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2013) or more as well as the balances of those deposits issued by foreign offices in amounts of US\$100,000 or more at March 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of yen)	
Domestic offices:		
Time deposits	17,232,463	18,302,196
Certificates of deposit	8,397,493	11,393,094
Total	25,629,956	29,695,290
Foreign offices:		
Time deposits	6,420,138	8,209,016
Certificates of deposit	3,427,254	3,933,688
Total	9,847,392	12,142,704

The aggregate amount of demand deposits in overdraft status that have been reclassified as loan balances at March 31, 2012 and 2013 was ¥540 billion and ¥543 billion, respectively.

The balance and remaining maturities of time deposits and certificates of deposit issued by domestic and foreign offices at March 31, 2013 are shown in the following table:

	Time deposits	Certificates of deposit (in millions of yen)	Total
Domestic offices:			
Due in one year or less	23,905,299	11,386,754	35,292,053
Due after one year through two years	2,115,618	6,340	2,121,958
Due after two years through three years	1,395,615		1,395,615
Due after three years through four years	356,805		356,805
Due after four years through five years	392,889		392,889
Due after five years	135,049		135,049
Total	28,301,275	11,393,094	39,694,369
Foreign offices:			
Due in one year or less	8,202,339	3,927,672	12,130,011
Due after one year through two years	5,381	6,016	11,397
Due after two years through three years	3,140		3,140
Due after three years through four years	1,948		1,948
Due after four years through five years	883		883

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Due after five years	401		401
Total	8,214,092	3,933,688	12,147,780
Total	36,515,367	15,326,782	51,842,149

F-42

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Due to trust accounts**

MHTB and TCSB, which are MHFG's subsidiary trust banks, hold assets on behalf of their customers in an agent, fiduciary or trust capacity. Such trust account assets are not the MHFG Group's proprietary assets and are managed and accounted for separately. However, the cash of individual trust accounts is often placed with MHTB and TCSB for the customers' short-term investment needs. These amounts which MHTB and TCSB owe to the trust accounts are recorded as Due to trust accounts.

On April 1, 2010, the MHFG Group consolidated certain guaranteed principal money trusts. See Note 24 Variable interest entities and securitizations for further discussion of the guaranteed principal money trust.

**11. Long-term debt**

Long-term debt with original maturities of more than one year at March 31, 2012 and 2013 is comprised of the following:

	2012	2013
	(in millions of yen)	
Obligations under capital leases	20,851	24,406
Loan participation borrowings	59,517	62,332
Senior borrowings and bonds	4,438,602	4,784,010
Subordinated borrowings and bonds	3,942,848	3,931,475
<b>Total</b>	<b>8,461,818</b>	<b>8,802,223</b>

The following table presents interest rates and maturities of senior borrowings and bonds, and subordinated borrowings and bonds:

	Interest rates (1) (%)	Maturities (2)	2012	2013
			(in millions of yen)	
<b>Senior borrowings and bonds:</b>				
fixed rate denominated in Japanese yen	0.00-6.63	Apr. 2013-Jul. 2040	2,884,693	2,741,475
fixed rate denominated in U.S. dollars	0.01-7.49	Apr. 2013-Perpetual	126,371	520,714
fixed rate denominated in other currencies	3.90-5.00	Sep. 2014-Nov. 2022	63	683
floating rate denominated in Japanese yen	0.00-17.68	Apr. 2013-Mar. 2043	1,117,315	1,065,708
floating rate denominated in U.S. dollars	0.00-7.00	Apr. 2013-Mar. 2028	309,567	426,515
floating rate denominated in other currencies	0.05-0.48	Feb. 2014-Jul. 2014	593	28,915
<b>Total</b>			<b>4,438,602</b>	<b>4,784,010</b>
<b>Subordinated borrowings and bonds:</b>				
fixed rate denominated in Japanese yen	1.09-4.74	Apr. 2013-Perpetual	3,366,558	3,393,092
fixed rate denominated in U.S. dollars	4.30-14.91	Apr. 2014-Perpetual	243,299	419,383
floating rate denominated in Japanese yen	0.93-2.73	May 2013-Perpetual	331,348	119,000
floating rate denominated in U.S. dollars			1,643	
<b>Total</b>			<b>3,942,848</b>	<b>3,931,475</b>

Total	8,381,450	8,715,485
-------	-----------	-----------

Notes:

- (1) The interest rates shown are the range of contractual rates in effect at March 31, 2013.
- (2) Maturity information shown is the range of maturities at March 31, 2013.
- (3) None of the long-term debt issues listed above is convertible to common stock.
- (4) Certain debt agreements permit the MHFG Group to redeem the related debt, in whole or in part, prior to maturity at the MHFG Group's option on terms specified in the respective agreements.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following is a summary of contractual maturities of long-term debt subsequent to March 31, 2013:

	(in millions of yen)
Fiscal years ending March 31:	
2014	847,915
2015	1,169,892
2016	1,164,627
2017	772,925
2018	985,673
2019 and thereafter	3,861,191
Total	8,802,223

**12. Other assets and liabilities**

The following table sets forth the details of other assets and liabilities at March 31, 2012 and 2013:

	2012	2013
	(in millions of yen)	
Other assets:		
Accounts receivable from brokers, dealers and customers for securities transactions	815,064	907,671
Collateral provided for derivative transactions	822,358	742,307
Prepaid pension cost	6,509	153,414
Miscellaneous receivables	70,660	120,322
Security deposits	106,682	102,031
Loans held for sale	6,650	9,820
Financial Stabilization Funds	189,146	
Other	566,846	566,386
Total	2,583,915	2,601,951
Other liabilities:		
Accounts payable to brokers, dealers and customers for securities transactions	1,865,871	1,560,345
Guaranteed trust principal	550,869	535,720
Collateral accepted for derivative transactions	366,928	503,101
Factoring amounts owed to customers	371,602	375,933
Miscellaneous payables	296,690	260,665
Unearned income	141,967	141,189
Accrued pension liability	27,060	24,793
Other	923,775	966,380
Total	4,544,762	4,368,126

*Financial Stabilization Funds*

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

The Financial Stabilization Funds were initiated in 1996 by the Japanese government in connection with the liquidation of certain failed housing-loan companies. Several financial institutions including the BOJ were required by the Japanese government to invest in these Funds in an effort to stabilize the effects on the Japanese economy. The returns from the investment of the Funds are first to be used to make up for a part of the losses

F-44

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

incurred as the housing-loan companies' loans are collected and disposed of. The Funds are principally invested in Japanese government bonds, but the investment income earned by the Funds does not accrue to the MHFG Group, and as a result, the deposits are noninterest-bearing.

The MHFG Group made deposits with the Funds amounting to ¥359,017 million during the fiscal year ended March 31, 1997. The deposits were expected to mature in 15 years from the deposit date. The deposits were discounted to their present value at the time of the deposit and the discount was accreted over the expected period to maturity using the interest method. The carrying amount of the deposits as of March 31, 2011 was ¥330,153 million. ¥149,017 million of the deposits was collected during the fiscal year ended March 31, 2012, and the remaining carrying amount of the deposits as of March 31, 2012 of ¥189,146 million was collected in June 2012.

*Unearned income*

Unearned income is primarily comprised of refundable fees received from consumer loan customers at the time the loan was made, which is being deferred and recognized in earnings as earned.

*Guaranteed trust principal*

Guaranteed trust principal is the liability of certain consolidated trust arrangements, which the MHFG Group provides guarantees for the repayment of principal. See Note 24 Variable interest entities and securitizations for further discussion of the guaranteed principal money trust.

**13. Preferred stock**

The composition of preferred stock at March 31, 2011, 2012 and 2013 is as follows:

2011	Class of stock	Aggregate amount (in millions of yen)	Authorized	Number of shares Issued	In treasury	Liquidation value per share (in yen)	Convertible or not
	Eleventh series class XI preferred stock (Note)	914,752	1,369,512,000	914,752,000	497,866,000	1,000	Yes
	Class XII preferred stock		1,500,000,000				
	Thirteenth series class XIII preferred stock	36,690	1,500,000,000	36,690,000		1,000	No
	Total	951,442	4,369,512,000	951,442,000	497,866,000		
2012	Class of stock	Aggregate amount (in millions of yen)	Authorized	Number of shares Issued	In treasury	Liquidation value per share (in yen)	Convertible or not
	Eleventh series class XI preferred stock (Note)	914,752	1,369,512,000	914,752,000	541,073,800	1,000	Yes
	Class XII preferred stock		1,500,000,000				
	Thirteenth series class XIII preferred stock	36,690	1,500,000,000	36,690,000		1,000	No
	Total	951,442	4,369,512,000	951,442,000	541,073,800		





**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2013	Class of stock	Aggregate amount (in millions of yen)	Authorized	Number of shares Issued	In treasury	Liquidation value per share (in yen)	Convertible or not
	Eleventh series class XI preferred stock (Note)	914,752	1,369,512,000	914,752,000	574,087,800	1,000	Yes
	Class XII preferred stock		1,500,000,000				
	Thirteenth series class XIII preferred stock	36,690	1,500,000,000	36,690,000		1,000	No
Total		951,442	4,369,512,000	951,442,000	574,087,800		

Note: The aggregate amount and number of issued shares include the preferred stock in treasury which has been converted to common stock but not yet cancelled.

Holders or registered pledgees of preferred stock are entitled to receive annual dividends, and distribution of residual assets of MHFG as set out above as liquidation value per share, in priority to holders of common stock but pari passu among themselves. MHFG may pay up to one-half of the annual dividend payable on each class of preferred stock as an interim dividend. Dividends on preferred stock are not cumulative. Holders of preferred stock are not entitled to vote at a general meeting of shareholders except where the articles of incorporation entitle holders of preferred stock to vote.

Thirteenth series class XIII preferred stock is callable (in full or in part) at the option of the issuer after April 1, 2013. Call price is the sum of the liquidation value per share and the accrued dividend. Accrued dividend is calculated on a daily basis starting on the first day of the fiscal period in which the call date belongs and ending on the call date. If an interim dividend is paid during that fiscal period, the amount of this interim dividend will be subtracted from the accrued dividend.

Eleventh series class XI preferred stock is convertible into common stock at the option of the holder. Material terms and conditions of conversion are as follows.

	Conversion period	Conversion ratio (Note)
Eleventh series class XI preferred stock	July 1, 2008 to  June 30, 2016	¥1,000/(conversion price), where the conversion price after adjustment is ¥282.90 on or after August 30, 2011; to be reset on July 1 of each year between 2013 and 2015 (each, a Reset Date ) as ¥1,000/(conversion price), where the conversion price is the lower of (x) the average price of daily closing prices (including closing bid or offered price) of common stock as reported by the Tokyo Stock Exchange ( TSE ) for the 30 consecutive trading days (excluding trading days on which no closing price, closing bid or offered price is reported) commencing on the 45th trading day prior to the Reset Date and (y) the conversion price after adjustment effective as of the day before the relevant Reset Date, provided that the conversion price shall not be less than ¥282.90.

Note: Subject to adjustment, where issuance or disposal by MHFG of common stock for a price below the current market price , a stock split, issuance of securities convertible into common stock at a price below the current market price at the time of issuance thereof or determination of the conversion price thereof, merger or amalgamation, or a capital decrease or stock consolidation occurs and in certain other circumstances.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Each share of preferred stock which has not been converted as described above by the end of the relevant conversion period will be converted into common stock on the day following the end of the conversion period on the following terms:

	<b>Conversion date</b>	<b>Conversion ratio</b>
Eleventh series class XI preferred stock	July 1, 2016	¥1,000/(current market price), where the current market price is the average price of daily closing prices (including closing bid or offered price) of common stock as reported by the TSE for the 30 consecutive trading days (excluding trading days on which no closing price, closing bid or offered price is reported) commencing on the 45th trading day prior to July 1, 2016, provided that the current market price shall not be less than ¥282.90.

The changes in the number of shares and the aggregate amount of preferred stock during the fiscal years ended March 31, 2011, 2012 and 2013 were as follows:

Class of stock	Issued at	Net change	Issued at	Net change	Issued at	Net change	Issued at
	March 31, 2010		March 31, 2011		March 31, 2012		March 31, 2013
	(number of shares)						
Eleventh series class XI preferred stock (Note)	914,752,000		914,752,000		914,752,000		914,752,000
Thirteenth series class XIII preferred stock	36,690,000		36,690,000		36,690,000		36,690,000
Total	951,442,000		951,442,000		951,442,000		951,442,000

Class of stock	Aggregate amount at	Net change	Aggregate amount at	Net change	Aggregate amount at	Net change	Aggregate amount at
	March 31, 2010		March 31, 2011		March 31, 2012		March 31, 2013
	(in millions of yen)						
Eleventh series class XI preferred stock (Note)	914,752		914,752		914,752		914,752
Thirteenth series class XIII preferred stock	36,690		36,690		36,690		36,690
Total	951,442		951,442		951,442		951,442

Note: The aggregate amount and number of issued shares include the preferred stock in treasury which has been converted to common stock but not yet cancelled.

See Note 32 "Subsequent events" for a description of the acquisition and cancellation of the thirteenth series class XIII preferred stock which was conducted subsequent to March 31, 2013.

**14. Common stock**

On September 1, 2011, MHFG exchanged 824,271,984 shares of its common stock for 30.15 percent of the voting equity interests in MHTB, in order to turn MHTB into MHFG's wholly-owned subsidiary. This transaction was accounted for as an equity transaction. The consideration through issuance of common stock was ¥95,828 million and the MHFG Group recognized decrease of ¥65,494 million in additional paid-in capital which reflects the adjustment to the carrying amount of Noncontrolling interests. In addition, the carrying amount of Accumulated other comprehensive income of ¥958 million was adjusted to reflect the change in the ownership interest in MHTB through a corresponding increase

in additional paid-in capital.

On September 1, 2011, MHC B exchanged 951,166,005 shares of MHFG's common stock for 40.80 percent of the voting equity interests in the former MHSC, in order to turn the former MHSC into MHC B's wholly-owned subsidiary. This transaction was accounted for as an equity transaction. The consideration through issuance of

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

common stock was ¥110,379 million and the Group recognized increase of ¥38,423 million in additional paid-in capital which reflects the adjustment to the carrying amount of Noncontrolling interests. In addition, the carrying amount of Accumulated other comprehensive income of ¥2,178 million was adjusted to reflect the change in the ownership interest in the former MHSC through a corresponding decrease in additional paid-in capital.

On September 1, 2011, MHBK exchanged 322,928,897 shares of MHFG's common stock for 46.02 percent of the voting equity interests in the former MHIS, in order to turn the former MHIS into MHBK's wholly-owned subsidiary. This transaction was accounted for as an equity transaction. The consideration through issuance of common stock was ¥37,497 million and the Group recognized increase of ¥11,599 million in additional paid-in capital which reflects the adjustment to the carrying amount of Noncontrolling interests. In addition, the carrying amount of Accumulated other comprehensive income of ¥744 million was adjusted to reflect the change in the ownership interest in the former MHIS through a corresponding increase in additional paid-in capital.

The changes in the number of issued shares of common stock during the fiscal years ended March 31, 2011, 2012 and 2013 were as follows:

	2011	2012 (shares)	2013
Balance at beginning of fiscal year	15,494,397,690	21,782,185,320	24,048,165,727
Issuance of new shares of common stock by conversion of Eleventh series class XI preferred stock	287,787,630	151,921,540	116,698,750
Issuance of new shares of common stock by exercise of stock acquisition rights		4,748,000	
Issuance of new shares of common stock by public offering	5,609,000,000		
Issuance of new shares of common stock by way of third-party allotment	391,000,000		
Issuance of new shares of common stock for stock exchanges		2,109,310,867	
Balance at end of fiscal year	21,782,185,320	24,048,165,727	24,164,864,477

**15. Dividends**

The amount available for dividends under the Company Law is based on the amount recorded in MHFG's non-consolidated general books of account, maintained in accordance with accounting principles generally accepted in Japan ( Japanese GAAP ) and adjusted by post period-end changes. Therefore, the consolidated shareholders' equity under U.S. GAAP has no effect on the determination of the amount available for dividends. On March 31, 2013, MHFG's capital stock, capital surplus and retained earnings were ¥2,254,973 million, ¥1,194,865 million and ¥1,323,299 million, respectively, under Japanese GAAP.

In making a distribution of retained earnings, an entity must set aside in its legal reserve an amount equal to one-tenth of the amount of retained earnings so distributed, until its legal reserve reaches to one-quarter of its capital stock. MHFG's legal reserve at March 31, 2013 was ¥1,199,215 million, of which ¥1,194,865 million was included in capital surplus and ¥4,350 million in retained earnings.

In addition to the provision that requires an appropriation for legal reserve, the Company Law and the Banking Law impose certain limitations on the amount available for dividends. Under the Company Law, MHFG's maximum amount available for dividends, at March 31, 2013, was ¥1,314,653 million, based on the amount recorded in MHFG's general books of account under Japanese GAAP. Under the Banking Law and related

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

regulations, MHFG has to meet the minimum capital adequacy requirements. Distributions of retained earnings, which are otherwise distributable to shareholders, are restricted in order to maintain the minimum Common Equity Tier 1 capital ratio of 4.5% (3.5% in 2013 and 4.0% in 2014) for capital adequacy purposes under the rules in Basel III. See Note 16 Regulatory matters for further discussion of regulatory capital requirements.

Payment of dividends on shares of common stock is also subject to the prior payment of dividends on shares of preferred stock.

Dividends on preferred stock and common stock during the fiscal years ended March 31, 2011, 2012 and 2013 were as follows:

2011	Cash dividends	
	Per share (in yen)	In aggregate <sup>(2)</sup> (in millions of yen)
Class of stock		
Eleventh series class XI preferred stock	20	9,985
Thirteenth series class XIII preferred stock	30	1,101
Common stock	8	123,880
Total		134,966

2012	Cash dividends <sup>(1)</sup>	
	Per share (in yen)	In aggregate <sup>(2)</sup> (in millions of yen)
Class of stock		
Eleventh series class XI preferred stock	30	12,173
Thirteenth series class XIII preferred stock	45	1,651
Common stock	9	202,684
Total		216,508

2013	Cash dividends	
	Per share (in yen)	In aggregate <sup>(2)</sup> (in millions of yen)
Class of stock		
Eleventh series class XI preferred stock	20	7,451
Thirteenth series class XIII preferred stock	30	1,101
Common stock	6	144,170
Total		152,722

Notes:

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

- (1) As MHFG commenced to distribute an interim dividend from the fiscal year ended March 31, 2012, the amounts for the fiscal year include such interim dividends.
- (2) Dividends paid on treasury stock are excluded.

### **16. Regulatory matters**

#### *Regulatory capital requirements*

MHFG, MHBK, MHC<sup>(Note)</sup>B, and MHTB are subject to regulatory capital requirements administered by the Financial Services Agency in accordance with the provisions of the Banking Law and related regulations. Failure

F-49

Note: MHBK and MHC<sup>(Note)</sup>B merged on July 1, 2013 and were launched as the new MHBK.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

to meet minimum capital requirements may initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on the MHFG Group's consolidated financial condition and results of operations.

The capital adequacy guidelines applicable to Japanese banks and bank holding companies with international operations supervised by the Financial Services Agency closely follow the risk-adjusted approach proposed by the Bank for International Settlements ( BIS ) and are intended to further strengthen the soundness and stability of Japanese banks. Effective March 31, 2007, new guidelines were implemented by the Financial Services Agency to comply with the new capital adequacy requirements set by BIS called Basel II. The framework of Basel II is based on the following three pillars: minimum capital requirements; supervisory review; and market discipline.

In May 2011, the capital adequacy guidelines were revised by the Financial Services Agency to comply with the package of measures to enhance the Basel II framework approved by the Basel Committee on Banking Supervision in July 2009. The new guidelines include the strengthening of rules governing trading book capital and the strengthening of treatment of certain securitizations under the first pillar. The new guidelines have been effective since the end of December 2011.

In December 2010, the Basel Committee on Banking Supervision issued the Basel III rules text (later revised in June 2011 and January 2013), which presents the details of global regulatory standards on bank capital adequacy and liquidity agreed by the Governors and Heads of Supervision, which is the oversight body of the Basel Committee on Banking Supervision, and endorsed by the G20 Leaders at the Seoul summit in November 2010. The rules text sets out higher and better-quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards. The Financial Services Agency's revisions to its capital adequacy guidelines became effective from March 31, 2013, which generally reflect rules in the Basel III rules text that have been applied from January 1, 2013. While the three-pillar structure of Basel II has been retained, Basel III includes various changes as described further below.

Under the first pillar, the capital ratio is calculated by dividing regulatory capital, or risk-based capital, by risk-weighted assets. With respect to the calculation of risk-weighted assets, the MHFG Group adopts the advanced internal ratings-based approach. Under such approach, balance sheet assets and off-balance sheet exposures, calculated under Japanese GAAP, are assessed in terms of credit risk according to risk components such as probability of default and loss given default, which are derived from the Group's own internal credit experience. In addition to credit risk, banks are required to measure and apply capital charges with respect to their market risks. Market risk is defined as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. Operational risk, which was introduced under Basel II with respect to regulatory capital requirements, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group adopts the advanced measurement approach for the measurement of operational risk equivalent by taking account of the following four elements: internal loss data; external loss data; scenario analysis; and business environment and internal control factors. Under Basel III, the calculation method of risk-weighted assets was revised, including modification to the treatment of counterparty credit risk, such as the capital charge for credit valuation adjustment risk.

With regard to risk-based capital, the guidelines based on Basel III set out higher and better-quality capital standards compared to those under Basel II, in requiring a target minimum standard capital adequacy ratio of 8%, Tier 1 capital ratio of 6% (4.5% in 2013 and 5.5% in 2014) and Common Equity Tier 1 capital ratio of 4.5% (3.5% in 2013 and 4.0% in 2014), on both a consolidated and non-consolidated basis for banks with international operations, such as MHCN and MHTB, or on a consolidated basis for bank holding companies with international operations, such as MHFG.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Risk-based capital, calculated from financial statements prepared under Japanese GAAP, is classified into the following two tiers: Tier 1 capital; and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital generally consists of shareholders' equity, retained earnings, accumulated other comprehensive income and other disclosed reserves, minority interest and others less any regulatory adjustments. Additional Tier 1 capital generally consists of instruments issued by the bank that meet the criteria for inclusion in Additional Tier 1 capital and others less any regulatory adjustments. Tier 2 capital generally consists of instruments issued by the bank, such as subordinated debt, that meet the criteria for inclusion in Tier 2 capital, instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in Tier 2 capital, general reserve for possible losses on loans, equaling the sum of (i) the excess of the amount of qualified reserves over the amount of expected losses and (ii) the amount of general reserves calculated based on the standardized approach, and others less any regulatory adjustments.

The minimum requirement for Common Equity Tier 1 capital will be raised in phases from 3.5% of risk-weighted assets in March 2013 to 4.5% when fully effective in March 2015. Thereafter, a capital conservation buffer, to be met with Common Equity Tier 1 capital, is expected to be phased in beginning March 2016 at 0.625% until becoming fully effective in March 2019 at 2.5%, although the capital adequacy guidelines related to the capital conservation buffer have not yet been published by the Financial Services Agency. Thus the Common Equity Tier 1 capital requirement, including capital conservation buffer, is expected to be 7.0% beginning March 2019. In addition, subject to national discretion by the respective regulatory authorities, a countercyclical buffer ranging from 0% to 2.5%, consisting of Common Equity Tier 1 capital or other fully loss absorbing capital, would also be imposed on banking organizations through an extension of the capital conservation buffer when the relevant national authority judges a period of excess credit growth to be leading to the build up of system-wide risk. The countercyclical buffer for internationally active banks will be a weighted average of the buffers deployed across all the jurisdictions to which it has credit exposures. Moreover, capital instruments that will no longer qualify as Additional Tier 1 capital or Tier 2 capital under Basel III is being phased out beginning March 2013 by increments of 10% until becoming fully effective in March 2022. Our existing preferred stock and preferred securities (the amounts thereof included within Additional Tier 1 capital as of March 31, 2013 being ¥1,874.8 billion) and our existing subordinated debt (the amounts thereof included within Tier 2 capital as of March 31, 2013 being ¥1,518.3 billion) are subject to the phase-out arrangements.

In November 2011, the Financial Stability Board announced policy measures to address systemically important financial institutions (SIFIs), which were endorsed by the G20 leaders at the Cannes summit. The policy measures include requirements for globally systemically important banks (G-SIBs) to have additional loss absorption capacity tailored to the impact of their default, ranging from 1% to 2.5% of risk-weighted assets, to be met with Common Equity Tier 1 capital, which would be in addition to the 7.0% Common Equity Tier 1 capital requirement (including capital conservation buffer). The additional loss absorbency requirements will initially apply to G-SIBs identified in November 2014. The requirements will be phased in starting in January 2016 with full implementation by January 2019. Also in November 2011, the Financial Stability Board identified an initial group of G-SIFIs, namely 29 G-SIBs, including us, using a methodology developed by Basel Committee on Banking Supervision, and announced that the group of G-SIFIs will be updated annually and published by the Financial Stability Board each November. In November 2012, the list of G-SIBs was updated and it showed the allocation to buckets corresponding to their required level of additional loss absorbency. The Group was included in the list and was allocated to the bucket that would require 1.0% of additional loss absorbency.

Regulatory adjustments are to be applied mainly to the calculation of Common Equity Tier 1 capital in the form of the deductions and prudential filters related to the following:

Goodwill and other intangibles

Deferred tax assets



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet

Shortfall of the stock of provisions to expected losses under the internal ratings-based approach

Gain on sale related to securitization transactions

Cumulative gains and losses due to changes in own credit risk on fair valued financial liabilities

Defined benefit pension fund assets and liabilities

Treasury stock

Reciprocal cross holdings of capital of banking, financial and insurance entities

Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation  
Regulatory adjustments would be fully deducted in the calculation of Common Equity Tier 1 capital by March 2018. The regulatory adjustments will begin at 20% of the required deductions in the calculation of Common Equity Tier 1 capital in March 2014 and will be increased by 20% increments per year through March 2018 when the regulatory adjustments reach 100%. During this transition period, the remainder not deducted from capital will continue to be subject to existing national treatments.

The capital requirements and regulatory adjustments will be phased in over a transitional period as follows (italicized percentages indicate those still in transition periods):

	March 2013	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021	March 2022
Minimum Common Equity Tier 1 capital <sup>(Note)</sup>	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Minimum Tier 1 capital <sup>(Note)</sup>	4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum total capital <sup>(Note)</sup>	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Capital conservation buffer	0.0%	0.0%	0.0%	0.625%	1.25%	1.875%	2.5%	2.5%	2.5%	2.5%
Phase out of recognition of capital instruments that no longer qualify as capital <sup>(Note)</sup>	90.0%	80.0%	70.0%	60.0%	50.0%	40.0%	30.0%	20.0%	10.0%	0.0%
Phase-in of deductions from capital <sup>(Note)</sup>	0.0%	20.0%	40.0%	60.0%	80.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Additional loss absorbency requirements for G-SIBs	Additional loss absorption capacity tailored to the impact of the entity's default, ranging from 1% to 2.5% of risk-weighted assets, to be met with Common Equity Tier 1 capital									

Note: While these measures are included in the revisions to capital adequacy guidelines that have been applied from March 31, 2013 as published by the Financial Services Agency, capital adequacy guidelines related to other requirements under the Basel III rules, such as the capital conservation buffer, countercyclical buffer and additional loss absorbency requirements for G-SIBs/G-SIFIs, have not yet been published.

Japanese banks are also required to comply with the supervisory review process (second pillar) and disclosure requirements for market discipline (third pillar). Under the second pillar, banks are required to maintain adequate capital to support all of the major risks in their business and are encouraged to develop and use better risk management techniques in monitoring and managing such risks. Under the third pillar, banks are required to

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

enhance disclosure, including disclosure of details of the capital adequacy ratio, the amount of each type of risk and the method of calculation used so that the market may make more effective evaluations. Further, the revisions to the Financial Services Agency's guidelines relation to the third pillar, which reflect the enhanced disclosure requirements under Basel III and became effective on March 31, 2013, require banks to disclose, among other things, the components of their regulatory capital and the main features of their regulatory capital instruments in common templates.

Japanese banks with only domestic operations, such as MHBK as of the balance sheet date, are subject to Japanese capital adequacy requirements that are similar to those discussed above, except that domestic banks are required to maintain a minimum capital adequacy ratio of 4%, on both a consolidated and non-consolidated basis.

In December 2008, the Financial Services Agency implemented special temporary measures, applicable through March 2012 (later extended to March 30, 2014), which require Japanese banks with only domestic operations not to deduct unrealized losses related to other securities under Japanese GAAP (including equity securities) from Tier 1 capital. The Japanese capital adequacy requirements applicable to Japanese banks with only domestic operations do not allow unrealized gains on other securities to be added to Tier 2 capital before or after these special temporary measures.

If the capital adequacy ratio of a financial institution falls below the required level, the Financial Services Agency may, depending upon the extent of capital deterioration, take certain corrective action, including requiring the financial institution to submit an improvement plan to strengthen its capital base, reduce its total assets, restrict its business operations or other actions that could have a material effect on its financial condition and results of operations.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Capital adequacy ratios of MHFG, MHCB, MHBK, and MHTB as of March 31, 2012 and 2013 calculated in accordance with Japanese GAAP and guidelines established by the Financial Services Agency are set forth in the following table:

	2012 <sup>(1)</sup>		2013	
	Amount	Ratio	Amount	Ratio
(in billions of yen, except percentages)				
Consolidated:				
MHFG:				
Common Equity Tier 1 capital:				
Required			2,059	3.50
Actual			4,804	8.16
Tier 1 capital:				
Required	2,006	4.00	2,647	4.50
Actual	6,399	12.76	6,487	11.02
Total risk-based capital:				
Required	4,012	8.00	4,706	8.00
Actual	7,775	15.50	8,345	14.18
MHCB <sup>(2)</sup> :				
Common Equity Tier 1 capital:				
Required			1,292	3.50
Actual			3,195	8.65
Tier 1 capital:				
Required	1,116	4.00	1,661	4.50
Actual	4,431	15.87	4,071	11.03
Total risk-based capital:				
Required	2,233	8.00	2,953	8.00
Actual	4,976	17.83	5,130	13.89
MHBK <sup>(1) (3)</sup> :				
Tier 1 capital:				
Required	426	2.00	408	2.00
Actual	2,428	11.39	2,382	11.66
Total risk-based capital:				
Required	852	4.00	816	4.00
Actual	3,307	15.52	3,071	15.04
MHTB:				
Common Equity Tier 1 capital:				
Required			91	3.50
Actual			344	13.24
Tier 1 capital:				
Required	95	4.00	117	4.50
Actual	335	14.02	344	13.24
Total risk-based capital:				
Required	191	8.00	208	8.00
Actual	436	18.26	448	17.22

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	2012 <sup>(1)</sup>		2013	
	Amount	Ratio	Amount	Ratio
(in billions of yen, except percentages)				
Non-consolidated:				
MHCB <sup>(2)</sup> :				
Common Equity Tier 1 capital:				
Required			1,143	3.50
Actual			2,993	9.16
Tier 1 capital:				
Required	1,012	4.00	1,470	4.50
Actual	4,135	16.34	3,980	12.18
Total risk-based capital:				
Required	2,024	8.00	2,613	8.00
Actual	5,107	20.19	5,008	15.33
MHBK <sup>(1) (3)</sup> :				
Tier 1 capital:				
Required	413	2.00	399	2.00
Actual	2,380	11.51	2,294	11.49
Total risk-based capital:				
Required	826	4.00	798	4.00
Actual	3,227	15.62	3,087	15.46
MHTB:				
Common Equity Tier 1 capital:				
Required			90	3.50
Actual			345	13.46
Tier 1 capital:				
Required	94	4.00	115	4.50
Actual	332	14.13	345	13.46
Total risk-based capital:				
Required	188	8.00	205	8.00
Actual	433	18.42	446	17.44

## Notes:

- (1) The amounts and ratios as of March 31, 2012 and the amounts and ratios of MHBK as of March 31, 2013 were calculated in accordance with Basel II.
- (2) The distribution of all of the shares of MHSC to MHFG as a dividend in kind (¥424.4 billion) on April 1, 2013 was deducted from Common Equity Tier 1 capital.
- (3) The distribution of all of the shares of MHSC to MHFG as a dividend in kind (¥125.7 billion) on April 1, 2013 was deducted from Tier 1 capital.

MHFG's securities subsidiaries in Japan are also subject to the capital adequacy requirement under the Financial Instruments and Exchange Law. Under this requirement, securities firms must maintain a minimum capital adequacy ratio of 120% calculated as a percentage of capital accounts less certain assets, as determined in accordance with Japanese GAAP, against amounts equivalent to market, counterparty, and basic risks. Specific guidelines are issued as a ministerial ordinance that details the definition of essential components of the capital ratios, including capital, disallowed assets and risks, and related measures. Failure to maintain a minimum capital ratio will trigger mandatory regulatory actions. A capital ratio of less than 140% will call for regulatory reporting and a capital ratio of less than 100% may lead to a temporary suspension of all or part of the business operations and further, to the cancellation of the license to act as a securities broker and dealer.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Management believes, as of March 31, 2013, that MHFG, MHBK, MHCN, MHTB, and their securities subsidiaries in Japan were in compliance with all capital adequacy requirements to which they were subject.

**17. Earnings per common share**

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per common share reflect the assumed conversion to common shares of all convertible securities such as convertible preferred stock.

The following table sets forth the computation of basic and diluted earnings per common share for the fiscal years ended March 31, 2011, 2012 and 2013:

	2011	2012 (in millions of yen)	2013
<b>Net income:</b>			
Net income attributable to MHFG shareholders	412,669	656,389	875,412
Less: Net income attributable to preferred shareholders	9,438	8,672	8,221
Net income attributable to common shareholders	403,231	647,717	867,191
<b>Effect of dilutive securities:</b>			
Convertible preferred stock	8,337	7,571	7,121
Stock compensation-type stock options	(19)		
Net income attributable to common shareholders after assumed conversions	411,549	655,288	874,312

	2011	2012 (thousands of shares)	2013
<b>Shares:</b>			
Weighted average common shares outstanding	19,722,818	23,073,544	24,053,282
<b>Effect of dilutive securities:</b>			
Convertible preferred stock <sup>(Note)</sup>	1,682,139	1,384,367	1,291,854
Stock compensation-type stock options	10,152	11,628	20,093
Weighted average common shares after assumed conversions	21,415,109	24,469,539	25,365,229

	2011	2012 (in yen)	2013
<b>Amounts per common share:</b>			
Basic net income per common share	20.44	28.07	36.05

Diluted net income per common share	19.22	26.78	34.47
-------------------------------------	-------	-------	-------

Note: The number of the dilutive common shares is based on the applicable conversion prices.

F-56



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****18. Income taxes**

The following table presents the components of Income tax expense for the fiscal years ended March 31, 2011, 2012 and 2013:

	2011	2012	2013
	(in millions of yen)		
Current:			
Domestic	6,951	22,103	37,101
Foreign	11,412	32,714	10,754
Total current tax expense	18,363	54,817	47,855
Deferred:			
Domestic	174,667	(36,777)	(40,021)
Foreign	197	(4,162)	(3,810)
Total deferred tax expense	174,864	(40,939)	(43,831)
Total income tax expense	193,227	13,878	4,024

The preceding table does not reflect the tax effects of items recorded directly in Shareholders' equity for the fiscal years ended March 31, 2011, 2012 and 2013. The detailed amounts recorded directly in Shareholders' equity are as follows:

	2011	2012	2013
	(in millions of yen)		
Unrealized net gains (losses) on available-for-sale securities:			
Unrealized gains (losses)	(131,416)	29,925	235,274
Less: reclassification adjustments	(32,473)	18,249	(33,988)
Total	(163,889)	48,174	201,286
Pension liability adjustments:			
Unrealized gains (losses)	(42,090)	2,367	34,171
Less: reclassification adjustments	6,206	8,992	5,913
Total	(35,884)	11,359	40,084
Total tax effect before allocation to noncontrolling interests	(199,773)	59,533	241,370

Since the MHFG Group does not have the intention to divest its foreign subsidiaries in the foreseeable future, deferred taxes are not provided on the temporary differences related to foreign currency translation adjustments.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table shows a reconciliation of Income tax expense at the effective statutory tax rate to actual income tax expense for the fiscal years ended March 31, 2011, 2012 and 2013:

	2011	2012	2013
	(in millions of yen, except tax rates)		
Income before income tax expense (benefit)	611,357	662,835	885,180
Effective statutory tax rate	40.69%	40.69%	38.01%
Income tax calculated at the statutory tax rate	248,761	269,708	336,457
Income not subject to tax	(17,334)	(18,295)	(18,320)
Expenses not deductible for tax purposes	1,517	1,469	1,348
Tax rate differentials of subsidiaries	3,288	(4,142)	(10,535)
Change in valuation allowance	(135,867)	(371,271)	(1,352,597)
Change in undistributed earnings of subsidiaries	10,724	(7,118)	12,233
Change in net operating loss carryforwards resulting from intercompany capital transactions	1,484	162	227
Expiration of net operating loss carryforwards	76,903	33,576	1,026,439
Effect of enacted change in tax rates <sup>(Note)</sup>		107,011	
Other	3,751	2,778	8,772
Income tax expense (benefit)	193,227	13,878	4,024

Note: On November 30, 2011, the National Diet of Japan approved two bills affecting the statutory tax rates of MHFG and its domestic subsidiaries. As a result, the statutory tax rate concerning MHFG's tax returns for the fiscal year ended March 31, 2013 has been reduced to 38.01% from the previous rate of 40.69%. Also, the rates for the fiscal years ending March 31, 2014 to 2015 and for the fiscal years ending March 31, 2016 and thereafter will be 38.01% and 35.64%, respectively. The decrease of the Group's balance of net deferred tax assets, reflecting such tax rate reductions, was recognized in Income tax expense in the fiscal year ended March 31, 2012.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The components of net deferred tax assets at March 31, 2012 and 2013 are as follows:

	2012	2013
	(in millions of yen)	
Deferred tax assets:		
Investments	1,063,804	889,305
Allowance for loan losses	333,231	337,453
Trading account assets	58,598	
Prepaid pension cost and accrued pension liabilities	11,559	
Undistributed earnings of subsidiaries	1,193	
Net operating loss carryforwards	1,476,045	450,016
Other	282,998	264,661
	3,227,428	1,941,435
Valuation allowance	(1,952,899)	(584,665)
Deferred tax assets, net of valuation allowance	1,274,529	1,356,770
Deferred tax liabilities:		
Available-for-sale securities	368,929	567,608
Prepaid pension cost and accrued pension liabilities		39,937
Derivative financial instruments	28,021	35,391
Premises and equipment	3,838	12,304
Trading account assets		11,101
Undistributed earnings of subsidiaries		11,040
Other	52,863	51,913
Deferred tax liabilities	453,651	729,294
Net deferred tax assets	820,878	627,476

Deferred tax assets and deferred tax liabilities within the same tax jurisdiction have been netted for presentation in the consolidated balance sheets.

In assessing the realizability of deferred tax assets, management considered whether it was more likely than not that some portion or all of the deferred tax assets would not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies available in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets would be deductible, management believed it was more likely than not that the MHFG Group would realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2012 and 2013.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At March 31, 2013, the MHFG Group had net operating loss carryforwards totaling ¥1,391 billion. These carryforwards are scheduled to expire as follows:

	Net operating loss carryforwards (in billions of yen)
Fiscal year ending March 31:	
2014	16
2015	1
2016	
2017	
2018	868
2019 and thereafter	506
Total	1,391

Included in net operating loss carryforwards in the above table are MHFG's carryforwards of ¥869 billion resulting mainly from intercompany capital transactions. The tax effect of these carryforwards is offset by a full valuation allowance.

The total amount of unrecognized tax benefits including ¥651 million, ¥802 million and ¥563 million interest and penalties was ¥1,829 million, ¥2,160 million and ¥1,454 million at March 31, 2011, 2012 and 2013, respectively, of which ¥1,829 million, ¥2,160 million and ¥1,454 million would, if recognized, affect the Group's effective tax rate, respectively. The Group classifies interest and penalties accrued relating to unrecognized tax benefits as Income tax expense.

The following table is a roll-forward of unrecognized tax benefits for the fiscal years ended March 31, 2011, 2012 and 2013:

	2011	2012	2013
	(in millions of yen)		
Total unrecognized tax benefits at beginning of fiscal year	4,193	1,829	2,160
Gross amount of increases (decreases) related to positions taken during prior years	117	362	(471)
Gross amount of increases related to positions taken during the current year	20	244	29
Amount of decreases related to settlements	(2,218)	(227)	(559)
Foreign exchange translation	(283)	(48)	295
Total unrecognized tax benefits at end of fiscal year	1,829	2,160	1,454

The MHFG Group is currently subject to ongoing tax audits in some jurisdictions. The oldest years open to tax audits in Japan, the United States and the United Kingdom are 2005, 2002 and 2002, respectively. The MHFG Group does not anticipate that increases or decreases of unrecognized tax benefits within the next twelve months would have a material effect on its consolidated results of operations or financial condition.

**19. Pension and other employee benefit plans***Severance indemnities and pension plans*

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

MHFG and certain subsidiaries sponsor and offer their employees other than directors and corporate auditors, contributory and non-contributory defined benefit plans. Under these plans, employees are provided with lump-sum

F-60

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

cash payments upon leaving the company. The amount of benefits under the plans is principally determined based on the position, the length of service and the reason for retirement. When employees meet certain conditions including the length of service, they may opt to receive annuity payments instead of lump-sum payments at retirement. MHFG and certain subsidiaries also offer special termination benefits to former employees whose contributions during their career were deemed meritorious and to those with particular circumstances.

Certain foreign offices and subsidiaries have defined contribution plans and/or defined benefit plans, of which disclosures are combined with those for domestic benefit plans, as they are not significant.

MHFG and certain subsidiaries have several defined contribution plans. The costs recognized for contributions to the plans for the fiscal years ended March 31, 2011, 2012 and 2013 were ¥3,601 million, ¥2,129 million and ¥1,968 million, respectively.

Pension plans are not fully integrated among subsidiaries of MHFG and plan assets are managed separately by each plan.

*Net periodic benefit cost and funded status*

Net periodic benefit cost of the severance indemnities and pension plans for the fiscal years ended March 31, 2011, 2012 and 2013 includes the following components:

	2011	2012	2013
	(in millions of yen)		
Service cost-benefits earned during the fiscal year	27,761	27,734	30,422
Interest costs on projected benefit obligation	25,182	24,267	23,186
Expected return on plan assets	(40,209)	(28,234)	(32,237)
Amortization of prior service benefit	(319)	(318)	(319)
Amortization of net actuarial loss (gain)	15,532	25,595	16,936
Special termination benefits <sup>(Note)</sup>	4,222	14,115	5,454
<b>Net periodic benefit cost</b>	<b>32,169</b>	<b>63,159</b>	<b>43,442</b>

Note: The amount for the fiscal year ended March 31, 2012 includes special termination benefits of ¥9,828 million pertaining to MHSC's voluntary retirement scheme.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) before-tax for the fiscal years ended March 31, 2012 and 2013 were summarized as follows:

	2012	2013
	(in millions of yen)	
Net actuarial gain (loss)	25,401	103,683
Amortization of net actuarial loss (gain)	25,595	16,936
Prior service benefit (cost)		(1,782)
Amortization of prior service benefit	(318)	(319)
<b>Total recognized in other comprehensive income (loss) before-tax</b>	<b>50,678</b>	<b>118,518</b>

As of March 31, 2013, the amounts in Accumulated other comprehensive income (loss), which will be amortized as prior service benefit and actuarial loss over the next fiscal year, are estimated to be ¥195 million and ¥6,990 million, respectively.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost are as follows:

	2011	2012	2013
Weighted-average assumptions used to determine benefit obligations at fiscal year end:			
Discount rates	1.83%	1.73%	1.44%
Rates of increase in future compensation level	2.28-6.15%	2.33-6.46%	2.31-6.57%
Weighted-average assumptions used to determine net periodic benefit cost during the year:			
Discount rates	1.93%	1.83%	1.73%
Rates of increase in future compensation level	2.13-6.12%	2.28-6.15%	2.33-6.46%
Expected rates of return on plan assets	3.10%	2.27%	2.40%

In estimating the discount rates, the MHFG Group uses interest rates on high-quality fixed-income government and corporate bonds that received a rating of AA(Aa) or higher from rating agencies. The durations of such bonds closely match those of the benefit obligations. Assumed discount rates are reevaluated at each measurement date. The expected rate of return for each asset category is based primarily on various aspects of the long-term prospects for the economy that include historical performance and the market environment.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table sets forth the combined funded status and amounts recognized in the accompanying consolidated balance sheets at March 31, 2012 and 2013 for the plans of MHFG and its subsidiaries:

	2012	2013
	(in millions of yen)	
Change in benefit obligation:		
Benefit obligation at beginning of fiscal year	1,328,316	1,343,714
Service cost	27,734	30,422
Interest cost	24,267	23,186
Plan participants' contributions	1,186	1,184
Amendments		1,782
Actuarial loss (gain)	32,307	63,140
Foreign exchange translation	(364)	2,209
Benefits paid	(51,981)	(49,593)
Lump-sum payments	(17,751)	(16,921)
<b>Benefit obligation at end of fiscal year</b>	<b>1,343,714</b>	<b>1,399,123</b>
Change in plan assets:		
Fair value of plan assets at beginning of fiscal year	1,226,058	1,323,163
Actual return (negative return) on plan assets	85,935	199,341
Foreign exchange translation	(289)	1,783
Employer contributions	62,254	51,866
Plan participants' contributions	1,186	1,184
Benefits paid	(51,981)	(49,593)
<b>Fair value of plan assets at end of fiscal year</b>	<b>1,323,163</b>	<b>1,527,744</b>
<b>Funded status</b>	<b>(20,551)</b>	<b>128,621</b>
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid pension cost	6,509	153,414
Accrued pension liability	(27,060)	(24,793)
<b>Net amount recognized</b>	<b>(20,551)</b>	<b>128,621</b>
Amounts recognized in Accumulated other comprehensive income (loss) before-tax consist of:		
Prior service benefit (cost)	1,661	(440)
Net actuarial gain (loss)	(356,978)	(236,359)
<b>Net amount recognized</b>	<b>(355,317)</b>	<b>(236,799)</b>

Note: The aggregated accumulated benefit obligations of these plans were ¥1,312,981 million and ¥1,364,786 million, respectively, as of March 31, 2012 and 2013. The defined benefit plans generally employ a multi-variable and non-linear formula based upon compensation at the time of severance, rank and years of service. Employees with service in excess of one year are qualified to receive lump-sum

severance indemnities.

F-63

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table shows the projected benefit obligations and the fair value of plan assets for the plans of MHFG and its subsidiaries with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the plans with accumulated benefit obligations in excess of plan assets at March 31, 2012 and 2013:

	2012	2013
	(in millions of yen)	
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	87,935	95,789
Fair value of plan assets	60,831	70,690
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	84,752	91,210
Fair value of plan assets	60,831	70,690

Note: The plans with projected benefit obligations in excess of plan assets include those with accumulated benefit obligations in excess of plan assets.

*Investment policies and asset allocation*

In managing plan assets, the MHFG Group determines the appropriate levels of risk that the Group can assume under the given circumstances to maximize the investment returns from a long-term perspective while ensuring that the sufficient funds will be available to plan participants and beneficiaries. Generally, the investment returns are relative to the risks involved. In considering the maximum levels of risk that the MHFG Group can assume, it primarily considers the following factors; the employers' burden of maintaining the benefit plans based on the design of the plans and future plan contributions, the age distribution of the plan participants and beneficiaries, the financial conditions of the employers, and the employers' ability to absorb future variability in plan premiums. The long-term asset allocation to each asset category such as Japanese equity securities, Japanese debt securities, foreign equity securities and foreign debt securities is determined based upon the optimal portfolio, which is estimated to yield the maximum return within the range of acceptable level of risk. Additionally, the asset allocation is reviewed whenever there are large fluctuations in pension plan liabilities caused by modifications of pension plans, or there are changes in the market environment. When selecting an investment in each asset category, the MHFG Group takes into consideration credit standing of an investee, concentration of credit risk to a certain investee, liquidity of a financial instrument, etc. The investments in each asset category are further diversified across funds, strategies, sectors, etc. There is no significant investment in a single investee except Japanese government bonds.

Certain subsidiaries of MHFG established employee retirement benefit trusts and transferred their assets to the trusts as plan assets. These assets are separated from employer's proprietary assets for the payment to the plan beneficiaries. The assets held in these trusts are primarily Japanese equity securities and have been entrusted directly to qualified trustees including trust banks.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

MHFG and certain subsidiaries target allocation for the plan assets excluding those of the employee retirement benefit trusts at March 31, 2013 is as follows:

Asset category	Asset ratio
Japanese equity securities	16.00%
Japanese debt securities	34.00%
Foreign equity securities	16.00%
Foreign debt securities	20.00%
General account of life insurance companies	14.00%
Total	100.00%

Note: General account of life insurance companies is a contract with life insurance companies which guarantees payments of principal and predetermined interest rate.

*Fair value of plan assets*

The following table presents the fair value of plan assets of MHFG and its subsidiaries at March 31, 2012 and 2013, by asset class. For the detailed information on fair value measurements, including descriptions of Level 1, 2 and 3 of the fair value hierarchy and the valuation methodologies, see Note 27 Fair value .

	2012				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in billions of yen)							
Japanese equity securities:								
Common stocks <sup>(1)</sup>	601			601	716			716
Pooled funds <sup>(2)</sup>		70		70		86		86
Japanese debt securities:								
Government bonds	183			183	179			179
Pooled funds <sup>(2)</sup>		41		41		46		46
Other		8		8		7		7
Foreign equity securities:								
Common stocks	43			43	54	2		56
Pooled funds <sup>(2)</sup>		77		77		92		92
Foreign debt securities:								
Government bonds	61	4		65	71	4		75
Pooled funds <sup>(2)</sup>		52		52		46		46
Other		16		16		23		23
General account of life insurance companies <sup>(3)</sup>		108		108		111		111
Hedge funds			1	1			1	1
Other	60 <sup>(4)</sup>	(2) <sup>(5)</sup>		58	92 <sup>(4)</sup>	(2) <sup>(5)</sup>		90
Total assets at fair value	948	374	1	1,323	1,112	415	1	1,528

Notes:

- (1) This class includes equity securities held in the employee retirement benefit trusts of ¥572 billion and ¥681 billion at March 31, 2012 and 2013, respectively, which are well-diversified across industries.
- (2) These classes primarily include pension investment fund trusts. Investments in these classes are generally measured at their net asset values per share and can be redeemable within short-term period upon request.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (3) Investments in this class are measured at conversion value.  
 (4) Amounts primarily include cash and short-term assets carried at fair value.  
 (5) Amounts primarily include foreign exchange contracts carried at fair value.

Amounts of actual returns on and purchases and sales of Level 3 assets during the fiscal years ended March 31, 2012 and 2013 were not significant.

*Contributions*

A contribution of approximately ¥49 billion is expected to be paid to the pension plans in the fiscal year ending March 31, 2014, based on the current funded status and expected asset return assumptions.

*Estimated future benefit payments*

The following table presents forecasted benefit payments including the effect of expected future service for the fiscal years indicated:

	(in millions of yen)
Fiscal year ending March 31:	
2014	63,417
2015	65,759
2016	67,825
2017	68,921
2018	70,315
2019-2023	357,978

**20. Stock-based compensation**

Concurrently with the abolishment of, and as an alternative to the retirement allowances program for directors and executive officers of MHFG, MHBK, MHC B, and MHTB, the MHFG Group introduced stock compensation-type stock options, in the form of stock acquisition rights, for directors (excluding the outside directors) and executive officers of the respective companies (hereinafter referred to collectively as the

Directors ) in June 2008. The Group also introduced similar stock compensation-type stock options for MHSC's Directors in June 2009. The Group maintained three types of stock-based compensation plans for Directors of MHFG, MHBK and MHC B ( MHFG Stock Plan ), for those of MHTB ( MHTB Stock Plan ), and for those of MHSC ( MHSC Stock Plan ). These three plans were integrated into MHFG Stock Plan during the fiscal year ended March 31, 2012, as MHTB and MHSC became MHFG's wholly-owned subsidiaries and the stocks of these entities were delisted.

*MHFG Stock Plan*

In this plan, 1,000 shares of MHFG common stock shall be issued or transferred upon exercise of each of the stock acquisition rights. The amount to be paid upon exercise shall be 1 yen per share. The contractual term of the stock acquisition rights is 20 years. A holder may exercise the stock acquisition rights only after the date on which such holder loses the status as a Director of MHFG, MHBK, MHC B, MHTB or MHSC.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following is a roll-forward of MHFG Stock Plan for the fiscal year ended March 31, 2013:

	Number of shares	Weighted-average exercise price (in yen)	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in millions of yen)
Outstanding at beginning of fiscal year	19,491,000	1		
Granted during fiscal year	11,776,000	1		
Exercised during fiscal year	7,365,000	1		
Forfeited during fiscal year	39,000	1		
Outstanding at end of fiscal year	23,863,000	1	18.69	4,725
Exercisable at end of fiscal year	729,000	1	18.53	144

There were no non-vested stock options remaining as of March 31, 2013.

The following table presents the assumptions to estimate the fair value of stock acquisition rights on the date of grant used in the Black-Scholes option pricing model. The risk-free interest rate is based on the Japanese government bonds yield curve for the expected remaining term in effect at the date of grant. The expected volatility is based on the historical trading data of MHFG common stock. The expected remaining term is based on the average service period of Directors of MHFG, MHBK, MHC B, MHTB and MHSC, which represents the period of time that stock acquisition rights granted are expected to be outstanding. The expected dividend yield is based on the dividend rate of MHFG common stock at the date of grant.

	For the stock acquisition rights granted during the fiscal years ended March 31,	
	2012	2013
Risk-free interest rate	0.15%	0.10%
Expected volatility	34.04%	29.30%
Expected remaining term (in years)	2.34	2.42
Expected dividend yield	5.66%	4.69%

The weighted-average grant-date fair value of stock acquisition rights granted during the fiscal years ended March 31, 2011, 2012 and 2013 was ¥119,520, ¥91,840 and ¥113,250, respectively.

The compensation cost related to this plan recognized in income was ¥814 million, ¥788 million and ¥1,333 million during the fiscal years ended March 31, 2011, 2012 and 2013, respectively.

*Ex-MHTB Stock Plan*

In this plan, 1,000 shares of MHTB common stock were to be issued or transferred upon exercise of each of the stock acquisition rights. The amount to be paid upon exercise was 1 yen per share. The contractual term of the stock acquisition rights was 20 years. A holder might exercise the stock acquisition rights only after the date on which such holder lost the status as a Director of MHTB.

The weighted-average grant-date fair value of stock acquisition rights granted during the fiscal year ended March 31, 2011 was ¥70,030.



The compensation cost related to this plan recognized in income was ¥181 million during the fiscal year ended March 31, 2011.

F-67

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Ex-MHSC Stock Plan*

In this plan, 1,000 shares of MHSC common stock were to be issued or transferred upon exercise of each of the stock acquisition rights. The amount to be paid upon exercise was 1 yen per share. The contractual term of the stock acquisition rights was 20 years. A holder might exercise the stock acquisition rights only after the date on which such holder lost the status as a Director of MHSC. If a holder assumed the status as a Director of the company immediately after losing the status as a Director of the company, the holder might exercise the stock acquisition rights only after losing such status finally and definitely.

The weighted-average grant-date fair value of stock acquisition rights granted during the fiscal year ended March 31, 2011 was ¥190,280.

The compensation cost related to this plan recognized in income was ¥373 million during the fiscal year ended March 31, 2011.

**21. Derivative financial instruments**

The MHFG Group uses derivative financial instruments in response to the diverse needs of customers, to control the risk related to the assets and liabilities of the MHFG Group, as part of its asset and liability management, and for proprietary trading purposes. The MHFG Group is exposed primarily to market risk associated with interest rate, commodity, foreign currency, and equity products. Market risk arises from changes in market prices or indices, interest rates and foreign exchange rates that may result in an adverse change in the market value of the financial instrument or an increase in its funding costs. Exposure to market risk is managed by imposing position limits and monitoring procedures and by initiating hedging transactions. In addition to market risk, the MHFG Group is exposed to credit risk associated with counterparty default or nonperformance on transactions. Credit risk arises from counterparty failure to perform according to the terms and conditions of the contract and the value of the underlying collateral held, if applicable, is not sufficient to recover resulting losses. The exposure to credit risk is measured by the fair value of all derivatives in a gain position and its potential increase at the balance sheet dates. The exposure to credit risk is managed by entering into legally enforceable master netting agreements to mitigate the overall counterparty credit risk, requiring underlying collateral and guarantees based on an individual credit analysis of each obligor and evaluating credit features of each instrument. In addition, credit approvals, limits and monitoring procedures are also imposed.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Notional amount and fair value of derivative contracts***

The following table summarizes notional and fair value amounts of derivative instruments outstanding as of March 31, 2012 and 2013. The fair value of derivatives is not offset against the right to reclaim cash collateral or the obligation to return cash collateral under master netting agreement in the consolidated balance sheets as well as the table below.

	Notional amount (1)	Derivative receivables <sup>(2)</sup>		Fair value	
		Designated as hedges	Not designated as hedges (in billions of yen)	Designated as hedges	Not designated as hedges
<b>2012</b>					
Interest rate contracts	886,354		9,789		9,453
Foreign exchange contracts	83,984		2,582	15	2,559
Equity-related contracts	4,796		145		180
Credit-related contracts	6,984		59		36
Other contracts	727		61		46
Total	982,845		12,636	15	12,274

	Notional amount (1)	Derivative receivables <sup>(2)</sup>		Fair value	
		Designated as hedges	Not designated as hedges (in billions of yen)	Designated as hedges	Not designated as hedges
<b>2013</b>					
Interest rate contracts	854,698		10,350		10,018
Foreign exchange contracts	118,708		3,099	10	2,973
Equity-related contracts	3,419		182		177
Credit-related contracts	5,266		59		44
Other contracts	522		38		27
Total	982,613		13,728	10	13,239

Notes:

(1) Notional amount represents the sum of gross long and gross short third-party contracts.

(2) Derivative receivables and payables are recorded in Trading account assets and Trading account liabilities, respectively.

The MHFG Group provided and/or accepted cash collateral for derivative transactions under master netting agreements. The cash collateral, not offset against derivative positions, was included in Other assets and Other liabilities, respectively, of which amounts were ¥822 billion and ¥367 billion at March 31, 2012, and ¥742 billion and ¥503 billion at March 31, 2013, respectively.

***Hedging activities***

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be designated as a hedge, with documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, and how effectiveness is to be assessed prospectively and retrospectively. The extent to which a hedging instrument is effective at achieving offsetting changes in fair value or cash flows must be assessed at least quarterly. Any ineffectiveness must be reported immediately in earnings. The MHFG Group's hedging activities include fair value and net investment hedges.

F-69

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Fair value hedges*

The MHFG Group primarily uses option and forward contracts to modify exposure to changes in fair value of available-for-sale securities. For qualifying fair value hedges, all changes in the fair value of the derivative and the corresponding hedged item relating to the risk being hedged are recognized in earnings in Investment gains (losses) net. The change in fair value of the portion of the hedging instruments excluded from the assessment of hedge effectiveness is recorded in Trading account gains (losses) net. No ineffectiveness exists because the MHFG Group chooses to exclude changes in the option's time value and price differences between the spot and the forward from the effectiveness test. If the hedge relationship is terminated, the fair value adjustment to the hedged item continues to be reported as part of the basis of the item and is amortized to earnings as a yield adjustment.

The following table summarizes gains and losses information related to fair value hedges for the fiscal years ended March 31, 2011, 2012 and 2013:

2011	Derivatives	Gains (losses) recorded in income		Net gain (loss) excluded from assessment of effectiveness
		Hedged items	Hedge ineffectiveness (in millions of yen)	
Interest rate contracts	(1,191)	996		(195)
Total	(1,191)	996		(195)

2012	Derivatives	Gains (losses) recorded in income		Net gain (loss) excluded from assessment of effectiveness
		Hedged items	Hedge ineffectiveness (in millions of yen)	
Interest rate contracts	(214)	150		(64)
Equity-related contracts	(285)	278		(7)
Total	(499)	428		(71)

2013	Derivatives	Gains (losses) recorded in income		Net gain (loss) excluded from assessment of effectiveness
		Hedged items	Hedge ineffectiveness (in millions of yen)	
Interest rate contracts	44	(81)		(37)
Equity-related contracts	352	(394)		(42)
Total	396	(475)		(79)

*Net investment hedges*

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

The MHFG Group uses forward foreign exchange contracts and foreign currency-denominated debt instruments to protect the value of net investments in non-Japanese subsidiaries from foreign currency exposure. Under net investment hedges, both derivatives and nonderivative financial instruments qualify as hedging instruments. The foreign currency-denominated debt instruments qualifying as hedging instruments include deposits and long-term debt, of which the carrying amounts of the portion designated as net investment hedges are included within the respective items in the consolidated balance sheets as well as relevant accompanying notes. For net investment hedges, the changes in the fair value of a hedging derivative instrument or nonderivative hedging financial

F-70

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

instrument is recorded in Foreign currency translation adjustments within Accumulated other comprehensive income (loss), provided that the hedging instrument is designated and is effective as a hedge of the net investment. The change in fair value of the ineffective portion is recorded in Foreign exchange gains (losses) net in earnings. No amount is excluded from the assessment of hedge effectiveness of net investment hedges.

The following table summarizes gains and losses information related to net investment hedges for the fiscal years ended March 31, 2011, 2012 and 2013:

	Gains (losses) recorded in income and other comprehensive income ( OCI )					
	2011		2012		2013	
	Effective portion recorded in OCI	Ineffective portion recorded in income	Effective portion recorded in OCI	Ineffective portion recorded in income	Effective portion recorded in OCI	Ineffective portion recorded in income
	(in millions of yen)					
Financial instruments hedging foreign exchange risk	43,740	5,168	8,024	1,666	(65,851)	(2,908)
Total	43,740	5,168	8,024	1,666	(65,851)	(2,908)

Note: Related to the effective portion of net investment hedges, Accumulated other comprehensive income (loss) of ¥(1,144) million, ¥1,893 million and ¥13,858 million were reclassified to earnings for the fiscal years ended March 31, 2011, 2012 and 2013, respectively.  
*Derivative instruments not designated or qualifying as hedges*

The MHFG Group enters into the following derivative transactions that do not qualify for hedge accounting with a view to implementing risk management hedging strategies: (1) interest-rate swap transactions for the purpose of hedging interest-rate risks in deposits, loans etc., (2) currency swap transactions for the purpose of hedging the foreign exchange risk of these assets, and (3) credit derivatives for the purpose of hedging the credit risk in loans, RMBS, CMBS, CLO and other similar assets. Such derivatives are accounted for as trading positions. The change in fair value of those instruments are primarily recorded in Trading account gains (losses) net, even though they are used to mitigate or transform the risk of exposures arising from banking activities. The net gain (loss) resulting from changes in the fair values of certain credit derivatives where the Group purchases protection to mitigate its credit risk exposure, related to its corporate loan portfolio, is recorded in Other noninterest income (expenses).

The following table summarizes gains and losses on derivatives not designated or qualifying as hedges during the fiscal years ended March 31, 2011, 2012 and 2013:

	Gains (losses) recorded in income		
	2011	2012	2013
	(in millions of yen)		
Interest rate contracts <sup>(1)</sup>	250,222	261,632	219,422
Foreign exchange contracts	(105,504)	(146,258)	(91,300)
Equity-related contracts <sup>(1)</sup>	11,223	(7,143)	(59,421)
Credit-related contracts <sup>(2)</sup>	(15,220)	(5,575)	(6,877)
Other contracts	1,943	283	(2,378)
Total	142,664	102,939	59,446





**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## Notes:

- (1) Net gain (loss) excluded from assessment of effectiveness for fair value hedges is not included in the above table.
- (2) Amounts include the net loss of ¥8,207 million, ¥3,391 million and ¥6,703 million on the credit derivatives hedging the credit risk in loans during the fiscal years ended March 31, 2011, 2012 and 2013, respectively.

***Credit derivatives***

A credit derivative is a bilateral contract between a seller and a buyer of protection against the credit risk of a particular entity. Credit derivatives generally require that the seller of credit protection make payments to the buyer upon the occurrence of predefined credit events, which include bankruptcy, dissolution or insolvency of the referenced entity. The MHFG Group either purchases or writes protection on either a single name or a portfolio of reference credits. The Group enters into credit derivatives to help mitigate credit risk in its corporate loan portfolio and other cash positions, to take proprietary trading positions, and to facilitate client transactions.

The notional amount of credit derivatives represents the maximum potential amount of future payments the seller could be required to make. If the predefined credit event occurs, the seller will generally have a right to collect on the underlying reference credit and any related cash flows, while being liable for the full notional amount of credit protection to the buyer. The Group manages credit risk associated with written protection by purchasing protection with identical or similar underlying reference credit, which substantially offsets its exposure. Thus, the notional amount is not a reliable indicator of the Group's actual loss exposure.

The following table summarizes notional and fair value amounts of credit derivatives at March 31, 2012 and 2013:

	2012		2013	
	Notional amount	Fair value	Notional amount	Fair value
	(in billions of yen)			
<b>Credit protection written</b>				
Investment grade	2,072	(2)	1,810	1
Non-investment grade	1,303	2	652	1
<b>Total</b>	<b>3,375</b>		<b>2,462</b>	<b>2</b>
<b>Credit protection purchased</b>	<b>3,651</b>	<b>23</b>	<b>2,870</b>	<b>13</b>

Note: Rating scale is based upon either external ratings or internal ratings. The lowest investment grade is considered to be BBB- or the corresponding internal rating, while anything below or unrated is considered to be non-investment grade. Non-investment grade credit derivatives primarily consist of unrated credit default swap indices such as CDX and iTraxx.

The following table shows the maximum potential amount of future payment for credit protection written by expiration period at March 31, 2012 and 2013:

Maximum payout/Notional amount	
2012	2013

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

	(in billions of yen)	
One year or less	1,422	620
After one year through five years	1,896	1,720
After five years	57	122
Total	3,375	2,462

F-72

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Note: The maximum potential amount of future payment is the notional amount of the credit derivatives where the Group wrote the credit protection, and it has not been reduced by the Group's right of collection over the underlying assets and the related cash flows, nor netted against that of credit protection purchased.

***Credit-related contingent features***

Certain of the MHFG Group's derivative instruments contain provisions that require the Group's debt to maintain an investment grade credit rating from the major credit rating agencies. If the Group's debt were to fall below investment grade, the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in the Group's net liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features in liability positions on March 31, 2012 and 2013 was ¥1,308 billion and ¥1,022 billion, respectively. As the Group has provided ¥1,298 billion and ¥1,029 billion as collateral to the counterparties in its normal course of business on March 31, 2012 and 2013, respectively, if the contingent features described above were triggered on March 31, 2012 and 2013, the amount required to be posted as collateral or settled immediately would be ¥10 billion on March 31, 2012, while there was no amount that the Group would be required to post as collateral or settle immediately on March 31, 2013. The prior year's net liability, posted collateral and settlement amount have been restated from the previously reported amounts of ¥1,585 billion, ¥1,379 billion and ¥206 billion, respectively.

**22. Commitments and contingencies*****Obligations under guarantees***

The MHFG Group provides guarantees or indemnifications to counterparties to enhance their credit standing and enable them to complete a variety of business transactions. The guarantee represents an obligation to make payments to third parties if the counterparty fails to fulfill its obligation under a borrowing arrangement or other contractual obligation.

The types of guarantees under ASC 460, *Guarantees* (ASC 460) provided by the MHFG Group are described below.

***Performance guarantees***

Performance guarantees are issued to guarantee customers' performance under contractual arrangements such as a tender bid on a construction project or the completion of a construction project.

***Guarantees on loans***

Guarantees on loans include an obligation to guarantee the customer's borrowing contracts. The MHFG Group is required to make payments to the guaranteed parties in the event that customers fail to fulfill obligations under the contracts.

***Guarantees on securities***

Guarantees on securities include an obligation to guarantee securities, such as bonds issued by customers.

***Other guarantees***

Other guarantees include an obligation to guarantee customers' payment, such as tax payments.



---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Guarantees for the repayment of trust principal*

The MHFG Group provides certain trust products with guarantees for the repayment of trust principal, e.g., loan trusts and certain jointly operated designated money trusts. Pursuant to Japanese trust-related laws, trustees are prohibited from compensating beneficiaries for any loss in the beneficial interests in each trust. However, under a special condition of the Japanese trust-related laws, trust banks as trustees are allowed to enter into an agreement to compensate for any loss in the principal of the trust. The MHFG Group manages and administers the trust assets to minimize exposures against losses from the guarantees for the repayment of trust principal, including writing-off impaired loans and charging it to the trust account profits. In performing its fiduciary duties, the MHFG Group also manages the trust assets separately from its own proprietary assets on behalf of customers and keeps separate records for the trust activities. On April 1, 2010, the MHFG Group consolidated certain guaranteed principal money trusts. See Note 24 Variable interest entities and securitizations for further discussion of the guaranteed principal money trust. The contract amounts of guarantees for repayment of unconsolidated trust principal are presented in the tables below.

Part of the trust account profits is set aside as a reserve in trust accounts to absorb losses in the trust asset portfolios in accordance with relevant Japanese laws concerning the trust business and/or trust agreements. Statutory reserves for loan trusts and reserves for jointly operated designated money trusts are calculated based on the trust principal or the balance of loans and other assets in the trust accounts. Since the probability of principal indemnification is judged to be remote, the MHFG Group had no related reserve for credit losses recorded in its consolidated financial statements.

*Liabilities of trust accounts*

The MHFG Group, as trustee, may enter into an agreement with a third party who is not the party to the relevant trust agreement to the extent necessary to handle the trust affairs for the purpose of fulfilling the objectives of the trust and, as such, the trustee shall be allowed to assume certain liabilities. Pursuant to Japanese trust-related laws, the trustee is ultimately liable to pay those liabilities out of its proprietary assets in the event that the trust assets are insufficient to cover those liabilities. The amount of trust liabilities rarely exceeds the amount of trust assets and, therefore, those liabilities are generally covered by the corresponding trust assets. To avoid the demand for payment out of the proprietary assets, the trustee can enter into a special covenant of limited liability under which the trust creditors agree to limit the trustee's liability to the value of the trust assets and to waive the right for compulsory execution against the trustee's proprietary assets. The MHFG Group regularly monitors the condition of trust accounts to minimize exposures against making payment.

The amounts of such liabilities in the trust accounts excluding those with the special covenant of limited liability are presented in the tables below. Liabilities of trust accounts principally include obligations to return collateral under security lending transactions and others.

*Derivative financial instruments*

Certain written options and credit default swaps are deemed guarantees pursuant to the definition of guarantees in ASC 460 if these contracts require the MHFG Group to make payments to counterparties based on changes in an underlying instrument or index that is related to an asset, a liability, or an equity security of counterparties. The MHFG Group's payments could involve a gross settlement or a net settlement. Because it is difficult in practice to determine whether the counterparty has the asset, the liability or the equity security relating to the underlying, the MHFG Group has decided to include all credit default swaps and written options, excluding written options outside the scope of ASC 460, in the guarantee disclosures.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Carrying amount*

The MHFG Group records all guarantees and similar obligations subject to ASC 460 at fair value on the consolidated balance sheets at the inception of the guarantee. The total carrying amount of guarantees and similar obligations at March 31, 2012 and 2013 was ¥857 billion and ¥512 billion, respectively, and was included in Other liabilities and Trading account liabilities. The total includes the carrying amounts of derivatives that are deemed to be guarantees, which amounted to ¥840 billion and ¥493 billion at March 31, 2012 and 2013, respectively.

*Maximum exposure under guarantee contracts*

The table below summarizes the remaining term and maximum potential amount of future payments by type of guarantee at March 31, 2012 and 2013. The maximum potential amount of future payments disclosed below represents the contractual amounts that could be repaid in the event of guarantees execution, without consideration of possible recoveries under recourse provisions or from collateral held. With respect to written options included in derivative financial instruments in the table below, in theory, the MHFG Group is exposed to unlimited losses; therefore, the table shows notional amounts of the contracts as a substitute for the maximum exposure.

The MHFG Group, when necessary, requires collateral such as cash, investment securities and real estate or third-party guarantees depending on the amount of credit risk involved, and employs means such as sub-participation to reduce the credit risk associated with guarantees. The maximum exposure or notional amounts below does not represent the expected losses from the execution of the guarantees.

2012	Maximum potential/Contractual or Notional amount	Amount by expiration period		
		One year or less	After one year through five years	After five years
Performance guarantees	1,681	978	536	167
Guarantees on loans	502	173	41	288
Guarantees on securities	73	32	41	
Other guarantees	997	695	218	84
Guarantees for the repayment of trust principal	184		140	44
Liabilities of trust accounts	8,313	8,132	67	114
Derivative financial instruments	28,620	13,546	12,446	2,628

2013	Maximum potential/Contractual or Notional amount	Amount by expiration period		
		One year or less	After one year through five years	After five years
Performance guarantees	1,750	935	619	196
Guarantees on loans	452	159	51	242
Guarantees on securities	146	19	127	
Other guarantees	1,068	826	217	25
Guarantees for the repayment of trust principal	171		133	38
Liabilities of trust accounts	8,606	8,428	72	106
Derivative financial instruments	23,582	10,185	11,837	1,560

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below presents maximum potential amount of future payments of performance guarantees, guarantees on loans, guarantees on securities and other guarantees classified based on internal ratings at March 31, 2012 and 2013:

	2012	2013
	(in billions of yen)	
Investment grade	2,125	2,387
Non-investment grade	1,128	1,029
<b>Total</b>	<b>3,253</b>	<b>3,416</b>

Note: Investment grade in the internal rating scale is generally corresponding to BBB- or above in external rating scale.

***Other off-balance-sheet instruments***

In addition to guarantees, the MHFG Group issues other off-balance-sheet instruments to its customers, such as lending-related commitments and commercial letters of credit. Under the terms of these arrangements, the MHFG Group is required to extend credit or make certain payments upon the customers' request.

*Commitments to extend credit*

Commitments to extend credit are legally binding agreements to lend to customers on demand. They usually have set maturity dates. These agreements differ from guarantees in that they are generally revocable or contain provisions that enable the MHFG Group to avoid payment or reduce the amount of credit extended under certain conditions, such as the deterioration of the borrower's financial condition or other reasonable conditions. The MHFG Group monitors the financial condition of the potential borrowers throughout the commitment period to determine whether additional collateral or changes in the terms of the commitment are necessary. Since many of these commitments to extend credit expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

*Commitments to invest in securities*

Commitments to invest in securities include legally binding contracts to make additional contributions to investment funds, such as venture capital funds or corporate recovery funds in accordance with the terms of investment agreements.

*Commercial letters of credit*

Commercial letters of credit are issued in connection with customers' trade transactions. Normally, the customers cannot receive the goods until they make payment to a bank, and therefore these commercial letters of credit are collateralized by the underlying goods. Upon issuance of commercial letters of credit, the MHFG Group monitors the credit risk associated with these transactions to determine if additional collateral is required.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below summarizes the contractual amounts with regard to these undrawn commitments at March 31, 2012 and 2013:

	2012	2013
	(in billions of yen)	
Commitments to extend credit <sup>(Note)</sup>	53,088	59,101
Commercial letters of credit	536	608
<b>Total</b>	<b>53,624</b>	<b>59,709</b>

Note: Commitments to extend credit include commitments to invest in securities.

***Allowance for losses on off-balance-sheet instruments***

Other liabilities include an allowance for losses on off-balance-sheet instruments, of which amount at March 31, 2012 and 2013 was ¥112 billion and ¥102 billion, respectively.

***Leases***

The MHFG Group leases certain office space and equipment under noncancelable agreements. Future minimum rental commitments for noncancelable leases at March 31, 2013 were as follows:

	Capitalized leases	Operating leases
	(in millions of yen)	
<b>Fiscal year ending March 31:</b>		
2014	5,926	43,129
2015	4,997	19,835
2016	4,408	15,007
2017	3,690	10,771
2018	3,045	7,425
2019 and thereafter	3,704	20,337
<b>Total minimum lease payments</b>	<b>25,770</b>	<b>116,504</b>
<b>Amount representing interest</b>	<b>1,364</b>	
<b>Present value of minimum lease payments</b>	<b>24,406</b>	

Total rental expense for the fiscal years ended March 31, 2011, 2012 and 2013 was ¥102,455 million, ¥101,003 million and ¥98,459 million, respectively.

During prior years, the MHFG Group's major banking subsidiaries sold their head offices (including land, buildings, facilities and equipment) to third parties. Concurrent with the sales, these subsidiaries leased the properties back for periods of 5 and 10 years at total lease payment for the whole period of ¥214,690 million. The terms of certain lease agreements were changed during the fiscal years ended March 31, 2009, 2011 and



## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

2012, and the total lease payment for the whole period increased to ¥215,210 million, consequently. The MHFG Group recorded the transactions as operating leases. The future minimum lease payments under the terms of the related lease agreements were ¥39,421 million, ¥29,879 million and ¥15,907 million at March 31, 2011, 2012 and 2013, respectively.

F-77

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Legal proceedings***

The MHFG Group is involved in normal collection proceedings initiated by the Group and other legal proceedings in the ordinary course of business.

The Group's Indonesian subsidiary acts as collateral agent for the trustee of bond issuances made by subsidiaries of Asia Pulp & Paper Company Ltd. ( APP ). In that role, the subsidiary is involved in a dispute between the bondholders and such APP subsidiaries in their capacities as the issuers, guarantors and/or pledgors of security for the bonds relating to foreclosure proceedings on the collateral and has been named as a defendant in a lawsuit brought by the obligors under the bonds in Indonesia. The Group's consolidated financial statements do not include a reserve in relation to this dispute because the Group does not believe that the resolution of this matter will have a significant impact on the consolidated financial condition or results of operations of the Group, although there can be no assurance as to the foregoing.

**23. Noncontrolling interests in consolidated subsidiaries**

Noncontrolling interests represent the equity for the remaining outstanding voting stock of subsidiaries not owned by the MHFG Group. The changes in noncontrolling interests in fiscal years ended March 31, 2011, 2012 and 2013 consisted of noncontrolling interests in net income or loss of subsidiaries, noncontrolling interests in changes in other comprehensive income of subsidiaries and changes resulting from changes in the ownership percentage of the Group in certain subsidiaries.

During the fiscal year ended March 31, 2012, the MHFG Group exchanged certain MHFG's common stock for 30.15, 40.80 and 46.02 percent of the voting equity interests in MHTB, the former MHSC and the former MHIS, respectively, in order to turn those subsidiaries into MHFG's wholly-owned subsidiaries. See Note 14 Common stock for further details of the transactions. Then the Group transferred 5.34 percent of the voting equity interests in the former MHSC to The Norinchukin Bank.

**24. Variable interest entities and securitizations*****Variable interest entities***

In the normal course of business, the MHFG Group is involved with VIEs primarily through the following types of transactions: asset-backed commercial paper/loan programs, asset-backed securitizations, investment funds, trust arrangements, and structured finance. The Group consolidated certain of these VIEs, in accordance with the new consolidation guidance effective April 1, 2010, where the Group was deemed to be the primary beneficiary because it has both (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. According to such new consolidation guidance, the MHFG Group additionally consolidated certain VIEs and former qualifying special-purpose entities ( QSPEs ) that had not been consolidated prior to April 1, 2010. There are also other VIEs, where the Group determined that it was not the primary beneficiary but had significant variable interests. In evaluating the significance of the variable interests, the Group comprehensively takes into consideration the extent of its involvement with each VIE, such as the seniority of its investments, the share of its holding in each tranche and the variability it expects to absorb, as well as other relevant facts and circumstances. The likelihood of loss is not necessarily relevant to the determination of significance, and therefore, significant does not imply that there is high likelihood of loss. The maximum exposure to loss that is discussed in this section refers to the maximum loss that the Group could be required to record in its consolidated statements of income as a result of its involvement with the VIE. Further, this maximum potential loss is disclosed regardless of the probability of such losses and, therefore, it is not indicative of the ongoing exposure which is managed within the Group's risk management framework.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tables below show consolidated assets of the Group's consolidated VIEs as well as total assets and maximum exposure to loss for its significant unconsolidated VIEs, as of March 31, 2012 and 2013:

2012	Consolidated VIEs		Significant unconsolidated VIEs
	Consolidated assets	Total assets (in billions of yen)	Maximum exposure to loss
Asset-backed commercial paper/loan programs	2,129		
Asset-backed securitizations	426	582	33
Investments in securitization products	74		
Investment funds	989	2,455	334
Trust arrangements and other	119		
Total	3,737	3,037	367

2013	Consolidated VIEs		Significant unconsolidated VIEs
	Consolidated assets	Total assets (in billions of yen)	Maximum exposure to loss
Asset-backed commercial paper/loan programs	2,212		
Asset-backed securitizations	385	463	37
Investments in securitization products		530	206
Investment funds	1,175	2,770	302
Trust arrangements and other	39		
Total	3,811	3,763	545

The Group has not provided financial or other support to consolidated or unconsolidated VIEs that the Group was not previously contractually required to provide.

The tables below present the carrying amount and classification of assets and liabilities on the MHFG Group's balance sheets that relate to its variable interests in the significant unconsolidated VIEs, as of March 31, 2012 and 2013:

Assets on balance sheets related to unconsolidated VIEs:	2012 (in billions of yen)	2013 (in billions of yen)
Trading account assets	46	46
Investments	202	206
Loans	120	308
Total	368	560

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

<b>Liabilities on balance sheets and maximum exposure to loss related to unconsolidated VIEs:</b>	<b>2012</b>	<b>2013</b>
	<b>(in billions of yen)</b>	
Payables under securities lending transactions	15	14
Total	15	14
Maximum exposure to loss	367	545

F-79

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Asset-backed commercial paper/loan programs*

The MHFG Group manages several asset-backed commercial paper/loan programs that provide its clients off-balance-sheet and/or cost-effective financing. The VIEs used in the programs purchase financial assets, primarily receivables, from clients participating in the programs and provide liquidity through the issuance of commercial paper or borrowings from the MHFG Group backed by the financial assets. While customers normally continue to service the transferred receivables, the MHFG Group underwrites, distributes, and makes a market in commercial paper issued by the conduits. The MHFG Group typically provides program-wide liquidity and credit support facilities and, in some instances, financing to the VIEs. The MHFG Group has the power to determine which assets will be held in the VIEs and has an obligation to monitor these assets. The Group is also responsible for liability management. In addition, through the liquidity and credit support facilities with the VIEs, the Group has the obligation to absorb losses that could potentially be significant to the VIEs. Therefore, the Group consolidated this type of VIEs.

*Asset-backed securitizations*

The MHFG Group acts as an arranger of various types of structured finance to meet clients off-balance-sheet financing needs. In substantially all of these structured financing transactions, the transfer of the financial asset by the client is structured to be bankruptcy remote by use of a bankruptcy remote entity, which is deemed to be a VIE because its equity holder does not have decision making rights. The MHFG Group receives fees for structuring and/or distributing the securities sold to investors. In some cases, the MHFG Group itself purchases the securities issued by the entities and/or provides loans to the VIEs.

In addition, the MHFG Group establishes several single-issue and multi-issue special purpose entities that issue collateralized debt obligations ( CDO ) or CLO, synthetic CDO/CLO or other repackaged instruments to meet clients and investors financial needs. The MHFG Group also arranges securitization transactions including CMBS, RMBS and others. In these transactions, the MHFG Group acts as an underwriter, placement agent, asset manager, derivatives counterparty, and/or investor to debt and equity instruments.

In certain VIEs, where the MHFG Group provides liquidity and credit support facilities, writes credit protection or invests in debt or equity instruments in its role as an arranger, servicer, administrator or asset manager, etc., the Group has the power to determine which assets will be held in the VIEs or to manage and monitor these assets. In addition, through the variable interests above, the Group has the obligation to absorb losses and the right to receive benefits that could potentially be significant to the VIEs. Therefore, the Group consolidated such VIEs.

In a certain securitization transaction where the MHFG Group had transferred mortgage loans to a former QSPE, the Group, as continuing involvement, provides servicing for, holds retained subordinated beneficial interests in, and retains credit exposure in the form of a guarantee in the mortgage loans. Prior to April 1, 2010, this entity had been exempt from consolidation in accordance with the former accounting guidance. With elimination of the concept of QSPEs, the Group consolidated the entity as of April 1, 2010. In its role as a servicer, the Group has the power to direct the entity s activities that most significantly impact the entity s economic performance by managing defaulted mortgage loans. In addition, through the retained interest and the involvement as a guarantor above, the Group has the obligation to absorb losses and the right to receive benefits that could potentially be significant to the entity.

*Investments in securitization products*

The MHFG Group invests in, among other things, various types of CDO/CLO, synthetic CDO/CLO and repackaged instruments, CMBS and RMBS arranged by third parties for the purpose of generating current

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

income or capital appreciation, which all utilize entities that are deemed to be VIEs. By design, such investments were investment grade at issuance and held by a diverse group of investors. The loss amount of securities and loans is generally limited to the amount invested because the Group has no contractual involvement in such VIEs beyond its investments. Since the Group is involved in those VIEs only as an investor, the Group does not ordinarily have the power to direct the VIEs' activities that most significantly impact the VIEs' economic performance. However, the Group consolidated VIEs, where the transactions were tailored by the third party arrangers to meet the Group's needs as a main investor, who is eventually deemed to have the power to determine which assets to be held in the VIEs.

*Investment funds*

The MHFG Group invests in various investment funds including securities investment trusts, which collectively invest in equity and debt securities that include listed Japanese securities and investment grade bonds. Investment advisory companies or fund management companies, including the Group's subsidiaries and affiliates, administer and make investment decisions over such investment funds. The Group consolidates certain investment funds where it is deemed to be the primary beneficiary. The Group has determined that certain investment vehicles managed by the Group qualify for the deferral from certain requirements of ASC 810 that originated from SFAS No.167, because they meet the criteria in ASU No.2010-10. Therefore, for these vehicles, the Group determines whether it is the primary beneficiary by evaluation of whether it absorbs a majority of expected losses, receives a majority of expected residual returns, or both.

*Trust arrangements*

The MHFG Group offers a variety of asset management and administration services under trust arrangements including security investment trusts, pension trusts and trusts used in the securitization of assets originated by and transferred to third parties. The Group receives trust fees for providing services as an agent or fiduciary on behalf of beneficiaries.

With respect to guaranteed principal money trust products, the MHFG Group assumes certain risks by providing guarantees for the repayment of principal as required by the trust agreements or relevant Japanese legislation. The MHFG Group manages entrusted funds primarily through the origination of high quality loans and other credit-related products, investing in investment grade marketable securities such as Japanese government bonds and placing cash with the MHFG Group's subsidiary trust banks. The Group has the power to determine which assets will be held in the VIEs or to manage these assets. In addition, through the principal guarantee agreement, the Group has the obligation to absorb losses that could potentially be significant to the VIEs. Therefore, the Group consolidated this type of VIEs. However, the MHFG Group does not consolidate certain guaranteed principal money trusts, which invest all the entrusted funds in the MHFG Group itself, as the Group has determined that it has no variable interests (Refer to Note 10 Due to trust accounts). See Note 22 Commitments and contingencies for the balances of guaranteed trust principal unconsolidated at March 31, 2012 and 2013.

With respect to non-guaranteed trust arrangements, the MHFG Group manages and administers assets on behalf of its customers (trust beneficiaries) in the capacity of a trustee and fiduciary. For substantially all non-guaranteed trust arrangements, the Group generally does not have the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance or has neither the obligation to absorb losses nor the right to receive benefits that could potentially be significant to the VIEs. Therefore, such trust accounts are not included in the consolidated financial statements of the MHFG Group.

The Group has determined that, in certain trust arrangements, certain requirements of ASC 810 that originated from SFAS No.167 are deferred, because they meet the criteria in ASU No.2010-10. Therefore, for these trust arrangements, the Group determines whether it is the primary beneficiary by evaluation of whether it absorbs a majority of expected losses, receives a majority of expected residual returns, or both.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Special purpose entities created for structured finance*

The MHFG Group is involved in real estate, commercial aircraft and other vessel and machinery and equipment financing to VIEs. As the Group typically only provides senior financing with credit enhanced by subordinated interests and sometimes may act as an interest rate swap counterparty, the Group determined that, in this type of VIEs, it does not have the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance, or even the significant variable interests.

**Securitization**

The MHFG Group has had no significant transfers of financial assets, recognized no significant gains or losses and retained no significant interests in securitization transactions accounted for as sales.

There are certain transactions where transfers of financial assets do not qualify for sales treatment but are accounted for as secured borrowings. These transferred assets continue to be carried on the consolidated balance sheets of the MHFG Group. Such assets are associated with securitization transactions and loan participation transactions, which amounted to ¥132 billion and ¥60 billion as of March 31, 2012, and ¥174 billion and ¥62 billion as of March 31, 2013, respectively. Liabilities associated with securitization and loan participation transactions are presented as Payables under securities lending transactions and Other short-term borrowings or Long-term debt, respectively, on the consolidated balance sheets.

**25. Fees and commissions income**

Details of Fees and commissions income for the fiscal years ended March 31, 2011, 2012 and 2013 are as follows:

	2011	2012	2013
	(in millions of yen)		
Securities-related business	125,534	116,567	132,787
Deposits, debentures and lending business	95,209	97,509	113,989
Remittance business	105,314	105,015	104,574
Trust fees	47,201	45,990	45,621
Fees for other customer services	208,842	210,332	215,837
Total	582,100	575,413	612,808

Securities-related business fees consist of broker's fees and markups on securities underwriting and other securities related activities. Remittance business fees consist of service charges for funds transfer and collections. Trust fees are earned primarily by fiduciary asset management and administration service for corporate pension plans, investment funds, and other. Fees for other customer services include fees related to the MHFG Group's agency business, guarantee related business, and other.

**26. Trading account gains and losses**

The MHFG Group performs trading activities through market-making, sales, and arbitrage. Accordingly, Trading account gains (losses) net include gains and losses from transactions undertaken for trading purposes, including both market making for customers and proprietary trading, or transactions through which the Group seeks to capture gains arising from short-term changes in market value. Trading account gains (losses) net also include





**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

gains and losses related to changes in the fair value of derivatives and other financial instruments not eligible for hedge accounting under U.S. GAAP that are utilized to offset mainly interest rate risk related to the MHFG Group's various assets and liabilities, as well as gains and losses related to changes in the fair value of foreign currency-denominated available-for-sale securities that are elected for fair value treatment under ASC 825, Financial Instruments (ASC 825). Net trading gains (losses) for the fiscal years ended March 31, 2011, 2012 and 2013 are comprised of the following:

	2011	2012	2013
	(in millions of yen)		
Trading account gains (losses) net:			
Trading securities	55,339	227,056	468,029
Derivative contracts:			
Interest rate contracts <sup>(1)</sup>	250,027	261,568	219,385
Foreign exchange contracts	(105,504)	(146,258)	(91,300)
Equity-related contracts <sup>(1)</sup>	11,223	(7,150)	(59,462)
Credit-related contracts <sup>(2)</sup>	(7,012)	(2,184)	(174)
Other contracts	1,943	283	(2,378)
<b>Total</b>	<b>206,016</b>	<b>333,315</b>	<b>534,100</b>
Foreign exchange gains (losses) net <sup>(3)</sup>	55,998	98,054	20,514
<b>Net trading gains (losses)</b>	<b>262,014</b>	<b>431,369</b>	<b>554,614</b>

Notes:

- (1) Net gain (loss) excluded from assessment of effectiveness for fair value hedges is included in the above table.
- (2) Amounts do not include the net loss of ¥8,207 million, ¥3,391 million and ¥6,703 million on the credit derivatives hedging the credit risk in loans during the fiscal years ended March 31, 2011, 2012 and 2013, respectively. The net loss is recorded in Other noninterest expenses.
- (3) Amounts include realized and unrealized gains and losses on both derivative instruments and nonderivative instruments, such as translation gains and losses related to foreign currency-denominated available-for-sale securities that are elected for fair value treatment under ASC 825.

**27. Fair value*****Fair value measurements***

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Additionally, ASC 820 precludes (1) deferral of gains and losses at inception of certain derivative contracts whose fair value was not evidenced by market-observable data, and (2) use of block discounts when measuring the fair value of instruments traded in an active market, which were previously applied to large holdings of publicly traded financial instruments.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Fair value hierarchy*

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. If no quoted market price is available, the fair values of debt securities and over-the-counter derivative contracts in this category are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

*Valuation process*

The MHFG Group has established clear valuation policies which govern principles of fair value measurements and authority and duty of each department. The Group has also established a well-documented procedure manual which describes valuation techniques and related inputs for determining fair values of various financial instruments. The policies require the measurement of fair values be carried out in accordance with the procedures by middle offices or back offices which are independent from front offices. The policies also require risk management department check and verify whether the valuation methodologies defined in the procedure manual are fair and proper and internal audit department periodically review the compliance of the procedures throughout the Group. Although the valuation methodologies and related inputs are consistently used from period to period, a change in market environment sometime leads to a change in the valuation methodologies and the inputs. For instance, a change in market liquidity due to delisting or newly listing is one of key drivers of revision to the valuation methodologies and the inputs. The key drivers also include the availability or the unavailability of market observable inputs and the development of new valuation methodologies. The price verification through the Group's internal valuation process has an important role to identify whether the valuation methodologies and the inputs need to be changed. The internal valuation process over the prices broker-dealers provide primarily for Japanese securitization products is described in more detail below in *Investments*. A change in the valuation methodologies and/or the inputs require the revision of the valuation policies and procedure manual, which is approved by appropriate authority, either CEO, head of risk management, and/or accounting, depending on the natures and characteristics of the change.

Following is a description of valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis, including the general classification of such instruments pursuant to the fair value hierarchy and the MHFG Group's valuation techniques used to measure fair values. During the fiscal year ended March 31, 2013, there were no material changes made to the Group's valuation techniques and related inputs.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Trading securities and trading securities sold, not yet purchased*

When quoted prices for identical securities are available in an active market, the Group uses the quoted prices to measure fair values of securities and such securities are classified in Level 1 of the fair value hierarchy. Level 1 securities include highly liquid government bonds and Ginnie Mae securities. When quoted prices for identical securities are available, but not actively traded, such securities are classified in Level 2 of the fair value hierarchy. When no quoted market price is available, the Group estimates fair values by using a pricing model with inputs that are observable in the market and such securities are classified in Level 2 of the fair value hierarchy. Level 2 securities include Japanese local government bonds, corporate bonds, and commercial paper. When less liquidity exists for securities, the quoted prices are stale or the prices from independent sources vary, such securities are generally classified in Level 3 of the fair value hierarchy. The fair value of foreign currency denominated securitization products such as RMBS, CMBS, and asset-backed securities ( ABS ) is determined primarily by using a discounted cash flow model. The key inputs used for the model include default rates, recovery rates, prepayment rates, and discount rates. In the case that certain key inputs are unobservable or cannot be corroborated by observable market data, these financial instruments are classified in Level 3.

The investment funds are classified in either Level 1, Level 2, or Level 3 of the fair value hierarchy. Among those funds, exchange-traded funds ( ETF ) are generally classified in Level 1, while the others are classified in Level 2 or Level 3. Investment trusts and hedge funds are generally classified in Level 2, since those funds are measured at the net asset value ( NAV ) per share and the Group has the ability to redeem its investment with the investees at NAV per share at the measurement date or within the near term. Contrarily, private equity funds and real estate funds measured at NAV per share are generally classified in Level 3, since the Group never has the ability to redeem its investment with the investees at NAV per share, nor can it redeem its investment with the investees at NAV per share at the measurement date or within the near term.

*Derivative financial instruments*

Exchange-traded derivatives are valued using quoted market prices and so are classified in Level 1 of the fair value hierarchy. However, the majority of derivatives entered into by the Group are executed over-the-counter and so are valued using internal valuation techniques as no quoted market price is available for such instruments. The valuation techniques depend on the type of derivatives. The principal techniques used to value these instruments are discounted cash flow models and the Black-Scholes option pricing model, which are widely accepted in the financial services industry. The key inputs vary with the type of derivatives and the nature of the underlying instruments and include interest rate yield curves, foreign exchange rates, the spot price of the underlying, volatility and correlation. Each item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Level 2 derivatives include plain vanilla interest rate and currency swaps and option contracts. Derivative contracts valued using significant unobservable correlation or volatility are classified in Level 3 of the fair value hierarchy.

*Investments*

Fair values of available-for-sale securities are determined primarily using the same procedures described for trading securities above. Since private placement bonds have no quoted market prices, the fair values of such bonds are estimated based on a discounted cash flow model using interest rates approximating the current rates for instruments with similar maturities and credit risk. Private placement corporate bonds are placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model, such as credit risk. The fair value of Japanese securitization products such as RMBS, CMBS, CDO, ABS, and CLO is generally based upon single non-binding quoted prices from broker-dealers. Such quotes are validated through the Group's internal process. In the rare case where the Group finds the quoted prices to be invalid through its internal valuation process, it adjusts their prices or alternatively estimates their fair values by using a discounted cash

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

flow model to incorporate the Group's estimates of key inputs such as the most recent value of each underlying asset, cash flow generated on the underlying assets, and discount margin. The validation of such prices varies depending on the nature and type of the products. For the majority of RMBS, CDO, ABS and CLO products, broker quotes are validated by investigating significant unusual monthly valuation fluctuations and comparing to prices internally computed through discounted cash flow models using assumptions and parameters offered by brokers such as cash flows of underlying assets, yield curve, prepayment speed and credit spread. For the majority of CMBS, the Group validates broker quotes through a review process that includes investigation of significant unusual monthly valuation fluctuations and/or a review of underlying assets with significant differences between the valuations of the Group and the broker-dealers being identified. Though most Japanese securitization products are classified in Level 3, certain securitization products such as Japanese RMBS are classified in Level 2, if the quoted prices are verified through either the recent market transaction or a pricing model that can be corroborated by observable market data.

Other investments, except investments held by consolidated investment companies, have not been measured at fair value on a recurring basis. Investments held by consolidated investment companies mainly consist of marketable and non-marketable equity securities and debt securities. The fair value of the marketable equity securities is based upon quoted market prices. The fair value of the non-marketable equity securities is based upon significant management judgment, as very limited quoted prices exist. When evaluating such securities, the Group firstly considers recent market transactions of the identical security, if applicable. Otherwise, the Group uses commonly accepted valuation techniques such as earnings multiples based on comparable public securities. Non-marketable equity securities are generally classified in Level 3 of the fair value hierarchy. The fair value of the debt securities is estimated using a discounted cash flow model, since they have no quoted market prices. Those debt securities are classified in Level 3, because the credit risks are unobservable.

*Long-term debt*

Where fair value accounting has been elected for structured notes, the fair values of those are determined by incorporating the fair values of embedded derivatives primarily derived from the same procedures described for derivative financial instruments above. Such instruments are classified in Level 2 or Level 3 depending on the observability of significant inputs to the model of the embedded derivatives. Where fair value accounting has been elected for non-structured notes issued by a consolidated VIE, the fair values of those are determined primarily based upon the fair values of the underlying assets held by the consolidated VIE. Such instruments are classified in Level 3 because the underlying assets held by the consolidated VIE are securitization products classified in Level 3.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Items measured at fair value on a recurring basis*

Assets and liabilities measured at fair value on a recurring basis at March 31, 2012 and 2013, including those for which the MHFG Group has elected the fair value option, are summarized below:

2012	Level 1	Level 2	Level 3	Assets/ Liabilities at fair value
	(in billions of yen)			
<b>Assets:</b>				
Trading securities <sup>(1)</sup> :				
Japanese government bonds	6,017	38		6,055
Japanese local gov t bonds		91		91
U.S. Treasury bonds and federal agency securities	4,425	170		4,595
Other foreign gov t bonds	1,273	117		1,390
Agency mortgage-backed securities	1,894	272		2,166
Residential mortgage-backed securities			159	159
Commercial mortgage-backed securities		2	26	28
Certificates of deposit and commercial paper		1,041		1,041
Corporate bonds and other	119	1,220	355	1,694
Equity securities	553	456	82	1,091
Derivatives:				
Interest rate contracts	8	9,751	30	9,789
Foreign exchange contracts	2	2,507	73	2,582
Equity-related contracts	27	80	38	145
Credit-related contracts		34	25	59
Other contracts			61	61
Available-for-sale securities:				
Japanese government bonds	31,066	1,581		32,647
Japanese local gov t bonds		273		273
U.S. Treasury bonds and federal agency securities	101			101
Other foreign gov t bonds	279	166		445
Agency mortgage-backed securities	150	830		980
Residential mortgage-backed securities		223	348	571
Commercial mortgage-backed securities			330	330
Japanese corporate bonds and other debt securities		2,352	226	2,578
Foreign corporate bonds and other debt securities	12	294	236	542
Equity securities (marketable)	2,660	132		2,792
Other investments	1		189	190
Total assets at fair value on a recurring basis <sup>(2)</sup>	48,587	21,630	2,178	72,395
<b>Liabilities:</b>				
Trading securities sold, not yet purchased	4,610	78		4,688
Derivatives:				
Interest rate contracts	5	9,408	40	9,453
Foreign exchange contracts	1	2,537	36	2,574
Equity-related contracts	46	118	16	180

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Credit-related contracts	34	2	36	
Other contracts		46	46	
Long-term debt <sup>(3)</sup>	1	460	461	
Total liabilities at fair value on a recurring basis	4,662	12,176	600	17,438

F-87

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2013	Level 1	Level 2 (in billions of yen)	Level 3	Assets/ Liabilities at fair value
<b>Assets:</b>				
Trading securities <sup>(1)</sup> :				
Japanese government bonds	4,651	49		4,700
Japanese local gov t bonds		125		125
U.S. Treasury bonds and federal agency securities	5,777	306		6,083
Other foreign gov t bonds	2,235	194		2,429
Agency mortgage-backed securities	2,055	596		2,651
Residential mortgage-backed securities			100	100
Commercial mortgage-backed securities			91	94
Certificates of deposit and commercial paper		1,318		1,318
Corporate bonds and other	50	1,176	417	1,643
Equity securities	622	503	71	1,196
Derivatives:				
Interest rate contracts	7	10,319	24	10,350
Foreign exchange contracts	5	3,066	28	3,099
Equity-related contracts	45	114	23	182
Credit-related contracts		30	29	59
Other contracts		18	20	38
Available-for-sale securities:				
Japanese government bonds	29,198	1,585		30,783
Japanese local gov t bonds		244		244
U.S. Treasury bonds and federal agency securities	178			178
Other foreign gov t bonds	334	264		598
Agency mortgage-backed securities	144	862		1,006
Residential mortgage-backed securities		150	292	442
Commercial mortgage-backed securities			250	250
Japanese corporate bonds and other debt securities		2,000	215	2,215
Foreign corporate bonds and other debt securities	12	345	202	559
Equity securities (marketable)	2,975	164		3,139
Other investments	1		75	76
<b>Total assets at fair value on a recurring basis <sup>(2)</sup></b>	<b>48,289</b>	<b>23,431</b>	<b>1,837</b>	<b>73,557</b>
<b>Liabilities:</b>				
Trading securities sold, not yet purchased	3,338	182		3,520
Derivatives:				
Interest rate contracts	8	9,997	13	10,018
Foreign exchange contracts	4	2,968	11	2,983
Equity-related contracts	51	110	16	177
Credit-related contracts		35	9	44
Other contracts		8	19	27
Long-term debt <sup>(3)</sup>		171	381	552
<b>Total liabilities at fair value on a recurring basis</b>	<b>3,401</b>	<b>13,471</b>	<b>449</b>	<b>17,321</b>

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

### Notes:

- (1) Trading securities include foreign currency denominated securities for which the MHFG Group elected the fair value option.
- (2) Amounts include the investments measured at NAV per share at March 31, 2012 and 2013, of ¥631 billion and ¥715 billion, respectively, of which ¥581 billion and ¥667 billion, respectively, are classified in Level 2, and ¥50 billion and ¥48 billion, respectively, are classified in Level 3.
- (3) Amounts represent items for which the Group elected the fair value option.

F-88



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Items measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

The following table presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal years ended March 31, 2012 and 2013:

2012	April 1, 2011	Net realized/unrealized gains (losses)	Transfers in and/or out of Level 3	Purchases	Sales	Issuances	Settlements	March 31, 2012	Change in unrealized gains (losses) still held <sup>(6)</sup>
	(in billions of yen)								
<b>Assets:</b>									
Trading securities:									
Other foreign gov t bonds	1	(2)			(1)				
Residential mortgage-backed securities	206	(10) <sup>(2)</sup>		1	(3)		(35)	159	(8)
Commercial mortgage-backed securities	50	(3) <sup>(2)</sup>		2	(4)		(19)	26	(4)
Corporate bonds and other	452	(14) <sup>(2)</sup>	13	579	(510)		(165)	355	(19)
Equity securities	96	(6) <sup>(2)</sup>	(2)	18	(24)			82	(4)
Derivatives, net <sup>(1)</sup> :									
Interest rate contracts	(20)	6 <sup>(2)</sup>					4	(10)	9
Foreign exchange contracts	33	7 <sup>(2)</sup>					(3)	37	6
Equity-related contracts	29	(9) <sup>(2)</sup>					2	22	(5)
Credit-related contracts	25	(2) <sup>(2)</sup>						23	1
Other contracts	20	1 <sup>(2)</sup>					(6)	15	(3)
Available-for-sale securities:									
Residential mortgage-backed securities	429	(3)		31	(9)		(103)	348	(2)
Commercial mortgage-backed securities	486	11 <sup>(3)</sup>		36	(115)		(88)	330	(5)
Japanese corporate bonds and other debt securities	289	(2) <sup>(3)</sup>		61	(2)		(120)	226	
Foreign corporate bonds and other debt securities	248	(3)		72			(84)	236	
Other investments	260	(6) <sup>(4)</sup>	(1)	7	(8)		(63)	189	(8)
<b>Liabilities:</b>									
Long-term debt	440	(9) <sup>(5)</sup>				80	(69)	460	(6)

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2013	Gains (losses) in April 1, 2012 Earnings		Gains (losses) in OCI	Transfers into Level 3		Transfers out of Level 3	Purchases	Sales	Issuances	Settlements	March 31, 2013	Change in unrealized gains (losses) still held <sup>(6)</sup>
<b>Assets:</b>												
Trading securities:												
Residential mortgage-backed securities	159	17 <sup>(7)</sup>					2	(7)		(71)	100	6
Commercial mortgage-backed securities	26	1 <sup>(7)</sup>					72	(1)		(7)	91	
Corporate bonds and other	355	72 <sup>(7)</sup>		14	(8)	609	(544)			(81)	417	42
Equity securities	82	4 <sup>(7)</sup>		3	(3)	10	(25)				71	(1)
Derivatives, net <sup>(1)</sup> :												
Interest rate contracts	(10)	16 <sup>(7)</sup>								5	11	16
Foreign exchange contracts	37	(18) <sup>(7)</sup>			(8)					6	17	(21)
Equity-related contracts	22	(10) <sup>(7)</sup>								(5)	7	(10)
Credit-related contracts	23	(6) <sup>(7)</sup>		(1)	1					3	20	(5)
Other contracts	15	(7)			(14)						1	
Available-for-sale securities:												
Residential mortgage-backed securities	348	(8)	6 <sup>(9)</sup>			29	(1)			(90)	292	
Commercial mortgage-backed securities	330	2 <sup>(8)</sup>	12 <sup>(9)</sup>			31	(16)			(109)	250	(5)
Japanese corporate bonds and other debt securities	226	(8)	1 <sup>(9)</sup>			95				(107)	215	
Foreign corporate bonds and other debt securities	236	4 <sup>(8)</sup>	6 <sup>(9)</sup>			28	(4)			(68)	202	
Other investments	189	12 <sup>(8)</sup>				6	(49)			(83)	75	
<b>Liabilities:</b>												
Trading securities sold, not yet purchased												
		(7)			(1)	(41)	42					
Long-term debt	460	(26) <sup>(10)</sup>		4	(175)			142		(76)	381	(24)

## Notes:

- (1) Total Level 3 derivative exposures have been netted on the table for presentation purpose only.
- (2) Realized and unrealized gains (losses) are reported in Trading account gains (losses) net, Foreign exchange gains (losses) net or Other noninterest income (expenses).
- (3) Realized gains (losses) are reported in Investment gains (losses) net. Unrealized gains (losses) are reported in Accumulated other comprehensive income (loss).
- (4) Realized and unrealized gains (losses) are reported in Investment gains (losses) net.
- (5) Realized and unrealized gains (losses) are reported in Other noninterest income (expenses).
- (6) Amounts represent total gains or losses recognized in earnings during the period. These gains or losses are attributable to the change in fair value relating to assets and liabilities classified as Level 3 that are still held at March 31, 2012 and 2013.
- (7) Gains (losses) in Earnings are reported in Trading account gains (losses) net, Foreign exchange gains (losses) net or Other noninterest income (expenses).
- (8) Gains (losses) in Earnings are reported in Investment gains (losses) net.
- (9) Gains (losses) in OCI are reported in Accumulated other comprehensive income (loss).
- (10) Gains (losses) in Earnings are reported in Other noninterest income (expenses).

*Transfers between levels*

Transfers of assets or liabilities between levels of the fair value hierarchy are assumed to occur at the beginning of the period.

There were no significant transfers of assets or liabilities between Level 1 and Level 2 for the fiscal year ended March 31, 2012. During the fiscal year ended March 31, 2013, ¥37 billion of Trading securities was transferred from Level 1 to Level 2. Transfers of Trading securities were primarily related to certain Japanese government bonds which were traded with less frequency and decreased liquidity for certain foreign corporate bonds.

## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

There were no significant transfers of assets or liabilities between Level 1 or Level 2 and Level 3 for the fiscal year ended March 31, 2012. During the fiscal year ended March 31, 2013, ¥17 billion of Trading securities and ¥1 billion of net Derivative liabilities were transferred into Level 3. Transfers of Trading securities were primarily due to decreased liquidity for certain foreign corporate bonds and equity securities. Transfers of net Derivative liabilities were primarily due to decreased price observability for certain credit derivatives. During the

F-90

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

fiscal year ended March 31, 2013, ¥11 billion of Trading securities, ¥1 billion of Trading securities sold, not yet purchased and ¥21 billion of net Derivative assets were transferred out of Level 3. Transfers of Trading securities and Trading securities sold, not yet purchased were primarily due to increased liquidity for certain Japanese and foreign corporate bonds and equity securities. Transfers of net Derivative assets were primarily due to increased price observability for certain commodity derivatives and foreign exchange derivatives. During the fiscal year ended March 31, 2013, ¥4 billion of transfers into Level 3 and ¥175 billion of transfers out of Level 3 for Long-term debt were primarily due to changes in the impact of unobservable inputs on the value of certain structured notes.

*Quantitative information about Level 3 fair value measurements*

The following table presents information about significant unobservable inputs related to the MHFG Group's material classes of Level 3 assets and liabilities at March 31, 2013:

<b>2013</b>	<b>Products/Instruments</b>	<b>Fair value (in billions of yen, except for ratios and basis points)</b>	<b>Principal valuation technique</b>	<b>Unobservable inputs</b>	<b>Range of input values</b>
	Trading securities and Available-for-sale securities:				
	Residential mortgage-backed securities	392	Discounted cash flow Price-based	Prepayment rate Default rate Recovery rate Discount margin	0% -24% 0% -5% 70% -100% 7bps -2,616bps
	Commercial mortgage-backed securities	341	Discounted cash flow Price-based	Discount margin	9bps -3,929bps
	Corporate bonds and other debt securities	834	Discounted cash flow Price-based	Prepayment rate <sup>(1)</sup> Default rate <sup>(1)</sup> Recovery rate <sup>(1)</sup> Discount margin <sup>(1)</sup> Discount margin <sup>(2)</sup>	0%-43% 0%-8% 15%-85% 0bps -4,918bps 0bps -1,232bps
	Derivatives, net:				
	Interest rate contracts	11	Internal valuation model <sup>(3)</sup>	IR - IR correlation Default rate <sup>(4)</sup>	42%-100% 0%-63%
	Foreign exchange contracts	17	Internal valuation model <sup>(3)</sup>	FX - IR correlation FX - FX correlation FX volatility Default rate <sup>(4)</sup>	36%-55% 55%-55% 16%-26% 0%-63%
	Equity-related contracts	7	Internal valuation model <sup>(3)</sup>	Equity - IR correlation Equity - FX correlation Equity volatility	0%-60% 0%-70% 14%-48%
	Credit-related contracts <sup>(5)</sup>	20	Internal valuation model <sup>(3)</sup>	Default rate Credit correlation	0%-67% 2%-100%
	Long-term debt	381	Internal valuation model <sup>(3)</sup>	IR - IR correlation FX - IR correlation	42%-100% 36%-55%

FX	FX correlation	55%-55%
Equity	IR correlation	0%-60%
Equity	volatility	18%-48%
Default	rate	0%-10%
Credit	correlation	2%-100%

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Notes:

- (1) These inputs are mainly used for determining the fair values of securitization products such as CDO, CLO and ABS, other than RMBS and CMBS.
- (2) This input is mainly used for determining the fair values of Japanese corporate bonds and foreign corporate bonds.
- (3) Internal valuation model includes discounted cash flow models and the Black-Scholes option pricing model.
- (4) This input represents counterparty default rate derived from the MHFG Group's own internal credit experience.
- (5) The unobservable inputs related to credit derivatives economically hedging the credit risk in certain securitization products have been included in the unobservable inputs related to Trading securities and Available-for-sale securities.

IR = Interest rate

FX = Foreign exchange

*Sensitivity to unobservable inputs and interrelationship between unobservable inputs*

Following is a description of the sensitivities and interrelationships of the significant unobservable inputs used to measure fair values of Level 3 assets and liabilities.

(1) Prepayment rate

Prepayment rate is an estimated rate at which voluntary unscheduled repayments of the principals of the underlying assets are expected to occur. The movement of prepayment rate is generally negatively correlated with borrower delinquency. The change in prepayment rate would impact the valuation of fair values of financial instruments either positively or negatively, depending on the structure of financial instruments.

(2) Default rate

Default rate is an estimate of the likelihood of not collecting contractual payments. An increase in default rate would generally be accompanied by a decrease in recovery rate and an increase in discount margin. It would also generally impact the valuation of fair values of financial instruments negatively.

(3) Recovery rate

Recovery rate is an estimate of the percentage of collecting contractual payments in the event of a default. An increase in recovery rate would generally be accompanied by a decrease in default rate. It also would generally impact the valuation of fair values of financial instruments positively.

(4) Discount margin

Discount margin is the portion of the interest rate over a benchmark market interest rate such as LIBOR or swap rates. It primarily consists of a risk premium component which is the amount of compensation that market participants require due to the uncertainty inherent in the financial instruments' cash flows resulting from credit risk. An increase in discount margin would generally impact the valuation of fair values of financial instruments negatively.

(5) Correlation

Correlation is the likelihood of the movement of one input relative to another based on an established relationship. The change of correlation would impact the valuation of derivatives either positively or negatively, depending on the nature of the underlying assets.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(6) Volatility**

Volatility is a measure of expected change of variables over a fixed period of time. Some financial instruments benefit from an increase in volatility and others benefit from a decrease. Generally, for a long position in an option, an increase in volatility would result in an increase in fair values of financial instruments.

*Items measured at fair value on a nonrecurring basis*

Certain assets and liabilities are measured at fair value on a nonrecurring basis and are not included in the tables above. These assets and liabilities primarily include items that are measured at the lower of cost or fair value, and items that were initially measured at cost and have been written down to fair value as a result of impairment. The following table shows the fair value hierarchy for those items as of March 31, 2012 and 2013.

<b>2012</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Aggregate cost</b>
	<b>(in billions of yen)</b>				
<b>Assets:</b>					
Loans	188			188	282
Loans held-for-sale	3		2	1	6
Other investments	17	5		12	21
Premises and equipment net					4
Goodwill					6
<b>Total assets at fair value on a nonrecurring basis</b>	<b>208</b>	<b>5</b>	<b>2</b>	<b>201</b>	<b>319</b>
<b>Liabilities:</b>					
Other liabilities	1			1	
<b>Total liabilities at fair value on a nonrecurring basis</b>	<b>1</b>			<b>1</b>	
<b>2013</b>					
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Aggregate cost</b>
	<b>(in billions of yen)</b>				
<b>Assets:</b>					
Loans	222			222	343
Loans held-for-sale	5		5		5
Other investments	11			11	16
Premises and equipment net	1			1	5
<b>Total assets at fair value on a nonrecurring basis</b>	<b>239</b>		<b>5</b>	<b>234</b>	<b>369</b>

Loans in the table above have been impaired and measured based on the fair value of the underlying collateral.

Loans held-for-sale in the table above are accounted for at the lower of cost or fair value at the end of the fiscal year. The items of which fair values are determined by using actual or contractually determined selling price data are classified as Level 2. Due to the lack of current observable market information, the determination of fair value for items other than above requires significant adjustment based on management judgment and estimation, which leads such items into Level 3.



## Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Other investments in the table above, which consist of certain equity method investments and non-marketable equity securities, have been impaired and written down to fair value. The fair value of the impaired marketable equity method investment is determined by the quoted market price. As the security involved is traded in an active exchange market, this item is classified as Level 1. The fair value of the impaired non-marketable equity securities, which include non-marketable equity method investments, is determined primarily by using a liquidation value technique. As significant management judgment or estimation is required in the determination of the fair value of non-marketable equity securities, these items are classified as Level 3.

F-93

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Premises and equipment net in the table above have been impaired and written down to fair value.

Goodwill in the table above is entirely related to the former MHIS operating segment. Due to the decline of the fair value of the segment, the carrying amount of the goodwill was reduced to its fair value and an impairment loss was recognized. As the determination of fair value of the goodwill required significant management judgment and estimation, the item is classified as Level 3.

Other liabilities in the table above represent amounts recorded for loan commitments where loans drawn under the commitment will be held for sale. The losses were measured in the same manner as loans held-for-sale above.

***Fair value option***

The MHFG Group elected the fair value option for certain eligible financial instruments described below.

***Foreign currency denominated available-for-sale securities***

Prior to the adoption of the fair value option under ASC 825, the changes in fair value of foreign currency denominated available-for-sale securities had been accounted for in Accumulated other comprehensive income, net of tax, while the changes in fair value caused by foreign exchange fluctuation of foreign currency denominated financial liabilities had been accounted for in earnings. The MHFG Group elected the fair value option for those securities to mitigate the volatility in earnings due to the difference in the recognition of foreign exchange risk between available-for-sale securities and financial liabilities. Following the election of the fair value option, these securities have been reported as trading securities in Trading account assets.

***Certain hybrid financial instruments***

The MHFG Group issues structured notes as part of its client-driven activities. Structured notes are debt instruments that contain embedded derivatives. The Group elected the fair value option for certain structured notes to mitigate accounting mismatches and to achieve operational simplifications. Following the election of the fair value option, those structured notes continue to be reported in Long-term debt and interest on those structured notes continues to be reported in Interest expense on long-term debt based on the contractual rates. The differences between the aggregate fair value of those structured notes for which the fair value option has been elected and the aggregate unpaid principal balance of such instruments were ¥39 billion and ¥9 billion at March 31, 2012 and 2013, respectively. The net unrealized losses resulting from changes in fair values of those structured notes of ¥7 billion and ¥30 billion, which included the fair value changes attributable to changes in the Group's own credit risk, were recorded in Other noninterest expenses for the fiscal years ended March 31, 2012 and 2013, respectively.

***Financial assets and liabilities held by a consolidated VIE***

The MHFG Group consolidates a VIE that issues CDOs where MHFG or its subsidiaries have been determined to be the primary beneficiary. The Group elected the fair value option for certain assets held and notes issued by the VIE to eliminate the divergence between accounting income and economic income. The assets were reported in Trading account assets, while the notes were reported in Long-term debt. The fair value option enabled the Group to recognize the gains or losses attributing to only the notes that the Group held. The difference between the aggregate fair value of those notes for which the fair value option was elected and the aggregate unpaid principal balance of such instruments was ¥12 billion at March 31, 2012. There was no significant change in fair values of those notes during the fiscal year ended March 31, 2012. At March 31, 2013, as the VIE was in the process of liquidation, those notes for which the fair value option was elected were no longer included in the consolidated balance sheet.

---

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Fair value of financial instruments***

ASC 825 requires the disclosure of the estimated fair value of financial instruments. Fair value of financial instruments is the amount that would be exchanged between willing parties, other than in a forced sale or liquidation. Quoted market prices, if available, are best utilized as estimates of the fair values of financial instruments. However, since no quoted market prices are available for certain financial instruments, fair values for such financial instruments have been estimated based on management's assumptions, discounted cash flow models or other valuation techniques. Such estimation methods are described in more detail below. These estimates could be significantly affected by different sets of assumptions. There are certain limitations to management's best judgment in estimating fair values of financial instruments and inherent subjectivity involved in estimation methodologies and assumptions used to estimate fair value. Accordingly, the net realizable or liquidation values could be materially different from the estimates presented below.

ASC 825 does not require the disclosure of the fair value of nonfinancial instruments.

Following is a description of valuation methodologies used for estimating fair value for financial assets and liabilities not carried at fair value on the MHFG Group's consolidated balance sheets.

***Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions***

The carrying value of short-term financial assets, such as cash and due from banks, interest-bearing deposits in other banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions approximates the fair value of these assets since they generally involve limited losses from credit risk or have short-term maturities with interest rates that approximate market rates.

***Investments***

Fair values of held-to-maturity securities are determined primarily using the same procedures described for trading securities and available-for-sale securities aforementioned in this section. The fair values of other equity interests, which primarily comprise non-marketable equity securities, are not readily determinable, and their carrying amounts of ¥561 billion and ¥537 billion at March 31, 2012 and 2013, respectively, were not included in the disclosure.

***Loans***

Performing loans have been fair valued as groups of similar loans based on the type of loan, credit quality, prepayment assumptions and remaining maturity. The fair value of performing loans is determined based on discounted cash flows using interest rates approximating the MHFG Group's current rates for similar loans. The fair value of impaired loans is determined based on either discounted cash flows incorporating the Group's best estimate of the expected future cash flows or the fair value of the underlying collateral, if impaired loans are collateral dependent. During the fiscal year ended March 31, 2013, a domestic bank subsidiary has changed the assumptions of the expected future cash flows for its performing loans with floating interest rates to refine the fair values. As a result of this refinement, total estimated fair value of loans, net of allowance for loan losses at March 31, 2013, increased by ¥598 billion.

***Other financial assets***

The carrying value of other financial assets, which primarily consist of accounts receivable from brokers, dealers, and customers for securities transactions, accrued income and collateral provided for derivative transactions,

---

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

approximates the fair value of these assets since they generally involve limited losses from credit risk or have short-term maturities with interest rates that approximate market rates. Majority of other financial assets is classified as Level 2, and included in the table of Note 12 Other assets and liabilities .

*Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions*

The carrying value of short-term financial liabilities, such as noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions approximates the fair value of these liabilities since they generally have short-term maturities with interest rates that approximate market rates.

*Interest-bearing deposits*

The carrying value of demand deposits approximates the fair value since it represents the amount payable on demand at the balance sheet date. The fair value of time deposits and certificates of deposit is primarily estimated based on discounted cash flow analysis using current interest rates for instruments with similar maturities. The carrying value of short-term certificates of deposit approximates the fair value.

*Due to trust accounts*

The carrying value of due to trust accounts approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates.

*Commercial paper and other short-term borrowings*

The carrying value of the majority of short-term borrowings approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates. The fair value of certain borrowings is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group's incremental borrowing rates with similar maturities.

*Long-term debt*

Long-term debt is fair valued using quoted market prices, if available. Otherwise, the fair value of long-term debt is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group's incremental borrowing rates with similar maturities.

*Other financial liabilities*

The carrying value of other financial liabilities, which primarily consist of accounts payable to brokers, dealers, and customers for securities transactions, accrued expenses and collateral accepted for derivative transactions, approximates the fair value since they generally have short-term maturities with interest rates that approximate market rates. Majority of other financial liabilities is classified as Level 2, and included in the table of Note 12 Other assets and liabilities .

The fair values of certain off-balance-sheet financial instruments, such as commitments to extend credit and commercial letters of credit, are not considered material to the consolidated balance sheets at March 31, 2012 and 2013.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table shows the carrying amounts and fair values at March 31, 2012 and 2013, of certain financial instruments, excluding financial instruments which are carried at fair values on a recurring basis and those outside the scope of ASC 825 such as the equity method investments and lease contracts as defined in ASC 840, Leases (ASC 840):

	2012	
	Carrying amount	Estimated fair value
(in billions of yen)		
<b>Financial assets:</b>		
Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	21,141	21,141
Investments	1,802	1,816
Loans, net of allowance for loan losses <sup>(Note)</sup>	65,275	65,597
<b>Financial liabilities:</b>		
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	37,652	37,652
Interest-bearing deposits	79,266	79,209
Due to trust accounts	560	560
Commercial paper and other short-term borrowings	13,950	13,946
Long-term debt	7,982	8,326

	Carrying amount	Total	2013		
			Estimated fair value		
(in billions of yen)					
<b>Financial assets:</b>					
Cash and due from banks, call loans and funds sold, and receivables under resale agreements and securities borrowing transactions	27,583	27,583	903	26,680	
Investments	3,000	3,020	3,020		
Loans, net of allowance for loan losses <sup>(Note)</sup>	69,028	70,261			70,261
<b>Financial liabilities:</b>					
Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions	48,048	48,048	12,796	35,252	
Interest-bearing deposits	87,247	87,210	34,596	52,614	
Due to trust accounts	619	619		619	
Commercial paper and other short-term borrowings	6,724	6,723		6,723	
Long-term debt	8,235	8,598		7,967	631

Note: Loans, net of allowance for loan losses include items measured at fair value on a nonrecurring basis.

**28. Related party transactions***Transactions with directors, executive officers, and their associates*

The banking subsidiaries of MHFG make loans to the MHFG Group's directors, executive officers, and their associates in their ordinary course of business. At March 31, 2012 and 2013, outstanding loans to such related parties were not considered significant. These related party loans were made on substantially the same terms,



**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

including interest rate and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. At March 31, 2012 and 2013, there were no loans to these related parties that were considered impaired.

Other transactions, such as deposits, were entered into between MHFG's subsidiaries and the MHFG Group's directors, executive officers, and their associates during the fiscal years ended March 31, 2011, 2012 and 2013. The outstanding amounts of these transactions, which were made in the ordinary course of business with terms equivalent to those with unrelated parties, were not considered significant.

*Transactions with other related parties*

A number of transactions were entered into with other related parties, such as MHFG's employees and affiliates accounted for under the equity method. These transactions included loans, deposits, and other banking services. They were not significant in amount and were conducted with substantially the same terms as those for comparable transactions with unrelated parties.

**29. Business segment information**

Under U.S. GAAP, companies report segment information based on the way management disaggregates the company for making operating decisions. The MHFG Group's operating segments are based on the nature of the products and services provided, the type of customer and the Group's management organization. The business segment information set forth below is derived from the internal management reporting systems used by management to measure the performance of the Group's business segments. The management measures the performance of each of the operating segments primarily in terms of net business profits in accordance with internal managerial accounting rules and practices. Net business profits is used in Japan as a measure of the profitability of core banking operations, and is defined as gross profits (or the sum of net interest income, fiduciary income, net fee and commission income, net trading income and net other operating income) less general and administrative expenses (excluding non-recurring losses). Measurement by net business profits is required for regulatory reporting to the Financial Services Agency. Therefore, the format and information are presented primarily on the basis of Japanese GAAP and are not consistent with the consolidated financial statements prepared in accordance with U.S. GAAP. A reconciliation is provided for the segments' total net business profits with Income before income tax expense under U.S. GAAP.

Note 30 Foreign activities provides financial information relating to the MHFG Group's operations by geographic area.

As of the balance sheet date, MHFG managed its business portfolio through the three Global Groups: the Global Corporate Group, the Global Retail Group, and the Global Asset & Wealth Management Group. The Global Corporate Group consisted primarily of MHCB, the Global Retail Group consisted primarily of MHBK, and the Global Asset & Wealth Management Group consisted primarily of MHTB. The former MHSC and the former MHIS which had belonged to the Global Corporate Group and the Global Retail Group respectively, merged in January, 2013 and were launched as the new MHSC. The new MHSC belonged to both of the Global Corporate Group and the Global Retail Group. In addition, beginning on April 1, 2013, the new MHSC was turned into a directly-held subsidiary of MHFG.

Operating segments of MHCB and MHBK were aggregated within each entity based on customer characteristics and functions. Operating segments of MHCB were aggregated into three reportable segments, domestic, international, and trading and others. Operating segments of MHBK were also aggregated into three reportable

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

segments, retail banking, corporate banking, and trading and others. In addition to the three Global Groups, subsidiaries that provided services to a wide range of customers and that did not belong to a specific Global Group were aggregated in Others.

Beginning on April 1, 2012, with the implementation of the substantive one bank structure, in addition to managing our business portfolio through the three Global Groups as described above, MHFG has also begun managing MHBK and MHCB as one entity substantively with four reportable segments: retail banking; corporate banking; international; and trading and others.

Beginning on April 1, 2013, MHFG moved to a new group operational structure and established ten business units such as personal banking unit, retail banking unit, corporate banking unit etc., and head-office coordination divisions to determine strategies and initiatives across the group-wide banking, trust banking, securities and other business areas, based on the ten business units across MHBK and MHCB under the substantive one bank structure, and the existing three global groups were abolished.

In addition, MHBK and MHCB merged on July 1, 2013 and were launched as the new MHBK.

The descriptions set forth below are effective as of the balance sheet date.

***The Global Corporate Group***

***MHCB***

MHCB was the main operating company of the Global Corporate Group and provided banking and other financial services to large corporations, financial institutions, public sector entities, foreign corporations, including foreign subsidiaries of Japanese corporations, and foreign governmental entities.

**(1) Domestic**

This segment provided a variety of financial products and services to large corporations, financial institutions and public sector entities in Japan. The products and services it offered included commercial banking, advisory services, syndicated loan arrangements and structured finance.

**(2) International**

This segment mainly offered commercial banking and foreign exchange transaction services to foreign corporations, including foreign subsidiaries of Japanese corporations, through MHCB's overseas network.

**(3) Trading and others**

This segment supported the domestic and international segments in offering derivatives and other risk hedging products to satisfy MHCB's customers' financial and business risk control requirements. It was also engaged in MHCB's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also included costs incurred by headquarters functions of MHCB.

**(4) MHSC**

The former MHSC and the former MHIS merged to form the new MHSC in January, 2013. The new MHSC belonged to both of the Global Corporate Group and the Global Retail Group and provided full-line securities services to corporations, financial institutions, public sector entities and individuals.





**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(5) *Others*

This segment consisted of MHCBS subsidiaries and affiliates other than MHSC. These entities offered financial products and services in specific areas of business or countries mainly to customers of the Global Corporate Group.

***The Global Retail Group***

***MHBK***

MHBK was the main operating company of the Global Retail Group. MHBK provided banking and other financial services mainly to individuals, SMEs and middle-market corporations through its domestic branches and ATM network.

(6) Retail banking

This segment offered banking products and services, including housing and other personal loans, credit cards, deposits, investment products and consulting services, to MHBK's individual customers through its nationwide branches and ATM network, as well as telephone and Internet banking services.

(7) *Corporate banking*

This segment provided loans, syndicated loan arrangements, structured finance, advisory services, other banking services and capital markets financing to SMEs, middle-market corporations, local governmental entities and other public sector entities in Japan.

(8) *Trading and others*

This segment supported the retail banking and corporate banking segments in offering derivatives and other risk hedging products to satisfy MHBK's customers' financial and business risk control requirements. It was also engaged in MHBK's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also included costs incurred by headquarters functions of MHBK.

(9) The former *MHIS*

The former MHIS merged with the former MHSC to form the new MHSC in January, 2013. The former MHIS offered securities services to individuals and corporate customers of the Global Retail Group and provided those corporate customers with support in procuring funds through capital markets.

(10) *Others*

This segment consisted of MHBK's subsidiaries and affiliates other than the former MHIS. These entities, such as Mizuho Capital Co., Ltd. and Mizuho Business Financial Center Co., Ltd., offered financial products and services in specific areas of business to customers of the Global Retail Group.

***The Global Asset & Wealth Management Group***

(11) *MHTB*

MHTB was the main operating company of the Global Asset & Wealth Management Group and offered products and services related to trust, real estate, securitization and structured finance, pension and asset management and stock transfers.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(12) Others**

This segment included companies other than MHTB that were a part of the Global Asset & Wealth Management Group. These companies included TCSB, Mizuho Asset Management Co., Ltd., DIAM Co., Ltd., which was an equity-method affiliate, and Mizuho Private Wealth Management Co., Ltd. They offered products and services related to trust and custody, asset management and private banking.

**(13) Others**

This segment consisted of MHFG and its subsidiaries that did not belong to a specific Global Group but provided their services to a wide range of customers. Under this segment, the MHFG Group offered non-banking services, including research and consulting services through Mizuho Research Institute Ltd., information technology-related services through Mizuho Information & Research Institute, Inc., and advisory services to financial institutions through Mizuho Financial Strategy Co., Ltd.

The information below for reportable segments is derived from the internal management reporting system as of March 31, 2013. Management does not use information on segments' assets to allocate resources and assess performance and has not prepared information on segment assets. Accordingly, information on segment assets is not available.

	Global Corporate Group MHC B							Global Retail Group MHBK					Global Asset & Wealth Management Group					
	Total	Total	Domestic (1)	Inter- national (2)	Trading and others (3)	MHSC (4)	Others (5)	Total	Total (in billions of yen)	Retail banking (6)	Corporate banking (7)	Trading and others (8)	The former MHIS (9)	Others (10)	Total	MHTB (11)	Others (12)	Others (13)
Profits:																		
Interest	457.0	395.8	176.0	86.3	133.5	(9.2)	70.4	614.5	571.8	248.2	266.9	56.7	0.6	42.1	43.4	42.5	0.9	(5.4)
Investment	483.5	282.5	115.2	56.9	110.4	158.9	42.1	294.8	237.5	34.6	124.9	78.0	49.8	7.5	126.0	81.0	45.0	11.5
and Operative	940.5	678.3	291.2	143.2	243.9	149.7	112.5	909.3	809.3	282.8	391.8	134.7	50.4	49.6	169.4	123.5	45.9	6.1
Losses	471.3 (56.7)	235.0	88.8	62.1	84.1	160.9	75.4 (56.7)	605.3 (15.9)	554.8	237.7	223.7	93.4	41.0	9.5 (15.9)	117.5 (2.1)	79.0	38.5 (2.1)	0.2 (14.6)
Business Losses	412.5	443.3	202.4	81.1	159.8	(11.2)	(19.6)	288.1	254.5	45.1	168.1	41.3	9.4	24.2	49.8	44.5	5.3	(8.7)

	Global Corporate Group MHC B							Global Retail Group MHBK					Global Asset & Wealth Management Group				
	Total	Total	Domestic (1)	Inter- national (2)	Trading and others (3)	MHSC (4)	Others (5)	Total	Total	Retail banking (6)	Corporate banking (7)	Trading and others (8)	The former MHIS (9)	Others (10)	Total	MHTB (11)	Others (12)

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

	(3)											(8)	(9)						
	(in billions of yen)																		
Profits:																			
Rest																			
(e)	468.3	395.0	171.4	90.3	133.3	(4.1)	77.4	583.9	545.4	224.3	253.7	67.4	0.7	37.8	43.4	42.7	0.7	(7.3)	1
Rest																			
	449.4	286.8	131.3	86.9	68.6	120.5	42.1	305.8	253.3	32.1	136.8	84.4	43.9	8.6	131.2	84.3	46.9	28.4	
	917.7	681.8	302.7	177.2	201.9	116.4	119.5	889.7	798.7	256.4	390.5	151.8	44.6	46.4	174.6	127.0	47.6	21.1	2
and																			
Administrative																			
Expenses	465.4	244.9	88.5	60.3	96.1	144.8	75.7	608.5	556.4	218.6	227.6	110.2	40.9	11.2	117.1	78.0	39.1	15.3	1
	(52.1)						(52.1)	(14.0)						(14.0)	(1.9)		(1.9)	(9.7)	
Business																			
Losses	400.2	436.9	214.2	116.9	105.8	(28.4)	(8.3)	267.2	242.3	37.8	162.9	41.6	3.7	21.2	55.6	49.0	6.6	(3.9)	

F-101

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Global Corporate Group MHC B						Global Retail Group MHBK						Global Asset & Wealth Management Group					
	Total	Total	Inter- Domestic (1)	Trading and national others (2)	Trading and others (3)	MHSC (4)	Others (5)	Total	Total	Retail banking (6)	Corporate banking (7)	Trading and others (8)	The former MHIS (9)	Others (10)	Total	MHTB (11)	Others (12)	Others (13)
Gross profits:																		
Net interest income	486.1	401.7	157.0	109.6	135.1	(4.9)	89.3	550.6	513.8	210.6	234.3	68.9	0.4	36.4	40.5	41.1	(0.6)	(1.3)
Net noninterest income	572.8	333.4	141.1	104.7	87.6	184.2	55.2	360.3	313.7	37.4	162.0	114.3	35.1	11.5	130.9	82.5	48.4	31.8
Total	1,058.9	735.1	298.1	214.3	222.7	179.3	144.5	910.9	827.5	248.0	396.3	183.2	35.5	47.9	171.4	123.6	47.8	30.5
General and administrative expenses	471.9	241.1	80.0	61.5	99.6	142.8	88.0	568.2	524.4	209.3	216.7	98.4	30.7	13.1	114.3	74.3	40.0	16.6
Other	(50.0)						(50.0)	(7.4)						(7.4)	(1.7)		(1.7)	(29.4)
Business losses	537.0	494.0	218.1	152.8	123.1	36.5	6.5	335.3	303.1	38.7	179.6	84.8	4.8	27.4	55.4	49.3	6.1	(15.5)

## Notes:

- (1) (5) Others, (10) Others, and (12) Others include elimination of transactions between companies within the Global Corporate Group, the Global Retail Group, and the Global Asset & Wealth Management Group, respectively. (13) Others include elimination of transactions between the Global Groups.
- Beginning the fiscal year ended March 31, 2013, with the implementation of the substantive one bank structure, new allocation methods among segments within MHC B and MHBK have been applied to the calculation of the respective Gross profits and General and administrative expenses. Figures for the fiscal year ended March 31, 2012 have been reclassified under new allocation methods.
- As for the fiscal year ended March 31, 2013, MHSC (4) reports the sum of the performance of the former MHSC for the first three quarters and the new MHSC for the fourth quarter, following the merger of the former MHSC and the former MHIS conducted in January 2013. The former MHIS (9) reports the performance of the former MHIS for the first three quarters.

*Substantive One Bank Structure*

2011	MHBK and MHC B ( Substantive One Bank Structure)				
	Retail banking	Corporate banking	International (in billions of yen)	Trading and others	Total
Gross profits:					
Net interest income	248.2	442.9	86.3	190.2	967.6
Net noninterest income	34.6	240.1	56.9	188.4	520.0
Total	282.8	683.0	143.2	378.6	1,487.6
General and administrative expenses	237.7	312.5	62.1	177.5	789.8
Other					

Net business profits	45.1	370.5	81.1	201.1	697.8
----------------------	------	-------	------	-------	-------

2012	MHBK and MHCB ( Substantive One Bank Structure)				Total
	Retail banking	Corporate banking	International (in billions of yen)	Trading and others	
Gross profits:					
Net interest income	224.3	425.1	90.3	200.7	940.4
Net noninterest income	32.1	268.1	86.9	153.0	540.1
Total	256.4	693.2	177.2	353.7	1,480.5
General and administrative expenses	218.6	316.1	60.3	206.3	801.3
Others					
Net business profits	37.8	377.1	116.9	147.4	679.2

F-102

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2013	MHBK and MHCB ( Substantive One Bank Structure)				Total
	Retail banking	Corporate banking	International (in billions of yen)	Trading and others	
Gross profits:					
Net interest income	210.6	391.3	109.6	204.0	915.5
Net noninterest income	37.4	303.1	104.7	201.9	647.1
Total	248.0	694.4	214.3	405.9	1,562.6
General and administrative expenses	209.3	296.7	61.5	198.0	765.5
Others					
Net business profits	38.7	397.7	152.8	207.9	797.1

*Reconciliation*

As explained above, the measurement base for the internal management reporting system and the income and expenses items covered are different from the accompanying consolidated statements of income. Therefore, it is impracticable to present reconciliations of all the business segments information, other than net business profits, to corresponding items in the accompanying consolidated statements of income.

A reconciliation of total net business profits under the internal management reporting system for the fiscal years ended March 31, 2011, 2012 and 2013 presented above to Income before income tax expense shown on the consolidated statements of income is as follows:

	2011	2012	2013
	(in billions of yen)		
Net business profits	741.7	719.1	912.2
U.S. GAAP adjustments	(98.4)	87.2	129.2
(Provision) credit for loan losses	(0.6)	23.0	(139.9)
Net gains (losses) related to equity investments	2.2	(90.5)	28.2
Non-recurring personnel expense	(22.8)	(39.3)	(23.5)
Gains on disposal of premises and equipment	13.5	19.9	12.4
(Provision) credit for losses on off-balance-sheet instruments	(4.4)	1.2	(4.6)
Others net	(19.8)	(57.8)	(28.8)
Income before income tax expense	611.4	662.8	885.2



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****30. Foreign activities**

The following table presents consolidated income statement and total assets information by major geographic area. Foreign activities are defined as business transactions that involve customers residing outside of Japan. However, as the MHFG Group's operations are highly integrated globally, estimates and assumptions have been made for an allocation among the geographic areas.

	Japan	Americas	Europe (in billions of yen)	Asia/Oceania excluding Japan, and others	Total
<b>Fiscal year ended March 31, 2011:</b>					
Total revenue <sup>(1)</sup>	1,943.1	281.6	128.0	144.0	2,496.7
Total expenses <sup>(2)</sup>	1,627.8	111.6	69.5	76.4	1,885.3
Income before income tax expense	315.3	170.0	58.5	67.6	611.4
Net income	133.7	165.8	57.5	61.1	418.1
Total assets at end of fiscal year	125,412.6	21,795.4	8,521.6	6,256.1	161,985.7
<b>Fiscal year ended March 31, 2012:</b>					
Total revenue <sup>(1)</sup>	1,965.7	251.3	132.0	178.2	2,527.2
Total expenses <sup>(2)</sup>	1,561.2	104.0	102.9	96.3	1,864.4
Income before income tax expense	404.5	147.3	29.1	81.9	662.8
Net income	419.2	131.2	28.1	70.5	649.0
Total assets at end of fiscal year	124,443.6	25,368.9	8,868.5	7,680.6	166,361.6
<b>Fiscal year ended March 31, 2013:</b>					
Total revenue <sup>(1)</sup>	2,190.7	383.7	125.8	162.6	2,862.8
Total expenses <sup>(2)</sup>	1,668.9	140.5	48.4	119.8	1,977.6
Income before income tax expense	521.8	243.2	77.4	42.8	885.2
Net income	524.7	252.3	75.0	29.2	881.2
Total assets at end of fiscal year	126,768.8	31,168.8	10,591.2	10,218.2	178,747.0

Notes:

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

- (1) Total revenue is comprised of Interest and dividend income and Noninterest income.
- (2) Total expenses are comprised of Interest expense, Provision (credit) for loan losses and Noninterest expenses.

F-104

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****31. Mizuho Financial Group, Inc., parent company**

The following tables present the parent company only financial information of MHFG:

*Condensed balance sheets*

	2012	2013
	(in millions of yen)	
<b>Assets:</b>		
Cash and due from banks	167	200
Interest-bearing deposits in other banks	14,286	26,165
Investments in subsidiaries and affiliated companies	5,817,075	6,962,630
Other	79,328	152,351
<b>Total</b>	<b>5,910,856</b>	<b>7,141,346</b>
<b>Liabilities and shareholders' equity:</b>		
Short-term borrowings	1,181,070	1,146,995
Long-term debt	240,000	240,000
Other liabilities	19,020	26,231
Shareholders' equity	4,470,766	5,728,120
<b>Total</b>	<b>5,910,856</b>	<b>7,141,346</b>

*Condensed statements of income*

	2011	2012	2013
	(in millions of yen)		
<b>Income:</b>			
Dividends from subsidiaries	16,544	7,955	233,056
Management fees from subsidiaries	29,879	29,747	28,835
Other income	22,157	12,643	34,668
<b>Total</b>	<b>68,580</b>	<b>50,345</b>	<b>296,559</b>
<b>Expenses:</b>			
Operating expenses	19,674	21,260	21,075
Interest expense	16,165	16,383	15,870
Other expense	4,471	1,431	1,207
<b>Total</b>	<b>40,310</b>	<b>39,074</b>	<b>38,152</b>
<b>Equity in undistributed net income of subsidiaries</b>	<b>384,463</b>	<b>645,308</b>	<b>617,565</b>

Edgar Filing: MIZUHO FINANCIAL GROUP INC - Form 20-F

Income before income tax expense	412,733	656,579	875,972
Income tax expense	64	190	560
Net income	412,669	656,389	875,412

F-105

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Condensed statements of cash flows*

	2011	2012	2013
	(in millions of yen)		
<b>Cash flows from operating activities:</b>			
Net income	412,669	656,389	875,412
Adjustments and other	(396,510)	(644,977)	(685,149)
<b>Net cash provided by operating activities</b>	<b>16,159</b>	<b>11,412</b>	<b>190,263</b>
<b>Cash flows from investing activities:</b>			
Payments for purchases of securities of subsidiaries	(751,620)	(212)	
Net change in other investing activities	(43,582)	80	1,570
<b>Net cash provided by (used in) investing activities</b>	<b>(795,202)</b>	<b>(132)</b>	<b>1,570</b>
<b>Cash flows from financing activities:</b>			
Net change in short-term borrowings	161,265	60,000	(40,000)
Proceeds from issuance of common stock	751,620	146,499	
Purchases of treasury stock	(3)	(2,560)	(7)
Dividends paid	(134,644)	(215,937)	(152,542)
Net change in other financing activities	818	730	749
<b>Net cash provided by (used in) financing activities</b>	<b>779,056</b>	<b>(11,268)</b>	<b>(191,800)</b>
<b>Net increase in cash and due from banks</b>	<b>13</b>	<b>12</b>	<b>33</b>
Cash and due from banks at beginning of fiscal year	142	155	167
<b>Cash and due from banks at end of fiscal year</b>	<b>155</b>	<b>167</b>	<b>200</b>

**32. Subsequent events***Acquisition and cancellation of thirteenth series class XIII preferred stock*

On July 11, 2013, MHFG acquired and cancelled all of the shares of the thirteenth series class XIII preferred stock. The details are as follows.

(1) Aggregate number of shares acquired	36,690,000 shares
(2) Acquisition price per share	¥1,008,384
(3) Total amount of acquisition	¥36,997,608,960
(4) Aggregate number of share cancelled (all of the shares of the thirteenth series class XIII preferred stock acquired, as described in (1) above)	36,690,000 shares
(5) Date of acquisition and cancellation	July 11, 2013



**Table of Contents**

**Signature**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**MIZUHO FINANCIAL GROUP, INC.**

By: /s/ Yasuhiro Sato  
Name: Yasuhiro Sato  
Title: President & CEO

July 23, 2013

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Exhibits</b>
1.1	Articles of Incorporation of Mizuho Financial Group, Inc., dated June 27, 2013 (English Translation)
1.2	Bylaws Regarding the Board of Directors of Mizuho Financial Group, Inc., effective from January 8, 2003 and as amended on June 8, 2003, June 27, 2006 and April 1, 2013 (English Translation)
1.3	Regulations of Board of Corporate Auditors of Mizuho Financial Group, Inc., effective from January 9, 2003 and as amended on September 25, 2006 and July 1, 2013 (English Translation)
1.4	Share Handling Regulations of Mizuho Financial Group, Inc., dated January 4, 2013 (English Translation)
2.1	Form of American Depositary Receipt*
2.2	Form of Deposit Agreement among the registrant, The Bank of New York Mellon (formerly The Bank of New York) as Depositary and all owners and holders from time to time of American Depositary Receipts issued thereunder**
8	List of significant subsidiaries of Mizuho Financial Group, Inc. see Item 4.C. Information on the Company Organizational Structure.
11	Code of Ethics of Mizuho Financial Group, Inc.***
12.1	CEO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
12.2	CFO Certification required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
13.1	Certification required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on August 19, 2009.

\*\* Incorporated by reference to our registration statement on Form 20-F (No. 001-33098) filed on October 19, 2006.

\*\*\* Incorporated by reference to our annual report on Form 20-F (No. 001-33098) filed on August 10, 2007.