

MIZUHO FINANCIAL GROUP INC

Form 20-F

August 19, 2009

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, 2009**

**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)

Tatsuya Yamada, +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  
Common Stock, without par value  
American depositary shares, each of which represents

Name of each exchange on which registered  
The New York Stock Exchange\*  
The New York Stock Exchange

two shares of 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.

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At March 31, 2009, the following shares of capital stock were outstanding: (1) 11,178,940,660 shares of common stock (including 11,335,903 shares of common stock held by the registrant as treasury stock), (2) 914,752,000 shares of eleventh series class XI preferred stock, and (3) 36,690,000 shares of thirteenth series class XIII preferred stock.

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>   | 11          |
| ITEM 4. <u>Information on the Company</u>                            | 19          |
| 4.A. <u>History and Development of the Company</u>                   | 19          |
| 4.B. <u>Business Overview</u>  | 20          |
| 4.C. <u>Organizational Structure</u>                                 | 39          |
| 4.D. <u>Property, Plant and Equipment</u>                            | 41          |
| ITEM 4A. <u>Unresolved Staff Comments</u>                            | 41          |
| ITEM 5. <u>Operating and Financial Review and Prospects</u>          | 42          |
| ITEM 6. <u>Directors, Senior Management and Employees</u>            | 123         |
| 6.A. <u>Directors and Senior Management</u>                          | 123         |
| 6.B. <u>Compensation</u>   | 132         |
| 6.C. <u>Board Practices</u>  | 132         |
| 6.D. <u>Employees</u>  | 134         |
| 6.E. <u>Share Ownership</u>  | 134         |
| ITEM 7. <u>Major Shareholders and Related Party Transactions</u>     | 136         |
| 7.A. <u>Major Shareholders</u>                                       | 136         |
| 7.B. <u>Related Party Transactions</u>                               | 137         |
| 7.C. <u>Interests of Experts and Counsel</u>                         | 138         |
| ITEM 8. <u>Financial Information</u>                                 | 139         |
| 8.A. <u>Consolidated Statements and Other Financial Information</u>  | 139         |
| 8.B. <u>Significant Changes</u>                                      | 139         |
| ITEM 9. <u>The Offer and Listing</u>                                 | 140         |
| 9.A. <u>Listing Details</u>  | 140         |
| 9.B. <u>Plan of Distribution</u>                                     | 141         |
| 9.C. <u>Markets</u>  | 142         |
| 9.D. <u>Selling Shareholders</u>                                     | 142         |
| 9.E. <u>Dilution</u>   | 142         |
| 9.F. <u>Expenses of the Issue</u>                                    | 142         |
| ITEM 10. <u>Additional Information</u>                               | 143         |
| 10.A. <u>Share Capital</u>   | 143         |
| 10.B. <u>Memorandum and Articles of Association</u>                  | 143         |
| 10.C. <u>Material Contracts</u>                                      | 153         |
| 10.D. <u>Exchange Controls</u>                                       | 153         |
| 10.E. <u>Taxation</u>  | 155         |
| 10.F. <u>Dividends and Paying Agents</u>                             | 160         |
| 10.G. <u>Statement by Experts</u>                                    | 160         |
| 10.H. <u>Documents on Display</u>                                    | 160         |
| 10.I. <u>Subsidiary Information</u>                                  | 160         |



**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| ITEM 11. <u>Quantitative and Qualitative Disclosures about Market Risk</u>                     | 161         |
| ITEM 12. <u>Description of Securities Other than Equity Securities</u>                         | 177         |
| ITEM 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>                                | 178         |
| ITEM 14. <u>Material Modifications to the Rights of Securities Holders and Use of Proceeds</u> | 178         |
| ITEM 15. <u>Controls and Procedures</u>  | 178         |
| ITEM 16A. <u>Audit Committee Financial Expert</u>  | 179         |
| ITEM 16B. <u>Code of Ethics</u>  | 179         |
| ITEM 16C. <u>Principal Accountant Fees and Services</u>  | 179         |
| ITEM 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>                    | 180         |
| ITEM 16E. <u>Purchase of Equity Securities by the Issuer and Affiliated Purchasers</u>         | 181         |
| ITEM 16F. <u>Change in Registrant's Certifying Accountant</u>                                  | 181         |
| ITEM 16G. <u>Corporate Governance</u>  | 181         |
| ITEM 17. <u>Financial Statements</u>   | 183         |
| ITEM 18. <u>Financial Statements</u>   | 183         |
| ITEM 19. <u>Exhibits</u>   | 183         |
| <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 Corporate Bank, Ltd., 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.).

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, all yen figures and percentages have been rounded to the figures shown, except for those yen figures and percentages in Item 3.A. Key Information Selected Financial Data Japanese GAAP Selected Consolidated Financial Information, which have been truncated to the figures shown, and unless otherwise specified. Accordingly, the total of each column of figures may not be equal to the total of the individual items.

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 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 stemming from U.S. subprime loan issues;



**Table of Contents**

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;

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

our ability to avoid reputational harm; and

the effectiveness of our operational, legal and other risk management policies.

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, 2007, 2008 and 2009 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, 2005, 2006, 2007, 2008 and 2009 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, 2007, 2008 and 2009 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**

|   | As of and for the fiscal years ended March 31,<br>2007                      2008                      2009<br>(in millions of yen, except per share data and<br>percentages) |             |               |
|---|--|-------------|---------------|
| <b>Statement of income data:</b>  |  |             |               |
| Interest and dividend income  | ¥ 2,639,307  | ¥ 3,110,260 | ¥ 2,384,191   |
| Interest expense  | 1,571,389  | 1,911,522   | 1,102,015     |
| Net interest income   | 1,067,918  | 1,198,738   | 1,282,176     |
| Provision (credit) for loan losses  | 182,115  | (57,766)    | 567,396       |
| Net interest income after provision (credit) for loan losses                            | 885,803  | 1,256,504   | 714,780       |
| Noninterest income  | 1,195,948  | 1,094,943   | 452,227       |
| Noninterest expenses  | 1,294,648  | 1,450,653   | 1,463,546     |
| Income (loss) before income tax expense   | 787,103  | 900,794     | (296,539)     |
| Income tax expense  | 163,221  | 672,176     | 761,908       |
| Net income (loss)   | ¥ 623,882  | ¥ 228,618   | ¥ (1,058,447) |
| Net income (loss) attributable to common shareholders                                   | 600,408  | 208,643     | (1,077,787)   |
| <b>Amounts per share<sup>(2)</sup>:</b>   |  |             |               |
| Basic earnings per common share net income (loss) attributable to common shareholders   | ¥ 51.73  | ¥ 18.17     | ¥ (95.96)     |
| Diluted earnings per common share net income (loss) attributable to common shareholders | ¥ 48.71  | ¥ 16.77     | ¥ (95.96)     |
| Number of shares used to calculate basic earnings per common share (in thousands)       | 11,607,550   | 11,479,942  | 11,231,269    |
| Number of shares used to calculate diluted earnings per common share (in thousands)     | 12,713,841   | 13,568,015  | 11,231,269    |
| Cash dividends per share declared during the fiscal year:                               |  |             |               |
| Common stock  | ¥ 4.00   | ¥ 7.00      | ¥ 10.00       |
|   | \$ 0.03  | \$ 0.07     | \$ 0.10       |
| Fourth series class IV preferred stock  | ¥ 47.60  |             |               |
|   | \$ 0.40  |             |               |
| Sixth series class VI preferred stock   | ¥ 42.00  |             |               |
|   | \$ 0.36  |             |               |
| Eleventh series class XI preferred stock  | ¥ 20.00  | ¥ 20.00     | ¥ 20.00       |
|   | \$ 0.17  | \$ 0.20     | \$ 0.20       |
| Thirteenth series class XIII preferred stock  | ¥ 30.00  | ¥ 30.00     | ¥ 30.00       |
|   | \$ 0.26  | \$ 0.30     | \$ 0.30       |

**Table of Contents**

|   | As of and for the fiscal years ended March 31,              |               |               |
|---|---|---------------|---------------|
|   | 2007  | 2008          | 2009          |
|   | (in millions of yen, except per share data and percentages) |               |               |
| <b>Balance sheet data:</b>  |   |               |               |
| Total assets  | ¥ 147,381,279   | ¥ 151,317,756 | ¥ 155,083,031 |
| Loans, net of allowance   | 68,236,720  | 67,572,004    | 71,787,309    |
| Total liabilities   | 142,376,976   | 147,749,599   | 154,045,851   |
| Deposits  | 83,751,304  | 86,429,065    | 87,075,727    |
| Long-term debt  | 7,073,936   | 7,618,910     | 8,017,770     |
| Common stock  | 3,532,492   | 3,437,420     | 3,386,792     |
| Shareholders' equity  | 4,662,700   | 3,268,800     | 846,047       |
| <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         | 0.42%   | 0.14%         | (0.73)%       |
| Net income (loss) attributable to common shareholders as a percentage of average shareholders' equity | 14.69%  | 5.20%         | (48.50)%      |
| Dividends per common share as a percentage of basic earnings per common share                         | 13.53%  | 55.02%        | (10.42)%      |
| Average shareholders' equity as a percentage of total average assets                                  | 2.87%   | 2.73%         | 1.51%         |
| Net interest income as a percentage of total average interest-earning assets                          | 0.79%   | 0.86%         | 0.92%         |

## Notes:

- (1) Yen amounts for cash dividends per share for the fiscal years ended March 31, 2007, 2008 and 2009 are expressed in U.S. dollars at the rate of ¥117.56 = \$1.00, ¥99.85 = \$1.00 and ¥99.15 = \$1.00, respectively. These rates are the noon buying rates on March 31, 2007, 2008 and 2009 in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York.
- (2) Under the new 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, 2007 and 2008 have been adjusted to reflect such allotment.

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

|  | 2005  | As of and for the fiscal years ended March 31, |             |             | 2009           |
|--|---|--|-------------|-------------|----------------|
|  |   | 2006   | 2007        | 2008        |                |
|  | (in millions of yen, except per share data and percentages) |  |             |             |                |
| <b>Statement of income data:</b>   |   |  |             |             |                |
| Interest income  | ¥ 1,584,415   | ¥ 1,935,048                                    | ¥ 2,562,642 | ¥ 2,864,796 | ¥ 2,144,436    |
| Interest expense   | 477,983   | 872,403  | 1,472,378   | 1,801,156   | 1,075,584      |
| Net interest income  | 1,106,432   | 1,062,645                                      | 1,090,264   | 1,063,639   | 1,068,851      |
| Fiduciary income   | 63,253  | 78,843   | 66,958      | 64,355      | 55,891         |
| Net fee and commission income  | 472,628   | 555,935  | 551,124     | 494,526     | 416,653        |
| Net trading income   | 165,059   | 204,941  | 261,544     | 56,149      | 301,521        |
| Net other operating income (loss)  | 185,724   | 100,073  | 147,507     | (17,737)    | (35,951)       |
| General and administrative expenses  | 1,091,348   | 1,095,243                                      | 1,091,602   | 1,124,527   | 1,192,701      |
| Other income   | 735,297   | 502,212  | 522,816     | 579,737     | 260,568        |
| Other expenses   | 693,989   | 429,265  | 573,714     | 630,079     | 1,280,711      |
| Income (loss) before income taxes and minority interests                     | 943,059   | 980,142  | 974,898     | 486,062     | (405,877)      |
| Income taxes:  |   |  |             |             |                |
| Current  | 19,817  | 64,038   | 43,267      | 32,212      | 48,247         |
| Deferred   | 235,227   | 185,035  | 223,699     | 118,546     | 109,103        |
| Minority interests in net income   | 60,630  | 81,164   | 86,965      | 24,079      | 25,586         |
| Net income (loss)  | ¥ 627,383   | ¥ 649,903                                      | ¥ 620,965   | ¥ 311,224   | ¥ (588,814)    |
| Net income (loss) per share <sup>(1)</sup> :                                 |   |  |             |             |                |
| Basic  | ¥ 54,625.61   | ¥ 55,157.14                                    | ¥ 51,474.49 | ¥ 25,370.25 | ¥ (54.14)      |
| Diluted  | 37,719.13   | 46,234.51                                      | 48,803.07   | 24,640.00   | <sup>(2)</sup> |
| Cash dividends per share declared during the fiscal year <sup>(1)(3)</sup> : |   |  |             |             |                |
| Common stock   | ¥ 3,000   | ¥ 3,500  | ¥ 4,000     | ¥ 7,000     | ¥ 10,000       |
|  | \$ 27.98  | \$ 29.79                                       | \$ 34.03    | \$ 70.11    | \$ 100.86      |
| First series class I preferred stock   | ¥ 22,500  |  |             |             |                |
|  | \$ 209.85   |  |             |             |                |
| Second series class II preferred stock                                       | ¥ 8,200   | ¥ 8,200  |             |             |                |
|  | \$ 76.48  | \$ 69.80                                       |             |             |                |
| Third series class III preferred stock                                       | ¥ 14,000  | ¥ 14,000                                       |             |             |                |
|  | \$ 130.57   | \$ 119.17                                      |             |             |                |
| Fourth series class IV preferred stock                                       | ¥ 47,600  | ¥ 47,600                                       | ¥ 47,600    |             |                |
|  | \$ 443.95   | \$ 405.18                                      | \$ 404.90   |             |                |
| Sixth series class VI preferred stock  | ¥ 42,000  | ¥ 42,000                                       | ¥ 42,000    |             |                |
|  | \$ 391.72   | \$ 357.51                                      | \$ 357.26   |             |                |
| Seventh series class VII preferred stock                                     | ¥ 11,000  | ¥ 11,000                                       |             |             |                |
|  | \$ 102.59   | \$ 93.63                                       |             |             |                |
| Eighth series class VIII preferred stock                                     | ¥ 8,000   | ¥ 8,000  |             |             |                |
|  | \$ 74.61  | \$ 68.10                                       |             |             |                |
| Ninth series class IX preferred stock  | ¥ 17,500  |  |             |             |                |
|  | \$ 163.22   |  |             |             |                |

**Table of Contents**

|   | As of and for the fiscal years ended March 31, |               |               |               |               |           |
|---|--|---------------|---------------|---------------|---------------|-----------|
|   | 2005   | 2006          | 2007          | 2008          | 2009          |           |
| (in millions of yen, except per share data and percentages) |  |               |               |               |               |           |
| Tenth series class X preferred stock                        | ¥ 5,380  | ¥ 5,380       |               |               |               |           |
|   | \$ 50.18                                       | \$ 45.80      |               |               |               |           |
| Eleventh series class XI preferred stock                    | ¥ 20,000                                       | ¥ 20,000      | ¥ 20,000      | ¥ 20,000      | ¥ 20,000      | ¥ 20,000  |
|   | \$ 186.53                                      | \$ 170.24     | \$ 170.13     | \$ 200.30     | \$ 201.71     | \$ 201.71 |
| Twelfth series class XI preferred stock                     | ¥ 2,500  |               |               |               |               |           |
|   | \$ 23.32                                       |               |               |               |               |           |
| Thirteenth series class XIII preferred stock                | ¥ 30,000                                       | ¥ 30,000      | ¥ 30,000      | ¥ 30,000      | ¥ 30,000      | ¥ 30,000  |
|   | \$ 279.80                                      | \$ 255.36     | \$ 255.19     | \$ 300.45     | \$ 302.57     | \$ 302.57 |
| <b>Balance sheet data:</b>                                  |  |               |               |               |               |           |
| Total assets  | ¥ 143,076,236                                  | ¥ 149,612,794 | ¥ 149,880,031 | ¥ 154,412,105 | ¥ 152,723,070 |           |
| Loans and bills discounted <sup>(4)</sup>                   | 62,917,336                                     | 65,408,672    | 65,964,301    | 65,608,705    | 70,520,224    |           |
| Securities  | 36,047,035                                     | 37,702,957    | 36,049,983    | 33,958,537    | 30,173,632    |           |
| Deposits <sup>(5)</sup>                                     | 80,368,058                                     | 82,367,125    | 83,608,304    | 86,264,041    | 86,539,020    |           |
| Shareholders' equity <sup>(6)</sup>                         | 3,905,726                                      | 4,804,993     |               |               |               |           |
| Net assets <sup>(6)</sup>                                   |  |               | 6,724,408     | 5,694,159     | 4,186,606     |           |
| <b>Risk-adjusted capital data<sup>(7)</sup>:</b>            |  |               |               |               |               |           |
| Tier 1 capital  | ¥ 4,172,047                                    | ¥ 4,555,947   | ¥ 4,933,561   | ¥ 4,880,188   | ¥ 3,766,364   |           |
| Total qualifying capital                                    | 8,020,233                                      | 8,993,255     | 8,841,383     | 7,708,341     | 6,226,996     |           |
| Total risk adjusted assets                                  | 67,324,998                                     | 77,534,548    | 70,795,493    | 65,872,866    | 58,983,932    |           |
| Tier 1 capital ratio  | 6.19%  | 5.87%         | 6.96%         | 7.40%         | 6.38%         |           |
| Capital adequacy ratio                                      | 11.91%   | 11.59%        | 12.48%        | 11.70%        | 10.55%        |           |

## Notes:

- (1) Under the new 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 in the table above through the fiscal year ended March 31, 2008 do not reflect such allotment.
- (2) Diluted net income per share is not shown due to net loss per share for the fiscal year ended March 31, 2009.
- (3) Yen amounts are expressed in U.S. dollars at the rate of ¥107.22 = \$1.00, ¥117.48 = \$1.00, ¥117.56 = \$1.00, ¥99.85 = \$1.00 and ¥99.15 = \$1.00 for the fiscal years ended March 31, 2005, 2006, 2007, 2008 and 2009, 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.
- (4) 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.
- (5) Includes negotiable certificates of deposit.
- (6) On December 9, 2005, the Accounting Standards Board of Japan issued a new accounting standard for presentation of net assets in the balance sheet, which is effective for fiscal years ending on or after May 1, 2006. Under the new accounting standard, the line item previously presented as shareholders' equity is now presented as net assets, and the line items minority interests and net deferred hedge gains or losses, net of taxes are now presented as components of net assets. Accordingly, the presentations of net assets in the balance sheets as of March 31, 2007, 2008 and 2009 are not directly comparable to shareholders' equity for prior periods.

**Table of Contents**

- (7) Risk-adjusted capital data for the fiscal years ended March 31, 2007, 2008 and 2009 are calculated under Basel II basis while those for the fiscal years ended March 31, 2005 and 2006 are calculated under Basel I basis. We adopted the advanced internal ratings-based approach (AIRB approach) for the calculation of risk-adjusted assets associated with credit risk from the fiscal year ended March 31, 2009. For more details on capital adequacy requirements set by the Bank for International Settlements ( BIS ), and the guideline implemented by the FSA in compliance thereto, see Item 5. Operating and Financial Review and Prospects Capital Adequacy.

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, Financial Stabilization Funds, pension liabilities, consolidation of variable interest entities and deferred taxes. See Item 5. Operating and Financial Review and Prospects Reconciliation with Japanese GAAP. In addition, under Japanese GAAP, a restatement of prior year financial statements reflecting the effect of a change in accounting principles is not permitted, unlike under U.S. GAAP, which generally requires a restatement upon a voluntary change in accounting principles.

**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 March 31, | High   | Low    | Average <sup>(1)</sup><br>(yen per dollar) | Period<br>end |
|------------------------------|--------|--------|--|---------------|
| 2005                         | 114.30 | 102.26 | 107.28                                     | 107.22        |
| 2006                         | 120.93 | 104.41 | 113.67                                     | 117.48        |
| 2007                         | 121.81 | 110.07 | 116.55                                     | 117.56        |
| 2008                         | 124.09 | 96.88  | 113.61                                     | 99.85         |
| 2009                         | 110.48 | 87.80  | 100.85                                     | 99.15         |
| 2010 (through August 14)     | 100.71 | 92.33  | 95.98                                      | 94.64         |
| <b>Calendar year 2009</b>    |        |        |  |               |
| February                     | 98.55  | 89.09  |  |               |
| March                        | 99.34  | 93.85  |  |               |
| April                        | 100.71 | 96.49  |  |               |
| May                          | 99.24  | 94.45  |  |               |
| June                         | 98.56  | 95.19  |  |               |
| July                         | 96.41  | 92.33  |  |               |
| August (through August 14)   | 97.65  | 94.64  |  |               |

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 August 14, 2009 was ¥94.64 = \$1.00.

**3.B. Capitalization and Indebtedness**

Not applicable.

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

Not applicable.



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**Table of Contents**

**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.*

*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. In the fiscal year ended March 31, 2009, our credit-related costs increased as a result of the deteriorating performance of our corporate customers in and outside of Japan due to the worsening economic environment and the effects of the dislocation in global financial markets as well as the provision for loan losses based on revised assumptions amid the uncertainty regarding the future economic environment. 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 the fiscal year ended March 31, 2009, we incurred significant impairment and other losses as a result of the decline in Japanese and other stock markets. 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. As a result, 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,

## **Table of Contents**

primarily yen interest rates, could lead to unrealized losses of bonds or losses from sales of bonds. In addition, mainly due to differences in maturities between financial assets and liabilities, changes in interest rates could have an adverse affect 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 a significant increase in interest rates, including as a result of a change in Japanese monetary policy and market trends, our financial condition and results of operations could be materially and adversely affected.

### **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. Since the fiscal year ended March 31, 2008, we incurred significant losses related to declines in the value of our investments in securitization products and other assets as a result of significant decrease in the market liquidity amidst the dislocation in global financial markets stemming from U.S. subprime loan issues. See Item 5. Operating and Financial Review and Prospects Overview Business Trends. If the market liquidity of our assets decreases significantly in the future, including as a result of the dislocation in global financial markets mentioned above, 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 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 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

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## **Table of Contents**

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 assets, the efficiency of our capital structure and other factors. However, 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, the maximum amount of net deferred tax assets that can be recorded for the purpose of calculating capital adequacy ratios without diminishing the amount of Tier 1 capital under Japanese capital adequacy regulations is 20% of Tier 1 capital. 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, our capital adequacy ratios could decline.

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.

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 funding and monitoring our liquidity position to apply appropriate funding policies, may not be sufficient to

## **Table of Contents**

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.

**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, securities, trust 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 business 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. For example, in October 2007, Mizuho Securities Co., Ltd. received a business improvement order from the Financial Services Agency relating to the receipt of non-public information from its parent bank and the use of such information for customer solicitation. 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 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 action 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,

## **Table of Contents**

among other things, human error, accidents, hacking, computer viruses 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 which became fully effective in April 2005, 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, 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,

## **Table of Contents**

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.**

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, maintenance of correspondent banking accounts and interbank money market transactions. In addition, we maintain a representative office in Iran and provide project financing to entities in Iran. We also maintain correspondent banking accounts for and with a number of Iranian banks that the U.S. Office of Foreign Assets Control identifies as specially designated nationals. 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 initiatives by U.S. governmental entities and U.S. institutional investors, such as pension funds, to adopt laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with Iran and other Designated Countries. It is possible that such initiatives may result in our being unable to retain or acquire entities that are subject to such prohibitions as customers or investors in our securities. In addition, depending on socio-political developments, our reputation may suffer due to our association with the Designated Countries. The above circumstances could have a significant adverse effect 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.

### **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. 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

## **Table of Contents**

become subject to turmoil, we could experience weakness in our business, as well as deterioration in the quality of our assets. For example, in recent years, we incurred significant losses related to declines in the value of our investments in securitization products, an increase in credit-related costs, an increase in impairment of equity securities and others as a result of the impact of the dislocation in global financial markets and the worsening economic environment. 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 various laws and regulations in and outside of Japan, including those applicable to financial institutions as well as general laws applicable to our business activities. If the laws and regulations that are applicable to us are amended or otherwise changed, for example 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.

### **The market for financial services in Japan is increasingly competitive.**

Ongoing deregulation in Japan has significantly lowered the barriers to entry with respect to the provision of banking, securities, trust 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. As a result, competition in the financial services industry has been intensifying in recent years and could intensify further in the future. If we are unable to respond effectively to current or future competition, our business, financial condition and results of operations could be adversely affected.

### **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 influenza A (H1N1). 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.

### **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.

## **Table of Contents**

### ***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 depositary 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 depositary, 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 depositary.

#### **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, 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, 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, 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. completed a merger. The merged entity, Mizuho Securities, is our subsidiary and listed on the Tokyo Stock Exchange and other Japanese stock exchanges. Through the merger, we aim to improve our service-providing capabilities to our clients and to offer competitive cutting-edge financial services on a global basis.

##### **Principal Capital Expenditures and Divestitures**

Since 2007, Mizuho Bank has been purchasing common stock of Credit Saison from time to time, in furtherance of our aim to promote the alliance with Credit Saison, Mizuho Bank and Mizuho Corporate Bank together owned 11.76% of the total outstanding shares of common stock of Credit Saison as of July 30, 2009.

##### **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.

## **Table of Contents**

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

#### **General**

We offer a variety of financial services, including banking, securities, trust and asset management services.

We align our businesses into the following three Global Groups based on our customers' needs: the Global Corporate Group; the Global Retail Group; and the Global Asset & Wealth Management Group. The following summarizes the business activities of each of our three Global Groups:

The Global Corporate Group provides sophisticated banking and securities products and services that meet the various needs of large corporations and other customers in and outside of Japan, utilizing global collaboration between our corporate banking business and securities business as well as our comprehensive financial expertise.

The Global Retail Group provides a wide range of financial products and services, including those provided through collaborations with our group companies, that meet the diverse needs of individuals, SMEs and middle-market corporations in Japan.

The Global Asset & Wealth Management Group provides trust, asset management and private banking products and services that meet the diversified and sophisticated needs of our customers.

In our efforts to strengthen our profitability, each Global Group leverages its own capabilities while at the same time strengthens mutual collaboration. We have developed a solid internal control system, including a thorough legal compliance system and advanced risk control system. In order to promote corporate social responsibility, or CSR, we have also engaged in activities mainly in the areas of financial education support and environmental conservation. Regarding our support of financial education, we sponsored academic courses in universities and engaged in joint research programs regarding financial education in schools.

Regarding environmental conservation, we have worked on, among other things, reduction of greenhouse gas emissions, and set goals for paper recycling rates and green purchase ratios, while engaging in project finance in consideration of influences on the natural environment and society in developing regions after becoming the first Japanese bank to adopt the Equator Principles, the international self-regulatory standard in relation to large-scale development projects, in 2003. In addition, we promoted conversion of branches of Mizuho Bank to barrier-free layouts in an effort to become more easily accessible for everyone.

We also reinforced our corporate branding strategy by actively conveying our brand slogan, Channel to Discovery, aiming to be a financial partner that helps customers shape their future and achieve their dreams.

We further strive to win the trust of our customers in and outside of Japan through those initiatives.

#### **Group Operations**

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

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

Mizuho Corporate Bank provides various sophisticated financial products and services to large Japanese corporations such as corporations listed on Japanese stock exchanges and their affiliates, financial institutions, public sector entities and foreign corporations, including foreign subsidiaries of Japanese corporations. We meet the needs of our customers by utilizing our strengths such as our broad customer base, comprehensive financial expertise and office network which covers major cities in and outside Japan. As of March 31, 2009, customers of Mizuho Corporate Bank and our other group companies included approximately 70% of all companies listed on the Tokyo, Osaka and Nagoya stock exchanges.

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Mizuho Corporate Bank engages in customer relationship management through its Global RM Group, while individual financial products and services are developed and provided by the Global Investment Banking Group,

## **Table of Contents**

the Global Transaction Banking Unit and the Global Markets Unit and the Global Alternative Investment Unit. We offer innovative financial products and services to our customers by integrating these two functions. In addition, the Global Portfolio Management Unit actively manages credit risk.

### *Global RM Group*

The Global RM group is divided into the following three business units based on customer segment:

the Corporate Banking Unit;

the Financial Institutions & Public Sector Business Unit; and

the International Banking Unit.

The units serve as our contact points with our customers such as large corporations, financial institutions and public sector entities in and outside Japan.

### *Corporate Banking Unit*

The Corporate Banking Unit engages in relationship management for large Japanese corporations and their affiliates.

In this area, we offer financial products and services on a global basis by utilizing the expertise of our group companies to meet the increasingly diverse and sophisticated needs of our customers. For example, we make proposals related to mergers and acquisitions and business restructuring of our customers in cooperation with sections specializing in those businesses. We also offer suitable financing and optimal solutions for our customers by enhancing cooperation with our group companies including Mizuho Bank, Mizuho Securities and Mizuho Trust & Banking.

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

The Financial Institutions & Public Sector Business Unit engages in relationship management for Japanese financial institutions and public sector entities. The unit also engages in businesses related to bonds issued by corporations, financial institutions and public sector entities.

For financial institution customers in Japan, we offer advisory services and solutions by concentrating our various financial expertise, such as financial strategy and risk management, from each Group company to meet the increasingly sophisticated and varied needs of customers.

We aim to provide the ideal solutions to the increasingly diverse needs of Japanese public sector entities. We actively arrange private finance initiatives and syndicated loans to meet their financing needs and propose new finance schemes such as securitization of business assets as well as advisory services related to managerial issues.

Regarding our bond-related businesses, with our extensive experience and achievements 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 engages in relationship management for foreign corporations, including foreign subsidiaries of Japanese corporations.

We support our Japanese customers to expand their foreign operations, utilizing our financial expertise as well as alliances with foreign financial institutions. In particular, we are promoting the support of our Japanese



## **Table of Contents**

corporate customers in connection with their entry into the Chinese market by offering advisory and other services. We also actively provide financial services to foreign corporations that are not affiliated with Japanese corporations through our global network.

In addition, we endeavor to meet the diverse needs of our overseas customers with respect to, among others, project finance and trade finance.

We strengthened our international network by establishing new branches and offices mainly to help enhance our medium-term profitability and strengthen our capability to support Japanese customers as well as promoting stronger relationships with major foreign financial institutions to supplement regions or product areas that our group is unable to cover. In the fiscal year ended March 31, 2009, we opened six new business bases mainly in Asia. In particular, in China, we established three branches of Mizuho Corporate Bank (China), Ltd. in Qingdao, Guangzhou and Wuhan in April, September and March, respectively, for a total number of ten bases for our business network in China, excluding Hong Kong and Taiwan. Also, our Wuhan branch is the first business base on a Japanese bank located in inland China. With respect to other regions, we opened the Taichung branch in April as the third business base in Taiwan, the Madrid representative office of Mizuho Corporate Bank Nederland N.V. in September, and the Kowloon sub-branch in October. By establishing these business bases, we have generally completed the establishment of the Group's overseas network for the time being. In addition, we actively developed business alliances with other financial institutions, etc., during the fiscal year ended March 31, 2009 and established an alliance with and invested in Evercore Partners Inc., an investment bank specializing in mergers and acquisitions, and also developed business partners in India. Also, in order to enhance our support for our customers that are developing businesses outside Japan, we continue to cultivate cooperative working relationships with foreign government agencies.

In December 2006, Mizuho Financial Group and Mizuho Corporate Bank obtained Financial Holding Company status from the U.S. regulatory authorities, which enabled our securities company subsidiary in the United States to engage in comprehensive investment banking businesses, such as the underwriting and dealing of corporate bonds, equities and other types of securities. We are promoting our full line of financial services through a collaboration between our banking and securities operations of U.S. subsidiaries.

### *Global Investment Banking Group*

The Global Investment Banking Group consists of two units, the Global Syndicated Finance Unit and the Global Financial Products Unit. We provide our customers with sophisticated financial solutions by integrating the functions of the two units.

### *Global Syndicated Finance Unit*

The Global Syndicated Finance Unit engages in the loan syndication business.

We offer syndicated loan services to meet the various financing needs of our customers, and we take a leading role in the growth of the Japanese syndicated loan market. During the fiscal year ended March 31, 2009, despite the intensified competition among banks, our group arranged, based on amount of principal, approximately 31% of all syndicated loans arranged in Japan. Mizuho Corporate Bank is arranging new types of syndicated loans such as those related to mergers and acquisitions and corporate reorganizations.

Geographically, we maintain staff at branches and offices in New York, London and Asia to promote our syndicated loan business on a global basis. For example, we arrange syndicated loans in Japan for foreign corporations and sell syndicated loans arranged in overseas markets to Japanese investors.

We also conduct activities to help grow the Japanese secondary loan market, including by exchanging our loan portfolio with those of other financial institutions, broadening the investor base and enhancing our cooperation with regional financial institutions.

## **Table of Contents**

### *Global Financial Products Unit*

The Global Financial Products Unit engages in structured finance, acquisition finance, real estate finance and project finance businesses.

We are strengthening our origination functions and expanding our range of products and services through cooperation with the Global Syndicated Finance Unit and our group companies, including Mizuho Securities, Mizuho Corporate Advisory Co., Ltd. and Mizuho Capital Partners Co., Ltd.

### *Global Transaction Banking Unit*

The Global Transaction Banking Unit engages in businesses related to cash management, custody, foreign exchange, trade finance and pension-related services. With respect to Internet-related services, we provide online solutions such as domestic and global cash management services to our customers.

We also promote yen settlement and clearing services, continuous linked settlement services, custody services and outsourced securities settlement services.

We offer foreign exchange and trade finance products and services in cooperation with our overseas branches and offices.

We provide customers of our pension-related services with pension plan proposals relating mainly to defined contribution plans by cooperating with Mizuho Trust & Banking and other group companies. Mizuho Corporate Bank also sells trust products as an agent of Mizuho Trust & Banking.

### *Global Markets Unit*

The Global Markets 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 continue to enhance the sophistication of our portfolio management methods and diversify our investments to make our portfolio more sound and profitable.

### *Global Alternative Investment Unit*

The Global Alternative Investment Unit engages in the alternative asset management business for institutional investors, including pension funds.

At present, our investment management company named Mizuho Alternative Investments, LLC in the United States is the main entity that engages in product development and management. Going forward, we will promote our asset management business, including with our efforts to expand investment management and distribution capabilities in Japan, to offer attractive investment products that respond to the changing needs of our customers.

### *Global Portfolio Management Unit*

The Global Portfolio Management Unit manages our various portfolios, mainly our loan and equity portfolio. We actively manage credit risk, equity price risk and other risks through diversification and enhancement of our operations, including use of derivatives that can contribute to the reduction of credit risk concentration and enhancement of portfolio value to maintain and strengthen the soundness and profitability of our portfolio.

## **Table of Contents**

### *Mizuho Securities*

On May 7, 2009, former Shinko Securities and former Mizuho Securities merged to form the new Mizuho Securities. With the combination of former Mizuho Securities' wholesale business expertise and global investment banking business platform and former Shinko Securities' nationwide customer base and full-service securities company network, its strong distribution power in the middle and retail markets as well as its strong track record in initial public offerings, the new Mizuho Securities will provide our customers with professional financial services of the highest quality and aims to be a the global investment bank most trusted by customers.

Mizuho Securities maintains securities subsidiaries in international financial centers such as London, New York, Hong Kong and Zurich, etc., to satisfy the needs of our customers globally in the areas of trading and underwriting of corporate and government bonds and equities as well as mergers and acquisitions advisory business, through our global network. In the United States, after being qualified as a financial holding company, Mizuho Securities USA Inc. provides a full line of business as a securities company and has been establishing a track record in the areas of corporate bond and equity underwriting. We have been developing a wide range of businesses in Asia, including establishing networks through, for example, the opening of a representative office in Mumbai in February 2009. We are also preparing for the launch of a subsidiary in Saudi Arabia.

The new Mizuho Securities will pursue the prompt realization of the merger synergies in wholesale, middle-market and retail businesses and will pursue a business model centered on customer businesses. Also, in order to realize flexible management that can quickly respond to changes in environment, the new Mizuho Securities will normalize its cost-structure and promote the enhancement of its internal control system in light of trends in global financial regulations.

### *Investment Banking Business*

In the bond underwriting business, because of our solid marketing capabilities, pricing capabilities to properly reflect investor demand and ability to respond swiftly to changes in the market, we have firmly established a top class track record and are developing a long-term relationship with customers. In the equity underwriting business, we have steadily established a track record as bookrunner in large financings and are growing to become a major player in the field.

In the mergers and acquisitions advisory business, we provide advice that is suitable for each customer's management strategy by utilizing our sophisticated knowledge and know-how that enable us to maintain our position as a leading advisor in Japan.

Also, in the finance arrangement business, such as real estate and monetary claims securitization, we are one of the leading players in the market.

We continue to strengthen our expertise in proposing and executing transactions that suit our customers' business strategy and to create new business opportunities in this area.

### *Product Development and Sales Business*

We have established our status as a market leader in the bond business, and we provide products that suit our customers' investment strategies, actively engage in market making efforts and provide quality information. In the equity business, we aim to respond to the needs of our customers by utilizing the resources that have been enhanced as a result of the merger.

We continue to strengthen sales to foreign investors, trading of international equities, provision of various high value-added products, etc., while we extend our market presence in and outside of Japan and respond to the needs of our customers.



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**Table of Contents**

**Global Retail Group**

*Mizuho Bank*

Mizuho Bank provides financial services mainly to individual customers, SMEs, middle-market corporations and local governmental entities in Japan. As of March 31, 2009, Mizuho Bank had approximately 25 million individual deposit accounts and made loans to approximately 100,000 SMEs and middle-market corporations. In addition to our broad customer base, we maintain one of the largest branch and ATM networks in Japan and a broad range of Internet banking services.

Mizuho Bank has the following four principal business groups:

the Personal Banking Group;

the Corporate Banking Group;

the Business Coordination & Development Group; and

the Trading and ALM Group.

*Personal Banking Group*

The Personal Banking Group offers a broad range of financial products and services to individual customers, including various types of loans and deposits as well as consulting and credit card services in Japan.

We are enhancing our relationship marketing efforts by offering products and services that meet the diverse needs of our customers, establishing convenient access points for customers and providing specialized consulting services by utilizing the comprehensive expertise of our group companies.

We have been enhancing the sophistication of our marketing strategies to maximize lifetime income, aiming at establishing stable revenue sources from present to future. We provide services such as payroll accounts and various loans that meet the financial needs of customer at various life events, including starting a new career, home purchases, children's education, etc. Also, for customers with investment needs, we provide advice tailored to such investment needs based on the customers' future life plans.

In order to provide specialized consulting services, we have increased the number of financial consultants to 3,179, as of March 31, 2009, that make proposals regarding investments such as investment trusts, foreign currency deposits, individual annuities and Japanese government bonds sold to individuals and provide weekend consultation meetings and enhanced our infrastructure such as our Relationship Marketing Database. Although the total amount of sales of such products decreased due to adverse market conditions, by implementing these measures, the aggregate number of customers with financial assets of more than ¥10 million increased to approximately 970,000 as of March 31, 2009, and customers that purchased investment products have also increased. The balance of investment trusts (excluding MMF) was ¥0.92 trillion, individual annuities was ¥1.60 trillion, foreign currency deposits was ¥0.55 trillion and Japanese government bonds sold to individuals was ¥1.59 trillion, each on a managerial accounting basis as of March 31, 2009. We also sell trust products at all Mizuho Bank branches as agents of Mizuho Trust & Banking and strengthened sales support functions by establishing a Trust Business Office using personnel from Mizuho Trust & Banking. In addition, we also meet our customers' one-stop shopping needs for banking, trust and securities services. For example, we offer the services of Mizuho Investors Securities Co., Ltd. through securities consulting booths, which we call Planet Booths, in the lobbies of 148 branches and offices of Mizuho Bank as of March 31, 2009. Through these measures, we are strengthening our consulting capabilities and endeavoring to grow assets under management.

In our housing loan business, we offer various products and services such as weekend consultation meetings and products 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.



## **Table of Contents**

With respect to unsecured loan products, we cooperate with Orient Corporation to develop unsecured loan products such as Captive Loans, a new card loan product that our customers can apply for through our ATM network, and Mizuho Bank Card Loan which we launched in August 2008 with a growing number of users due to effective promoting activities.

As of March 31, 2009, our Mizuho Mileage Club had approximately 6.5 million members and credit card members also increased to approximately 2.4 million. In order to make them more simple, comprehensive and attractive, we significantly changed the services in spring 2009. For example, we lowered the amount of deposit balances required for free ATM fees during designated hours, and in and after June 2009, fees to transfer monies to other banks will not be charged under certain conditions. Also, in addition to mileage points, we offer campaign services only for members. Our Mizuho Direct service is the first service by a Japanese bank to employ risk based approvals to enhance internet approval procedures. In order to strengthen our credit card business, we established a credit card processing company called Qubitous as a joint venture with our alliance partner Credit Saison, and centralized the credit card processing operations for the UC and Saison brands in April 2008.

With our 425 staffed branches throughout Japan as of March 31, 2009, we have been and will continue to expand our convenient and efficient points of contact for individual customers by promoting Mizuho Personal Square, a branch designed to focus on serving individual customers (146 locations as of March 31, 2009). In addition, we will expand our ATM network and enhance our Internet banking, telephone banking and mobile-phone banking systems, introduce a credit card settlement service that utilizes mobile phones, introduce a finger vein pattern authentication system to improve the security of ATM transactions and strengthen marketing through call centers.

### *Corporate Banking Group*

The Corporate Banking Group provides products and services mainly to SMEs and middle-market corporations as well as to local governmental entities and other public sector entities.

Also, in response to the recent challenging economic environment, we conduct thorough credit management in our loan operations and have enhanced our support services for our customers restructuring efforts.

We provide our SME and middle-market corporate customers with suitable financing arrangements together with sophisticated advisory and other services that are appropriate in light of the customers business strategies.

Through our marketing efforts for loan products, including the allocation of dedicated staff at branches to engage in finding new customers, applying different marketing strategies for different customer segments based on the size of the customers annual sales, developing new strategic loan products and utilizing Mizuho Business Financial Centers which primarily engage in loans to smaller enterprises, we provide affluent and stable financing to SMEs and middle-market corporations with appropriate interest rates according to each borrower s risk profile.

We offer our SME and middle-market corporate customers syndicated loans, advisory services related to overseas expansions, mergers and acquisitions-related services, business matching services, securities products acting as sales agent for securities companies, services related to defined contribution pension plans and support for start-up companies in cooperation with Mizuho Capital Co., Ltd. We call our provision of these services our solutions business.

We provide comprehensive financial services to meet the various needs of local governmental entities and other public sector entities, including services related to bank and capital markets financing to diversify their funding sources and various investment products and advisory services related to organizational restructuring and streamlining. We will continue to promote business with local governmental entities through our network of branches and offices, which is one of the largest in Japan.

## **Table of Contents**

### *Business Coordination & Development Group*

The Business Coordination & Development Group engages in businesses that require collaboration between our corporate and individual banking operations, such as transactions with high net worth individuals such as business owners and with employees of our corporate customers, and businesses that require collaboration with securities companies, trust banks and others within the Mizuho group.

### *Securities Division*

The Securities Division offers services related to capital markets financing such as the issuance of corporate bonds to meet the financial needs of our customers. In cooperation with group securities companies, including Mizuho Investors Securities, we endeavor to satisfy the investment and financing needs of SMEs and middle-market corporations and the investment needs of individuals.

### *Consulting Division*

The Consulting Division provides comprehensive consultation for customers who have needs relating to both corporate and individual aspects as well as comprehensive financial services through collaboration with Mizuho Trust & Banking and other group companies. We provide specialized consulting services that transcend traditional boundaries between corporate and individual services, such as proposing solutions related to corporate management issues as well as business and real estate succession issues. As a sales agent of Mizuho Trust & Banking, we also provide a variety of trust products as a solution for various needs of our corporate and individual customers. We are also promoting an exchange of personnel between Mizuho Trust & Banking and Mizuho Bank in order to provide highly professional consulting services in trust related businesses to Mizuho Bank customers. In addition, we provide specialized private banking services to high net worth individuals such as business and land owners.

### *Business Promotion Division for Employees of Corporate Customers*

Business Promotion Division for Employees of Corporate Customers promotes services to employees of our corporate customers by leveraging our solid corporate customer base through cooperation with Mizuho Corporate Bank and collaboration with the securities companies and trust banks within the Mizuho Group.

### *e-business Development Division*

The e-business Development Division provides products and services related to information technology such as offering cash management services and new banking services utilizing the Internet, mobile phones and IC cards.

### *Takarakuji Lottery Division*

The Takarakuji Lottery Division engages in the business of acting as an administrative bank for the Takarakuji lottery, the principal public lottery program in Japan.

### *Trading and ALM Group*

The Trading and ALM Group engages in investing in, and sales and trading of, financial instruments related to, among others, interest rates, foreign exchange and securities, including derivative instruments. We are diversifying our various investing activities under our risk management structure for the purpose of achieving more stable profits and risk diversification. We also satisfy various customer needs by providing a wide variety of financial instruments and solutions.

### *Mizuho Investors Securities*

Mizuho Investors Securities focuses on the needs of mainly individual customers, SMEs and middle-market corporations and aims to be the closest, most trustworthy securities company for customers, by establishing a

## **Table of Contents**

strong collaboration network with Mizuho Bank and enhancing collaboration with each of our group companies. Mizuho Investors Securities, through its Planet Booth locations which are operated together with Mizuho Bank, is actively promoting cooperation with group companies, such as its financial product sales agent business with Mizuho Bank, trust sales agent business with Mizuho Trust & Banking and support for customer's initial public offering.

With the above business base, Mizuho Investors Securities provides quality products and services, such as various securities products that meet its customers' investment needs and the underwriting of equities and bonds and consulting services regarding capital strategy in connection with its customers' financing needs, on an individualized and swift basis.

### **Global Asset and Wealth Management Group**

#### *Mizuho Trust & Banking*

Mizuho Trust & Banking is a full-line trust bank that provides customers with various financial products and services with strengths in both corporate and individual business areas. We provide our customers with distinct products and services developed based on our specialized expertise and consulting capabilities cultivated over the years. We respond promptly and appropriately to the diversified and sophisticated needs of our customers by collaborating with Mizuho Bank, Mizuho Corporate Bank and other group companies including asset management companies.

#### *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 providing advice on legal issues related to stock.

#### *Wealth Management Business*

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

consulting services regarding investment and management of customer assets;

administration and execution of testaments;

loan products such as apartment loans; and

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

*Others*

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

## **Table of Contents**

### *Mizuho Private Wealth Management*

Mizuho Private Wealth Management offers comprehensive, integrated and continuous private banking services to meet the various financial and non-financial needs of our ultra high net worth customers.

### *Trust & Custody Services Bank*

Trust & Custody Services Bank, Ltd., as a full-line custody bank, provides a wide range of products, including trust services, various custody services as well as sophisticated securities managing models, to meet the needs of customers such as financial institutions and institutional investors.

### *Asset Management Companies*

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

### ***Others***

#### *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 are able to provide customers with a combination of the above services to meet their respective needs.

#### *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 Financial Strategy*

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

### **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:

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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.



## **Table of Contents**

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 and the Development Bank of Japan.

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 domestic 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: (i) ordinary banks, of which there were 129 as of April 1, 2009, not including foreign commercial banks with banking operations in Japan; and (ii) trust banks, of which there were 19 as of April 1, 2009, including Japanese subsidiaries of foreign financial institutions and subsidiaries of Japanese financial institutions.

Ordinary banks consist mainly of city banks and regional banks. City banks, including Mizuho Corporate Bank and 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 the 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 April 1, 2009, there were 61 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, are currently in the process of privatization or consolidation. 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, the 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 and are planned to be fully privatized in the future. Japan Housing Finance Agency supports housing loans of private institutions through the securitization of such loans.

Another distinctive element of the Japanese banking system was the role of the postal savings system. Postal savings deposits were gathered through the network of governmental post offices scattered throughout Japan, and

## **Table of Contents**

their balance of deposits totaled over 200 trillion yen in the past. In recent years, the governmental postal business has been undergoing a process of privatization. In 2003, 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 joint stock corporation holding four operating companies including Japan Post Bank, which currently operates as an ordinary bank. Privatization of banking and insurance subsidiaries is scheduled to be completed by 2017 at the latest.

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.

## **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 rediscounting 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.

## **Table of Contents**

### *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 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 2009, equivalent to 0.107% of the deposits that bear no interest, are redeemable upon demand and are used by depositors primarily for payment and settlement purposes, and 0.081% of other deposits. 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

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## **Table of Contents**

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.

Participation in the deposit insurance system is compulsory for city banks (including Mizuho Corporate Bank and 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 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 loss sharing. Where it is anticipated that the failure of a bank may cause an extremely grave problem in maintaining the financial order in Japan or the area where such bank is operating, the following measures may be taken: (i) the Deposit Insurance Corporation may subscribe for the shares or other instruments of the relevant bank in order to enhance capital adequacy of the bank; (ii) if the bank fails or suffers a capital deficit, financial aid exceeding the pay-off cost may be available to such bank; and (iii) in the case where the systematic risk cannot be avoided by the measure mentioned in (ii) above, the Deposit Insurance Corporation may acquire the bank's shares.

### *Capital Injection by the Government and the Bank of Japan*

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 loans or other forms of credit extended to small and medium-sized enterprises in order to revitalize local economies.

On April 10, 2009, the Bank of Japan announced the introduction of a basic outline regarding provision of subordinated loans. Under this scheme, the Bank of Japan may extend subordinated loans to certain banks for the period ending in March 2010.

### *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

## **Table of Contents**

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, Mizuho Corporate 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 Instrument 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 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 financial service providers 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 refutably 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.

### *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

## **Table of Contents**

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 25% of the total qualifying capital of the bank holding company or bank and its subsidiaries and affiliates with respect to a single customer and 40% of the total qualifying capital of the bank holding company or bank and its subsidiaries and affiliates with respect to a customer group.

### *Restriction on Share Holdings*

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. This law was further amended effective March 10, 2009 to allow the Bank's Shareholdings Purchase Corporation 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, 2012.

In February 2009, the Bank of Japan also decided to resume purchases of shares held by banks and other financial institutions up to a maximum amount of ¥1 trillion until April 30, 2010.

### *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

## **Table of Contents**

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.

With regard to capital, these guidelines are in accordance with the standards of the Bank for International Settlements for a target minimum standard capital adequacy ratio of 8% (at least half of which must consist of Core Capital (Tier 1), a Core Capital ratio of 4%) on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho Corporate Bank, or on a consolidated basis for bank holding companies with international operations, such as Mizuho Financial Group.

Banks and bank holding companies are required to measure and apply capital charges with respect to their market risks in addition to their credit risks. Market risk is defined as the risk of losses in on- and off-balance sheet positions arising from movements in market prices such as the risks pertaining to interest rate related instruments and equities.

Japanese banks with only domestic operations, such as Mizuho Bank, 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 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 capital adequacy guidelines, the maximum amount of net deferred tax assets under Japanese GAAP that major Japanese banks, including bank holding companies, can record without diminishing the amount of Tier 1 capital for purposes of calculating capital adequacy is 20% of Tier 1 capital.

In June 2004, the Basel Committee announced amended rules with respect to minimum capital requirements, which include amended risk weight calculations that introduce an internal ratings-based approach and the inclusion of operational risk in the calculations, as well as an emphasis on supervisory review and market discipline through effective disclosure. The amendments adopt variable risk weights according to the credit rating given to the obligor of the risk assets. The better the credit rating of an obligor is, the lower the risk weight applicable to the risk assets owed by it. Also, the new rules require financial institutions to establish an internal risk management system, to make thorough disclosure of relevant information and to set an appropriate reserve against the operational risk based upon fair evaluation thereof. The new Financial Services Agency guidelines, which follow the amended rules, became effective on March 31, 2007, except for the introduction of the advanced methodologies to calculate capital requirements for risks which took effect on March 31, 2008. Under the new 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 Advanced Internal Ratings Based approach (AIRB) for the calculation of credit risk from the fiscal year ended March 31, 2009.

According to its announcement in March, 2009, the Basel Committee is considering the necessity of strengthening capital adequacy in the banking system by, among other things, introducing standards to promote the build up of capital buffers that can be drawn down in periods of stress and strengthening the quality of bank capital.

### *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 subjects us to criminal and/or administrative sanctions.

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## **Table of Contents**

### *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), which addresses money laundering and terrorism 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.

### *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), requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made 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 Corporate Bank's New York, Chicago and Los Angeles branches and Houston and Atlanta representative offices. We also own two banks in the US, Mizuho Corporate Bank (USA) and Mizuho Corporate Bank of California, 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 Corporate 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). Under current Federal Reserve Board policy, these three companies are expected to act as a source of financial strength to Mizuho Corporate Bank (USA), Mizuho Corporate Bank of California, 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. 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 or savings association.

Mizuho Financial Group and Mizuho Corporate 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, each of our banking subsidiaries with operations in the United States must be well capitalized, meaning a



## **Table of Contents**

Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%. Our U.S. banking operations must also be well managed, including that they maintain examination ratings that are at least satisfactory. Further, Mizuho Corporate 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, 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, agency and representative office in the United States of Mizuho Corporate 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 Corporate Bank is subject to supervision, examination and regulation by the New York State Banking Department as well as by the Federal Reserve Board. Except for the 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 1% of third party liabilities with a cap of \$400 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 Banking Department may require higher amounts for supervisory reasons. Each U.S. branch, agency and representative office of Mizuho Corporate 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 Banking Department, as well as to relevant FDIC regulation. The deposits of Mizuho Corporate Bank of California are FDIC-insured, and it is a state-chartered bank that is not a member of the Federal Reserve System. As such, Mizuho Corporate Bank of California is subject to regulation, supervision and examination by the FDIC and the California Department of Financial Institutions. 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 Banking Department.

In the United States, U.S.-registered broker-dealers are regulated by the Securities and Exchange Commission. As a U.S.-registered broker-dealer, Mizuho Securities USA Inc. 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.

### ***Other Jurisdictions***

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

**Table of Contents**

**4.C. Organizational Structure**

The following diagram shows our basic corporate structure as of March 31, 2009:

Notes:

- (1) Mizuho Investors Securities and Mizuho Trust & Banking are listed on the Tokyo Stock Exchange.
- (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.
- (3) In addition to the principal subsidiaries shown in the above diagram, as of March 31, 2009 we owned 27.3% of the outstanding shares of Shinko Securities, an equity-method affiliate of ours listed on the Tokyo Stock Exchange which was engaged in wholesale and retail securities businesses. Mizuho Securities and Shinko Securities merged on May 7, 2009. The corporate name of the merged company is Mizuho Securities Co., Ltd.

**Table of Contents**

The following table sets forth information with respect to our principal consolidated subsidiaries as of March 31, 2009:

| Name   | Country of organization | Main business                 | Proportion of ownership interest (%) | Proportion of voting interest (%) |
|--|-------------------------|-------------------------------|--------------------------------------|-----------------------------------|
| <b>Domestic</b>                                    |                         |                               |                                      |                                   |
| Mizuho Bank, Ltd.                                  | Japan                   | Banking                       | 100.0%                               | 100.0%                            |
| Mizuho Corporate Bank, Ltd.                        | Japan                   | Banking                       | 100.0%                               | 100.0%                            |
| Mizuho Securities Co., Ltd.                        | Japan                   | Securities                    | 89.8%                                | 89.8%                             |
| Mizuho Trust & Banking Co., Ltd.                   | Japan                   | Trust and banking             | 74.7%                                | 70.0%                             |
| Mizuho Investors Securities Co., Ltd.              | Japan                   | Securities                    | 66.5%                                | 66.8%                             |
| 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       | 98.4%                                | 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 (Canada)                     | Canada                  | Banking                       | 100.0%                               | 100.0%                            |
| Mizuho Corporate Bank (China), Ltd.                | China                   | Banking                       | 100.0%                               | 100.0%                            |
| Mizuho Corporate Bank (Germany) Aktiengesellschaft | Germany                 | Banking and securities        | 83.3%                                | 83.3%                             |
| 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%                             |

**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, 2008 and 2009:

|                                   | At March 31,<br>2008                      2009<br>(in millions of yen) |                  |
|-----------------------------------|--|------------------|
| Land                              | ¥ 156,942  | ¥ 177,311        |
| Buildings                         | 584,774  | 598,411          |
| Equipment and furniture           | 455,229  | 457,419          |
| Leasehold improvements            | 122,051  | 110,432          |
| Construction in progress          | 7,045  | 19,932           |
| Software                          | 514,588  | 545,078          |
| <b>Total</b>                      | <b>1,840,629</b>   | <b>1,908,583</b> |
| Less accumulated depreciation     | 988,236  | 1,008,835        |
| <b>Premises and equipment net</b> | <b>¥ 852,393</b>   | <b>¥ 899,748</b> |

Our head office is located at 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan with 13,185 square meters of office space. The headquarter buildings of Mizuho Financial Group, Mizuho Corporate Bank and Mizuho Bank are each leased from third parties.

The total area of land related to our material office and other properties at March 31, 2009 was approximately 883,000 square meters for owned land and approximately 21,000 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>                                      | 42          |
| <u>Critical Accounting Estimates</u>                 | 67          |
| <u>Operating Results</u>                             | 69          |
| <u>Business Segments Analysis</u>                    | 83          |
| <u>Geographical Segment Analysis</u>                 | 92          |
| <u>Financial Condition</u>                           | 95          |
| <u>Liquidity</u>                                     | 104         |
| <u>Capital Adequacy</u>                              | 105         |
| <u>Off-balance-sheet Arrangements</u>                | 113         |
| <u>Tabular Disclosure of Contractual Obligations</u> | 116         |
| <u>Recent Accounting Pronouncements</u>              | 116         |
| <u>Reconciliation with Japanese GAAP</u>             | 119         |
| <b>Overview</b>                                      |             |

***The Mizuho Group***

We provide a broad range of financial services in domestic and overseas markets through three Global Groups: the Global Corporate Group; the Global Retail Group; and the Global Asset & Wealth Management Group. The principal activities and subsidiaries of the three Global Groups are the following:

The Global Corporate Group provides wholesale and international banking and securities services, principally through Mizuho Corporate Bank and Mizuho Securities;

The Global Retail Group provides retail and SME and middle-market corporation banking and securities services, principally through Mizuho Bank and Mizuho Investors Securities; and

The Global Asset & Wealth Management Group provides trust and asset management services and private banking products and services, principally through Mizuho Trust & Banking, Trust & Custody Services Bank, our asset management companies, namely Mizuho Asset Management and DIAM (an equity method affiliate of ours) and Mizuho Private Wealth Management.

We also provide other services such as research services through Mizuho Research Institute, information technology-related services through Mizuho Information & Research Institute, and advisory services for financial institutions through Mizuho Financial Strategy.

The former Shinko Securities (a former equity-method affiliate) and the former Mizuho Securities (a former consolidated subsidiary) merged on May 7, 2009. The surviving entity was the former Shinko Securities which changed its name to Mizuho Securities upon the merger. Our equity ownership percentage in the new Mizuho Securities after the merger is 59.51%.

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

## **Table of Contents**

### ***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 debentures.

#### ***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](#) [Loans](#) [Allowance for loan losses](#).

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

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

Fees and commissions include the following:

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;

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

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

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fees for other customer services, including fees related to our agency businesses, such as credit card processing fees earned by UC Card and administration fees related to Japan's principal public lottery program, as well as guarantee fees and others. The credit card processing fees earned by UC Card are no longer included in fees and commissions beginning the fiscal year ended March 31, 2008 due to UC Card becoming an equity-method affiliate as a result of a consolidation and reorganization of our credit card operations. Investment gains (losses) net include primarily net gains 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.

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## **Table of Contents**

Trading account gains 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 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 SFAS No.159. For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report.

Foreign exchange gains (losses) net include mainly 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 include primarily salaries and employee benefits, general and administrative expenses, occupancy expenses, fees and commission expenses and minority interest in consolidated subsidiaries.

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 include mainly commission expenses paid in connection with remittance transactions and securities-related businesses, which include mainly transactions costs such as brokerage fees paid.

### *Operating Environment*

We operate principally in Japan. After years of persistent weakness beginning in the 1990s, the Japanese economy gradually improved over the years by confronting structural issues such as deflationary pressures, excess capacity, excess employment and excess leverage. However, in the fiscal year ended March 31, 2008, the global economy began to weaken due to the effects of the dislocation in the global financial markets. The U.S. and European economies, in particular, have continued to worsen thereafter, with financial results in the finance and industrial sectors deteriorating significantly, and other economies have also weakened significantly. Declines in global demand and the significant strengthening of the yen have adversely affected Japan's export sector leading to overall weakness in the Japanese economy. In addition, personal consumption decreased amid declines in employment and personal income due to sharp production adjustments. The serious downturn in the economy is continuing against the background of decreased domestic and foreign demand. Key indicators of economic conditions in recent periods include the following:

Japan's real gross domestic product on a year-on-year basis continued to increase by 2.0%, 2.3%, 2.3% and 1.8% in the fiscal years ended March 31, 2005, 2006, 2007 and 2008, respectively, but decreased by 3.3% in the fiscal year ended March 31, 2009 (based on the second preliminary estimate announced by the Japanese government on June 11, 2009). The Japanese Government expressed its concerns over an increasingly weak economy in the beginning of 2009 and stated in its monthly economic reports for January through April 2009 that the Japanese economy is worsening rapidly. From May 2009



**Table of Contents**

onwards, the reports began to reflect signs of a slowdown in the economic decline, and the monthly economic reports for July and August 2009 stated that the economy is showing movements of picking up recently while in a difficult situation. Quarterly gross domestic product for the first quarter of 2009, compared to the immediately preceding quarter, declined by 8.8%, and the International Monetary Fund projects a decline of 6.0% for 2009 followed by an increase of 1.7% for 2010 with respect to Japan's real gross domestic product on a year-on-year basis. Japan's core nationwide consumer price index decreased by 0.2% in the fiscal year ended March 31, 2005 and increased by 0.1%, 0.1%, 0.3% and 1.2% in the fiscal years ended March 31, 2006, 2007, 2008 and 2009, respectively. 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 2004 through the first quarter of 2009:

**Table of Contents**

The Bank of Japan, following its announcement on March 9, 2006 to end its quantitative easing monetary policy that it had maintained since March 2001, announced on July 14, 2006 and on February 21, 2007 that it raised its target for the uncollateralized overnight call rate from 0% to 0.25% and from 0.25% to 0.5%, respectively, but it lowered its target for the uncollateralized overnight call rate from 0.5% to 0.3% in October 2008 and to 0.1% in December 2008. The following charts show movements in long-term rates from January 2005 through July 2009, represented by the yield on newly issued 10-year Japanese government bonds, and in short-term interest rates from January 2005 through July 2009, 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, after a prolonged period of generally declining demand for bank loans in Japan, the aggregate monthly average balance of bank loans compared with that of the previous year has continued to increase since August 2005.

The CDS index called iTraxx Japan 50, which is composed of 50 of the most liquid investment grade CDSs for Japanese entities, rose to 421.7 basis points as of March 31, 2009 from 145.9 basis points as of March 31, 2008. The iTraxx Japan 50 has since fallen, reflecting improved market environment for credit products, and was 149.5 basis points as of July 31, 2009. 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 9,600 corporate bankruptcies in Japan in the fiscal year ended March 31, 2007, involving approximately ¥5.3 trillion in total liabilities, approximately 11,300 corporate bankruptcies in the fiscal year ended March 31, 2008, involving approximately ¥5.5 trillion in total liabilities, and approximately 13,200 corporate bankruptcies in the fiscal year ended March 31, 2009, involving approximately ¥13.7 trillion in total liabilities.

According to the Tokyo Stock Exchange, or the TSE, the aggregate ordinary profits and net income of all companies listed on the TSE, excluding financial institutions and companies newly listed during the relevant fiscal year, increased from ¥33.7 trillion and ¥19.4 trillion, respectively, for the fiscal year ended March 31, 2007 to ¥35.9 trillion and ¥20.0 trillion, respectively, for the fiscal year ended March 31, 2008 and decreased to ¥13.5 trillion and ¥0.2 trillion, respectively, for the fiscal year ended March 31, 2009.

**Table of Contents**

According to the Bank of Japan, total financial assets of households decreased from ¥1,543.7 trillion as of March 31, 2007 to ¥1,464.5 trillion as of March 31, 2008 and decreased to ¥1,410.4 trillion as of March 31, 2009. 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 2005 through the first quarter of 2009:

**Table of Contents**

The Nikkei Stock Average, which is an average of the price of 225 stocks listed on the Tokyo Stock Exchange, increased by 1.3% to ¥17,287.65 during the fiscal year ended March 31, 2007 but decreased by 27.5% to ¥12,525.54 during the fiscal year ended March 31, 2008, followed by a 35.3% decrease to ¥8,109.53 during the fiscal year ended March 31, 2009. Thereafter, the Nikkei Stock Average increased to ¥10,356.83 as of July 31, 2009. The following chart shows the daily closing price of the Nikkei Stock Average from January 2006 through July 2009:

The Japanese yen to U.S. dollar spot exchange rate, according to the Bank of Japan, was ¥118.05 to \$1.00 as of March 31, 2007, ¥99.37 to \$1.00 as of March 31, 2008 and ¥98.31 to \$1.00 as of March 31, 2009. The following chart shows the yen/dollar spot rate of 5 p.m. Tokyo time published by the Bank of Japan from January 2006 through July 2009:

## **Table of Contents**

According to the Ministry of Land, Infrastructure and Transport of Japan, housing starts in Japan increased by 4.7% and 2.9% in the fiscal years ended March 31, 2006 and 2007, respectively, decreased by 19.4% in the fiscal year ended March 31, 2008 and increased by 0.3% again in the fiscal year ended March 31, 2009.

According to the Ministry of Land, Infrastructure and Transport, the average published land prices in Japan rose 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% during calendar year 2008.

### ***Capital Improvements***

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

We are pursuing strengthening of stable capital base and steady returns to shareholders as our disciplined capital management.

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

Our medium-term target is to increase our consolidated Tier 1 capital ratio to 8% level. In order to achieve this, we have implemented a series of measures as follows.

We issued ¥303.0 billion, ¥355.0 billion, and \$850 million of non-dilutive preferred securities in July 2008, December 2008, and February 2009, respectively, through our overseas special purpose companies to enhance the Tier 1 capital of Mizuho Financial Group as well as its banking subsidiaries and improve the flexibility of our future capital strategy.

In June 2008, we redeemed \$1.0 billion, \$1.6 billion and ¥118.5 billion of non-dilutive preferred securities that were issued by our overseas special purpose companies in February 1998, March 1998 and August 2002, respectively.

With respect to Tier 2 capital, through public offerings to retail investors in Japan, Mizuho Bank issued ¥77.0 billion of dated subordinated bonds in December 2008, and Mizuho Corporate Bank issued ¥123.0 billion of dated subordinated bonds in March 2009. Through public offerings to wholesale investors in Japan, Mizuho Trust & Banking issued ¥15.2 billion of dated subordinated bonds in March 2009, and Mizuho Corporate Bank issued ¥120.0 billion of dated subordinated bonds in June 2009.

In April 2009, we redeemed 750 million of dated subordinated bonds that were issued by our overseas special purpose company in March 2004.

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

In order to offset the potential dilutive effect of the conversion of our eleventh series class XI preferred stock issued to the private sector in consideration of the possibility that the number of shares of our common stock would increase after the commencement of the conversion period on July 1, 2008, we repurchased a total of 283,500 shares of our common stock for ¥149.9 billion in July 2008 and cancelled all of the shares repurchased in September 2008, except the shares to be assigned for use in connection with the stock compensation-type stock options (stock acquisition rights) for our directors and executive officers. For information on the progress in the conversion of our eleventh series class XI preferred stock, see Capital Adequacy Capital. For information on our stock compensation-type stock options (stock acquisition rights) for directors, see Item 6.B. Directors, Senior Management and Employees Compensation.

With respect to dividends, despite the considerable worsening of our consolidated financial results in the fiscal year ended March 31, 2009, compared with the previous fiscal year, we paid cash dividends of ¥10 per share of common stock for the fiscal year ended March 31, 2009 from the standpoint of providing stable periodic dividend payments.

## **Table of Contents**

### *Shift of Priority*

While our basic policy of pursuing disciplined capital management remains unchanged, we intend to put more priority on strengthening our stable capital base, having considered the importance of capital under the recent circumstances, especially from the second half of the fiscal year ended March 31, 2009. We believe that our strengthening of stable capital base makes ourselves prepare for a further adverse business environment. Measures we have taken for responding to the above priority include the following:

We have suspended repurchases and cancellation of shares of our common stock since the second half of the fiscal year ended March 31, 2009 until our capital base is further strengthened.

In June 2009, we redeemed ¥176.0 billion of non-dilutive preferred securities that were issued to domestic investors by our overseas special purpose company in March 1999.

In May 2009, we announced plans to issue non-dilutive preferred securities through our overseas special purpose companies. In June 2009, we issued ¥139.5 billion of such non-dilutive preferred securities. The proceeds were provided to Mizuho Corporate Bank as payment for the subscription of its common stock. The overseas special purpose companies may issue additional non-dilutive preferred securities in the near future.

In addition to the above measures, in July and August 2009, we issued an aggregate of ¥529.2 billion in common stock through a global offering to secure, in light of the current uncertainty over the economy, a solid and sufficient capital buffer in preparation for a further adverse business environment and enhance the flexibility to re-capture business opportunities with our solid customer base to lead to our sustainable growth. This capital raising will also allow us to prepare for the ongoing global discussions as to the new definition of quality of capital, which is a matter of concern among investors and regulatory authorities worldwide. No conclusion has yet been reached by such authorities. Having considered the above objectives, we aim to maintain our prime capital, as defined in Capital Adequacy Prime Capital, which has a stronger ability to absorb losses, at a level of more than half of our Tier 1 capital.

### *Capital and Dividend Policies*

Our basic policy to pursue disciplined capital management is unchanged; we pursue an optimal balance between strengthening of stable capital base and steady returns to shareholders in accordance with changes in business environment.

With respect to estimated dividend payments for fiscal year ending March 31, 2010, we plan to reduce our dividend by ¥2 on a year-on-year basis to ¥8 per share of common stock, taking also into account the standpoint of providing stable periodic dividend payments. The foregoing statements are forward-looking statements that reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. See Forward-Looking Statements.

### ***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, 2009 due mainly to an increase in domestic loans resulting from an increase in loans to Japanese government and an increase in loans to corporate borrowers attributable to the strong funding needs triggered by the turmoil in the financial market. We generally aim to meet the financing needs of borrowers, especially those of domestic ones.





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**Table of Contents***Margins between loans and deposits*

The Bank of Japan announced on July 14, 2006 and on February 21, 2007 that it raised its target for the uncollateralized overnight call rate from 0% to 0.25% and from 0.25% to 0.5%, respectively. Reflecting these raises, the average yield on domestic loans increased from 1.54% in the fiscal year ended March 31, 2007 to 1.77% in the fiscal year ended March 31, 2008, and the average rate on domestic interest-bearing deposits increased from 0.38% to 0.52%. The increase of 0.23% in average yield on domestic loans in the fiscal year ended March 31, 2008 compared to the previous fiscal year was larger than the increase of 0.14% in the average rate on domestic interest-bearing deposits over the same period, resulting in a widening of the difference between such average yield and average rate. In response to the weakening economic environment, the Bank of Japan announced a reduction of its target for the uncollateralized overnight call rate from 0.5% to 0.3% in October 2008 and to 0.1% in December 2008. Reflecting these reductions, the average yield on domestic loans decreased from 1.77% in the fiscal year ended March 31, 2008 to 1.72% in the fiscal year ended March 31, 2009, and the average rate on domestic interest-bearing deposits decreased from 0.52% to 0.43%. Although the difference between the decrease in average yield on domestic loans and the decrease in average rate on domestic interest-bearing deposits in the fiscal year ended March 31, 2009 compared to the previous fiscal year was not significant, negative effects on margins are expected during the fiscal year ending March 31, 2010, assuming the Bank of Japan does not raise its target rate. This is due mainly to the general insensitivity of yen demand deposits to changes in market interest rate levels and the time lag between market interest rates and their reflection on average interest rates on loans.

*Provision (credit) for loan losses*

We had a provision for loan losses of ¥567.4 billion in the fiscal year ended March 31, 2009 compared to a credit for loan losses of ¥57.8 billion in the previous fiscal year. The provision for loan losses was due mainly to declines in the financial condition of domestic SMEs and middle-market corporations, the effect of the collapse of Lehman Brothers on our exposures to related entities and the weakening credit status of overseas loans reflecting the global economic downturn, as well as increased estimated loss rates related to normal obligors. In addition, the decline in export demand due to the global economic downturn, the strength of the Japanese yen and their impact on export-based businesses in Japan have also negatively impacted the financial condition of a wide range of borrowers. 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. If worldwide demand for Japanese products and services declines further, and if weakness in the Japanese and global economy worsens further or if another financial crisis develops, there can be no assurance that the amount of provision for loan losses will not increase significantly in future periods due to further declines in the credit quality of our customers both in and outside of Japan.

*Fees and Commissions*

Fees and commissions from corporate and retail customers have been significantly affected by the domestic and global economic environment. Until recent years, we experienced a period of significant increases in fees and commissions due to an expansion in various fee businesses that we offer to our corporate customers, such as fees from syndicated loans, other forms of financing arrangements and various advisory services, as demand for such products and services grew among Japanese corporations. Fees and commissions from retail customers had also increased due to growth in sales commissions related to various investment products as Japanese individuals increased the proportion of investments other than deposits within their total financial assets as interest rates on deposits maintained historically low levels. Despite our expectation at the time for continued growth in fees and commissions, a weak economic environment and turmoil in the global financial market, as well as increased competition within the domestic financial services industry, drove a decline in fees and commissions in the fiscal year ended March 31, 2008, and the decline accelerated in the fiscal year ended March 31, 2009. Fees and commissions earned from businesses involving corporate customers decreased in the fiscal year ended March 31, 2009 due to the increased competition and the dislocation in the global financial markets which negatively impacted areas such as overseas leveraged buyout and other financings. Under unstable market conditions, sales

**Table of Contents**

of investment products to retail customers have significantly decreased due mainly to the growing risk aversion of individuals. Although this trend may continue while the current global and domestic economic weakness continues, we do not believe that the general trend in recent years of Japanese individuals to shift their financial assets from savings to investments was only short term and instead believe that the trend will return over the long term.

*Debt and Equity Securities Portfolio*

The amount of our funding through deposits and debentures 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 credit and alternative investments, which we promote to diversify our risks and to expand our income sources, and we also hold investments in equity securities consisting mainly of common stock of Japanese listed company customers.

The fair value of available-for-sale marketable equity securities within our investments was ¥4,512.5 billion and ¥2,870.1 billion as of March 31, 2008 and 2009, respectively. 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 shareholders' equity or, in the case of other-than-temporary impairments to fair value, charged to income as an impairment loss. Unrealized gains-net of ¥1,893.0 billion and ¥632.8 billion were reflected in accumulated other comprehensive income, net of tax as of March 31, 2008 and 2009, respectively. We recognize impairment losses on marketable equity securities if the securities are deemed other-than-temporarily impaired. We generally deem marketable equity securities with fair value that continues to be below cost for six months or more to be other-than-temporarily impaired. For the fiscal year ended March 31, 2009, impairment losses on available-for-sale securities were ¥462.9 billion, and most of this amount was attributable to marketable equity securities. We expect the size of our portfolio of marketable equity securities to continue to be significant, while we plan to continue reducing our holdings of marketable equity securities with a medium-term target to lower the acquisition cost of marketable equity securities to 50% of our Tier 1 capital.

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, 2009, we had a total of ¥24,684.7 billion of available-for-sale debt securities within our investments, of which ¥18,458.1 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 shareholders' equity or, in the case of other-than-temporary impairments to fair value, charged to income as an impairment loss. We had ¥29,859.1 billion and ¥24,684.7 billion of available-for-sale debt securities as of March 31, 2008 and 2009, respectively, and unrealized gains of ¥14.9 billion and unrealized losses of ¥26.1 billion were reflected in accumulated other comprehensive income, net of tax as of such dates, respectively. Investment losses related to bonds decreased by ¥136.4 billion from the previous fiscal year to ¥177.7 billion in the fiscal year ended March 31, 2009 due mainly to the reclassification of investment losses related to foreign currency denominated available-for-sale securities from investments gains (losses) to trading account gains (losses) following the adoption of the fair value option under SFAS No. 159 as of April 1, 2008. Investment losses related to bonds for both fiscal years also include the losses on sales of, and impairment losses on various types of, securitization products due to the impact of the dislocation in the global financial market stemming from U.S. subprime loan issues. See [Overview](#) [Impact of the Dislocation in the Global Financial Markets](#).

*Trading Account Gains Net*

Trading account gains net decreased by ¥14.0 billion from the previous fiscal year to ¥122.0 billion in the fiscal year ended March 31, 2009 due mainly to the decrease in gains related to changes in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risk, that are not eligible for hedge accounting under U.S. GAAP and the losses incurred by consolidated VIEs, such as stock investment

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**Table of Contents**

trusts, due mainly to declines in the stock markets. Trading account gains net also include losses related to changes in the fair value of foreign currency denominated available-for-sale securities that were elected for fair value treatment under SFAS No.159 as of April 1, 2008, offset in part by trading losses on securitization products incurred by Mizuho Securities. Although Mizuho Securities significantly reduced its holding of foreign currency denominated securitization products, it continues to hold a certain amount of such assets that are exposed to the risk of further declines in value or that may otherwise lead to further losses. While we will endeavor to continue reducing the amount of foreign currency denominated securitization products through sales or other measures, our exposure to assets that are subject to such risk may increase in the future depending on market conditions and other factors. We may be subject to losses in subsequent periods absent a market recovery. For information on securitization products held by Mizuho Securities, see [Overview](#) [Impact of the Dislocation in the Global Financial Markets](#).

*Costs and Expenses*

In the fiscal year ended March 31, 2009, salaries and employee benefits increased by ¥59.8 billion due mainly to the increase in employee retirement benefit expenses, which in turn was due mainly to the declines in expected returns on pension plan assets and the amortization of net actuarial loss in the fiscal year ended March 31, 2009 compared to the amortization of net actuarial gain in the previous fiscal year. General and administrative expenses and occupancy expenses decreased by ¥9.4 billion and ¥19.1 billion, respectively, through detailed reviews, while costs related to focused areas to which we outlay our management resources, such as further enhancement to our infrastructure to promote our domestic consulting activities with individuals, continue to increase. Although we plan to continue our efforts to reduce general and administrative expenses and occupancy expenses through detailed reviews for the entire group, we expect that such cost reduction will be offset at least in part by increased expenses related to employee retirement benefits.

*Impact of the Dislocation in the Global Financial Markets*

All figures in this subsection are approximate amounts based on a managerial accounting basis under Japanese GAAP used for risk monitoring purposes.

The impact of the dislocation in the global financial markets stemming from U.S. subprime loan issues has spread widely across the markets for securitization products, including residential mortgage-backed securities (RMBS) and collateralized debt obligations (CDOs) backed by RMBS, regardless of whether they involve U.S. subprime mortgage loans, leading to significant liquidity problems related to securitization products that have contributed to the declines in the value, and disruption of historical pricing relationships, of such products.

The adverse impact has further expanded to various markets such as asset-backed commercial paper (ABCP) and loans related to leveraged buyout transactions. In addition, structured investment vehicles (SIVs), which are investment vehicles designed to earn a spread between the short-term debt that they issue and the longer-term investments (including the types of securities that were impacted by the market dislocation) that they make, have faced significant liquidity issues in connection with their issuances of short-term debt as a result of rating agency downgrades of their longer-term investments and other related market developments.

The foregoing market developments had adversely affected our financial condition and results of operations in the fiscal year ended March 31, 2008. The negative impact continued in the fiscal year ended March 31, 2009 although the losses incurred decreased compared to the previous fiscal year. This subsection sets forth information relating to such effects, taking into account the recommendations relating to disclosure contained within the Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience dated April 7, 2008.

**Table of Contents**

In the fiscal years ended March 31, 2008 and 2009, our three principal banking subsidiaries, Mizuho Corporate Bank, Mizuho Bank and Mizuho Trust & Banking (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities) and Mizuho Securities (including its overseas subsidiaries) incurred the following losses offset in part by hedging profits:

|  | Fiscal year ended<br>March 31,<br>2008                      2009<br>(in billions of yen) |                              |
|--|--|------------------------------|
| Three principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities):       |  |                              |
| Losses on sales of securitization products, etc. (including devaluation and provision of reserve for possible losses on investments) | ¥ (93)   | ¥ (126) <sup>(3)</sup>       |
| Losses associated with ABCP programs (including provision of reserve for contingencies)  | (95)   | (4)                          |
| Credit-related costs associated with SIVs  | (21)   |                              |
| Net losses on provision of reserve for possible losses on sales of loans <sup>(1)</sup>  | (51)   | (12)                         |
| Profits from hedging of securitization products exposure with credit default swaps   | 29   | 23                           |
| <b>Subtotal</b>  | <b>(232)</b>   | <b>(119)</b>                 |
| Mizuho Securities (including its overseas subsidiaries): <sup>(2)</sup>  |  |                              |
| Trading losses (net of hedges) on securitization products  | (349)  | (16) <sup>(4)</sup>          |
| Losses associated with U.S. financial guarantors (monoline insurers)   | (64)   |                              |
| <b>Subtotal</b>  | <b>(413)</b>   | <b>(16)</b>                  |
| <b>Total</b>   | <b>¥ (645)</b>   | <b>¥ (135)<sup>(5)</sup></b> |

Notes:

- (1) Separately recorded approximately ¥19.0 billion of credit-related costs in the fiscal year ended March 31, 2009 due to downgrading of some obligors to the intensive control obligors classification or below.
- (2) Our other principal securities subsidiary, Mizuho Investors Securities, held only a negligible amount of securitization products as of March 31, 2008 and 2009, and its related gains/losses were also negligible. The figures do not include reserves for counterparty risks associated with the amount to be claimed at settlement of the CDS related to securitization products described in the table titled "Credit default swaps related to securitization products held by Mizuho Securities (including its overseas subsidiaries)" on page 59.
- (3) Includes ¥101 billion of losses on sales of foreign currency denominated securitization products, etc. (including devaluation and provision of reserve for possible losses on investments).
- (4) Includes ¥12 billion of trading losses (net of hedges) on foreign currency denominated securitization products.
- (5) We manage these gains/losses under Japanese GAAP, and beginning the fiscal year ended March 31, 2009, we no longer prepare the information regarding the corresponding figures under U.S. GAAP. The corresponding figure under U.S. GAAP for the fiscal year ended March 31, 2008 was a loss of ¥734 billion compared to a loss of ¥645 billion under Japanese GAAP. We believe that the principal causes for the difference between Japanese GAAP and U.S. GAAP figures include the following:

*Losses on sales of securitization products, etc. (including devaluation and provision of reserve for possible losses on investments)*  
Difference in recognition criteria for declines in the fair value of securities below cost that are deemed to be other-than-temporary. See Reconciliation with Japanese GAAP 2. Investments for further information. In addition, following the adoption of SFAS No. 159, we elected the fair value option for foreign currency-denominated available-for-sale securities, including foreign currency-denominated securitization products, on April 1, 2008, resulting in the change in fair value of those securities being recognized in earnings under U.S. GAAP. See note 28 to our consolidated financial statements included elsewhere in this annual report for further information.



**Table of Contents**

*Net losses on provision of reserve for possible losses on sales of loans.* Difference in the calculation of losses related to loans held for sale. Reserves for possible losses on sales of loans under Japanese GAAP do not include relevant general and specific reserves for possible losses on such loans, while valuation losses related to loans held for sale under U.S. GAAP are generally equivalent to the aggregate amount of losses related to reserves for possible losses on sales of loans and reserves for possible losses on such loans under Japanese GAAP. See note 5 to our consolidated financial statements included elsewhere in this annual report for further information on valuation losses related to loans held for sale under U.S. GAAP.

**Securitization Products**

We continue to hold a significant amount of securitization products. The balance (banking account) of securitization products held by our principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities) was approximately ¥3,090 billion, of which approximately ¥540 billion was foreign currency-denominated as of March 31, 2009. Similarly, the net balance (trading account) held by Mizuho Securities (including its overseas subsidiaries) was approximately ¥227 billion, of which approximately ¥39 billion was foreign currency-denominated as of March 31, 2009.

We reduced significantly the amount of securitization products, in particular foreign currency-denominated securitization products held by Mizuho Securities (including its overseas subsidiaries), in recent years.

The following table shows a breakdown of foreign currency-denominated securitization products held by our principal banking subsidiaries and their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities (banking account) as of March 31, 2008 and 2009:

|  | As of March 31,<br>2008                   |   | Changes in fiscal year ended<br>March 31, 2009 |                              |                | As of March 31, 2009                         |   |  | Realized<br>gains<br>(losses) in<br>fiscal<br>year<br>ended<br>March 31,<br>2009 <sup>(1)(2)</sup> | As of March 31,<br>2009 |
|--|---|---|--|------------------------------|----------------|--|---|--|--|-------------------------|
|  | Balance<br>(fair<br>value) <sup>(1)</sup> | Marks<br>(%)<br>(fair<br>value)/<br>(face<br>value) | Gains<br>(losses) <sup>(8)</sup>               | Foreign<br>exchange<br>rates | Sales,<br>etc. | Balance<br>(fair<br>value) <sup>(1)(2)</sup> | Marks<br>(%)<br>(fair<br>value)/<br>(face<br>value) | Unrealized<br>gains<br>(losses) <sup>(2)</sup> |  |                         |
|  | (in billions of yen, except percentages)  |   |  |                              |                |  |   |  |  |                         |
| ABSCDOs, CDOs  | ¥ 126                                     | 51%   | ¥ (41)   | ¥ (11)                       | ¥ (26)         | ¥ 49   | 23%   | ¥ (3)  | ¥ (44)   | 30%                     |
| CDOs backed by RMBS  | 36  | 28  | (29)   | (1)                          | (2)            | 5 <sup>(4)</sup>                             | 3   | 0  | (29)   |                         |
| CDOs except above  | 90 <sup>(5)</sup>                         | 77  | (11)   | (11)                         | (24)           | 44 <sup>(5)</sup>                            | 55  | (3)  | (15)   | 30                      |
| CDOs backed by claims<br>against corporations <sup>(6)</sup>           | 90  | 77  | (11)   | (11)                         | (24)           | 44   | 55  | (3)  | (15)   | 30                      |
| CDOs backed by commercial<br>mortgage-backed securities<br>(CMBS)      |   |   |  |                              |                |  |   |  |  |                         |
| RMBS   | 319                                       | 86  | (36)   | (57)                         | (38)           | 188  | 68  | (21)   | (37)   | 60                      |
| RMBS with underlying assets<br>in the U.S. <sup>(7)</sup>              |   |   |  |                              |                |  |   |  |  |                         |
| RMBS except above (RMBS<br>with underlying assets mainly<br>in Europe) | 319                                       | 86  | (36)   | (57)                         | (38)           | 188  | 68  | (21)   | (37)   | 60                      |
| ABS, collateralized loan<br>obligations (CLOs) and others              | 444                                       | 85  | (8)  | (40)                         | (92)           | 303  | 79  | (29)   | (20)   | 50                      |
| CLOs <sup>(6)</sup>  | 195                                       | 86  | 7  | (7)                          | (12)           | 182  | 90  | (20)   | (6)  | 50                      |
| ABS  | 169                                       | 93  | (8)  | (19)                         | (74)           | 69   | 77  | (4)  | (8)  | 40                      |
| CMBS   | 79  | 89  | (7)  | (14)                         | (6)            | 52   | 76  | (5)  | (6)  | 50                      |
| SIV-related  |   |   |  |                              |                |  |   |  | 0  |                         |
| Total  | ¥ 889                                     | 78%   | ¥ (85)   | ¥ (108)                      | ¥ (155)        | ¥ 540  | 62%   | ¥ (53)   | ¥ (101)  | 50%                     |

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**Table of Contents**

## Notes:

- (1) Except for the securitization products which were the reference assets of our securitization schemes for transferring credit risk to third parties (hedged portion), a reserve for possible losses on investments has been provided since March 31, 2008 against unrealized losses on securitization products related to the discontinuation of business regarding credit investments primarily in Europe, which had been made as an alternative to loans. The balance of reserve was approximately ¥32 billion as of March 31, 2009. Since securities were recognized at fair value on the consolidated balance sheet, the relevant balances as of March 31, 2008 and March 31, 2009 were those after being offset by the amount of reserve for possible losses on investments.
- (2) With respect to the vast majority of credit investments in securitization products made as an alternative to loans by our European and North American offices, we changed the calculation method for fair value and applied reasonably calculated prices based on the reasonable estimates of our management as fair value as of March 31, 2009. The book value of the relevant securitization products after the change was approximately ¥515 billion.
- (3) The approximate proportions of balances (fair value) of our securitization products, as of March 31, 2009, which were the reference assets of our securitization schemes (with CDS and other means) for transferring credit risk to third parties until maturity. In some of these securitization schemes, a portion of the credit risk of the reference assets remained with us through our retaining a small first loss position and a portion of senior tranches. As of March 31, 2009, the hedges included approximately ¥163 billion (on a notional amount basis) of credit default swaps entered into with a financial services subsidiary (A- rating) of a multi-line insurance company and approximately ¥98 billion (on a notional amount basis) of credit default swaps entered into with a government-affiliated financial institution (AA- rating). The ratings were based on the lowest external ratings as of March 31, 2009.
- (4) The proportion of U.S. subprime mortgage loan-related assets to the total underlying assets of this CDO was up to approximately 40%. The entire balance (fair value) consisted of super senior tranche.
- (5) The entire balance consisted of securitization products backed by original assets (i.e., non-securitized assets).
- (6) Re-classified a part of the securitization products, which had been categorized in CDOs backed by claims against corporations as of March 31, 2008, to CLOs after a review of the definition of each category since our disclosure for the first quarter of fiscal year ended March 31, 2009.
- (7) Excludes U.S. government-owned corporation (Ginnie Mae) bonds and government-sponsored enterprise (Fannie Mae and Freddie Mac) bonds. The balance of those bonds as of March 31, 2009 was approximately ¥665 billion, of which approximately ¥663 billion consisted of RMBS guaranteed by Ginnie Mae with approximately ¥18 billion of unrealized gains. There was no holding of stocks of these entities.
- (8) Includes realized gains (losses) and changes in unrealized gains (losses).

**Table of Contents**

The following table shows a breakdown of foreign currency-denominated securitization products held by Mizuho Securities and its overseas subsidiaries (trading account, net of hedges) as of March 31, 2008 and 2009:

|  | As of March 31,<br>2008    |   | Changes in fiscal year<br>ended<br>March 31, 2009 |                              |                  | As of March 31,<br>2009    |   | Realized<br>gains (losses)<br>in fiscal<br>year<br>ended<br>March 31,<br>2009 |
|--|----------------------------|---|---|------------------------------|------------------|----------------------------|---|---|
|  | Balance<br>(fair<br>value) | Marks<br>(%)<br>(fair<br>value)/<br>(face<br>value) | Realized<br>losses                                | Foreign<br>exchange<br>rates | Sales,<br>etc.   | Balance<br>(fair<br>value) | Marks<br>(%)<br>(fair<br>value)/<br>(face<br>value) |   |
| (in billions of yen, except percentages)   |                            |   |   |                              |                  |                            |   |   |
| ABSCDOs, CDOs  | ¥ 50                       | 18%   | ¥ (6)   | ¥ (1)                        | ¥ (37)           | ¥ 6                        | 2%  | ¥ (6)   |
| CDOs backed by RMBS  | 24                         | 10  | (6)   | (1)                          | (11)             | 6 <sup>(1)</sup>           | 2   | (6)   |
| Hedged by CDS with a non-investment<br>grade financial guarantor <sup>(2)</sup>              | 11                         | 17  |   |                              |                  |                            |   |   |
| CDOs except above <sup>(4)</sup>   | 26 <sup>(3)</sup>          | 83  | 0   | (0)                          | (26)             |                            |   | 0   |
| CDOs backed by claims against<br>corporations  | 16                         | 92  |   |                              | (16)             |                            |   |   |
| Hedged by CDS with a non-investment<br>grade financial guarantor <sup>(2)</sup>              |                            |   |   |                              |                  |                            |   |   |
| CDOs backed by CMBS  | 0                          | 8   | 0   | (0)                          | (0)              |                            |   | 0   |
| RMBS   | 53                         | 27  | (1)   | (1)                          | (50)             | 1                          | 1   | (1)   |
| RMBS backed by U.S. subprime mortgage<br>loans   | 15                         | 31  | (0)   | (0)                          | (15)             | 0                          | 2   | (0)   |
| RMBS except above (RMBS backed by<br>mid-prime loans, prime loans and others) <sup>(5)</sup> | 38                         | 26  | (1)   | (1)                          | (35)             | 1                          | 1   | (1)   |
| RMBS backed by mid-prime loans (Alt-A)   | 19                         | 26  |   | (19)                         |                  | 0                          | 1   |   |
| ABS, CLOs and others   | 2                          | 67  | (4)   | (1)                          | 35               | 32                         | 79  | (5)   |
| CLOs <sup>(4)</sup>  | 2                          | 73  | (3)   | (1)                          | 26               | 24                         | 83  | (3)   |
| CMBS   | 0                          | 43  | (0)   | (0)                          | (0)              | 0                          | 14  | (0)   |
| SIV-related  |                            |   |   |                              | 8 <sup>(6)</sup> | 8 <sup>(6)</sup>           | 72  | (2)   |
| <b>Total</b>   | <b>¥ 105</b>               | <b>22%</b>  | <b>¥ (12)</b>                                     | <b>¥ (2)</b>                 | <b>¥ (52)</b>    | <b>¥ 39</b>                | <b>12%</b>  | <b>¥ (12)</b>   |

## Notes:

- (1) The proportion of U.S. subprime mortgage loan-related assets to total underlying assets was approximately 10%. Approximately 50% of the balance (fair value) was super senior tranche.
- (2) CDO exposures hedged by CDS with a non-investment grade (based on external ratings as of March 31, 2008) U.S. financial guarantor (monoline insurers), net of allowance. The hedging transaction was terminated in August, 2008. The related figures are included in CDOs backed by RMBS.
- (3) The entire balance consisted of securitization products backed by original assets (i.e., non-securitized assets).
- (4) Re-classified the securitization products, which had been categorized in CDOs except above as of March 31, 2008, to CLOs after a review of the definition of each category since our disclosure for the first quarter of the fiscal year ended March 31, 2009.
- (5) Excludes U.S. government-owned corporation (Ginnie Mae) bonds and government-sponsored enterprise (Fannie Mae and Freddie Mac) bonds. The balance of the corporate bonds issued by Fannie Mae and Freddie Mac as of March 31, 2009 was approximately ¥38 billion, which were held for the purpose of, among other things, market-making activities in the U.S. The bonds were subject to mark-to-market





**Table of Contents**

accounting so there were no unrealized losses. The realized losses for the fiscal year ended March 31, 2009 were approximately ¥2 billion. The total balance of RMBS guaranteed by them was negligible. There was no holding of stocks of these entities.

- (6) Obtained senior bonds issued by an SIV in settlement of CDS transactions where such bonds were treated as collateral. These CDS transactions were related to our CDO structuring business.

The following table shows a breakdown of credit ratings of the counterparties and reference assets of credit default swaps related to securitization products held by Mizuho Securities (including its overseas subsidiaries) as of March 31, 2009:

|   | Notional<br>amount<br>(A) | Fair value of<br>reference asset<br>(B) | As of March 31, 2009  |     |                              | Reserves<br>for (C) |
|---|---------------------------|---|---|-----|------------------------------|---------------------|
|   |                           |   | Amount to be<br>claimed at<br>settlement<br>(Net present value) |     | (any cash<br>received) = (C) |                     |
|   |                           |   | (A)   | (B) |                              |                     |
| (in billions of yen)  |                           |   |   |     |                              |                     |
| <b>Credit default swaps related to securitization products held by Mizuho Securities (including its overseas subsidiaries):</b> |                           |   |   |     |                              |                     |
| AAA <sup>(1)</sup>  | ¥                         | ¥                                       | ¥   |     |                              | ¥                   |
| RMBS CDOs   |                           |   |   |     |                              |                     |
| Other CDOs (backed by claims against corporations)  |                           |   |   |     |                              |                     |
| AA <sup>(1)</sup>   | 189                       | 158                                     | 31  |     |                              | 7                   |
| RMBS CDOs   | 40                        | 34                                      | 6   |     |                              | 1                   |
| Other CDOs (backed by claims against corporations)  | 149                       | 124                                     | 25  |     |                              | 7                   |
| of which counterparties are U.S. monoline insurers  | 27                        | 20                                      | 7   |     |                              | 5                   |
| A to BBB <sup>(1)</sup>   | 109                       | 51                                      | 39  |     |                              | 13                  |
| RMBS CDOs <sup>(2)</sup>  | 20                        | 0                                       | 0   |     |                              |                     |
| Other CDOs (backed by claims against corporations) <sup>(3)</sup>   | 90                        | 51                                      | 39  |     |                              | 13                  |
| Non-investment grade or no ratings <sup>(1)</sup>   |                           |   |   |     |                              |                     |
| RMBS CDOs   |                           |   |   |     |                              |                     |
| Other CDOs (backed by claims against corporations)  |                           |   |   |     |                              |                     |
| <b>Total</b>  | ¥ 298                     | ¥ 208                                   | ¥ 70  |     |                              | ¥ 20                |
| Of which counterparties are U.S. monoline insurers  | ¥ 27                      | ¥ 20                                    | ¥ 7   |     |                              | ¥ 5                 |

Notes:

- (1) Categorized by the lowest grade (external credit ratings as of March 31, 2009) in case of crossover credit. When the counterparty was guaranteed by third parties, categorized by the higher grade of either of them. In case of SPVs that do not have issuer ratings, categorized by the parties with which final risk resided.
- (2) The balance of difference between the notional amount and the fair value of reference asset (approximately ¥20 billion) had already been received in cash from a CDS protection seller, thus the net present value for that portion became nil (=no counterparty risk).
- (3) For a portion of the amount, some of the rating agencies downgraded to BB equivalent rating as of May 19, 2009.

**Table of Contents**

The following tables show breakdowns based on credit ratings and geographic distribution of foreign currency-denominated securitization products held by (i) our principal banking subsidiaries (including its overseas subsidiaries, but excluding subsidiaries of Mizuho Securities) and (ii) Mizuho Securities (including its overseas subsidiaries) as of March 31, 2009:

|  | As of March 31, 2009 |               |                      |       |                     |      |  | Total |
|--|----------------------|---------------|----------------------|-------|---------------------|------|--|-------|
|  | RMBS<br>CDOs         | Other<br>CDOs | RMBS                 | CLOs  | ABS                 | CMBS | (in billions of yen, except percentages) |       |
| <b>Foreign currency-denominated securitization products held by our principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities):</b> |                      |               |                      |       |                     |      |  |       |
| Balance (fair value)   | ¥ 5                  | ¥ 44          | ¥ 188 <sup>(1)</sup> | ¥ 182 | ¥ 69 <sup>(2)</sup> | ¥ 52 |  | ¥ 540 |
| By credit rating:  |                      |               |                      |       |                     |      |  |       |
| AAA  | 0%                   | 34%           | 10%                  | 97%   | 25%                 | 29%  |  | 45%   |
| AA   | 0                    | 21            | 40                   | 0     | 9                   | 40   |  | 21    |
| A  | 0                    | 23            | 34                   | 0     | 51                  | 30   |  | 23    |
| BBB  | 0                    | 12            | 15                   | 0     | 12                  | 1    |  | 8     |
| BB or lower; no ratings  | 100                  | 11            | 2                    | 3     | 3                   | 1    |  | 4     |
| By geography:  |                      |               |                      |       |                     |      |  |       |
| United States  | 100%                 | 17%           | 0%                   | 92%   | 10%                 | 0%   |  | 34%   |
| Europe   | 0                    | 83            | 91                   | 8     | 90                  | 100  |  | 62    |
| Asia   | 0                    | 0             | 9                    | 0     | 0                   | 0    |  | 3     |

Notes:

(1) Breakdowns of RMBS on a country-by-country basis and based on year of issuance are as follows:

|                |     |      |    |
|----------------|-----|------|----|
| United Kingdom | 46% | 2004 | 6% |
| Netherlands    | 25  | 2005 | 41 |
| Spain          | 12  | 2006 | 35 |
| Others         | 16  | 2007 | 17 |

(2) Major underlying assets of ABS are as follows:

|                             |     |
|-----------------------------|-----|
| Credit card receivables     | 34% |
| Lease/auto loan receivables | 46  |
| Others                      | 20  |

**Table of Contents**

|  | As of March 31, 2009 |                    |                    |      |      |      | Total |
|--|----------------------|--------------------|--------------------|------|------|------|-------|
|  | RMBS                 | U.S.               | Other              | CLOs | SIV  |      |       |
|  | CDOs                 | subprime           | RMBS               |      |      |      |       |
| (in billions of yen, except percentages)   |                      |                    |                    |      |      |      |       |
| <b>Foreign currency-denominated securitization products held by Mizuho Securities (including its overseas subsidiaries):</b> |                      |                    |                    |      |      |      |       |
| Balance (fair value)   | ¥ 6                  | ¥ 0 <sup>(1)</sup> | ¥ 1 <sup>(1)</sup> | ¥ 24 | ¥ 8  | ¥ 39 |       |
| By credit rating:  |                      |                    |                    |      |      |      |       |
| AAA  | 0%                   | 0%                 | 0%                 | 36%  | 0%   | 23%  |       |
| AA   | 0                    | 20                 | 0                  | 23   | 0    | 14   |       |
| A  | 0                    | 0                  | 0                  | 0    | 100  | 20   |       |
| BBB  | 0                    | 14                 | 0                  | 6    | 0    | 4    |       |
| BB or lower; no ratings  | 100                  | 65                 | 100                | 35   | 0    | 38   |       |
| By geography:  |                      |                    |                    |      |      |      |       |
| United States  | 100%                 | 100%               | 100%               | 65%  | 100% | 78%  |       |
| Europe   | 0                    | 0                  | 0                  | 0    | 0    | 0    |       |
| Asia   | 0                    | 0                  | 0                  | 34   | 0    | 22   |       |

Note:

(1) A breakdown based on year of issuance of RMBS backed by U.S. subprime mortgage loans and other RMBS combined is as follows:

|      |     |
|------|-----|
| 2007 | 84% |
| 2006 | 13  |

The following table shows a breakdown of yen-denominated securitization products held by (i) our principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities) and (ii) Mizuho Securities (including its overseas subsidiaries) as of March 31, 2009:

|   | Our principal banking subsidiaries<br>(including their overseas<br>subsidiaries, but excluding<br>subsidiaries of Mizuho Securities) |   | Mizuho Securities<br>(including its overseas subsidiaries) |   |
|---|--|---|--|---|
|   | Balance<br>(fair value)<br>as of<br>March 31, 2009   | Unrealized<br>gains (losses)<br>as of<br>March 31, 2009 | Balance<br>(fair value)<br>as of<br>March 31, 2009         | Realized gains<br>(losses) in<br>the<br>fiscal year ended<br>March 31, 2009 |
| (in billions of yen)                                    |  |   |  |   |
| <b>Japanese yen-denominated securitization products</b> | ¥ 2,549  | ¥ (34) <sup>(1)</sup>                                   | ¥ 188  | ¥ (5)   |
| ABSCDOs, CDOs   | 96   | (6)   | 45   | (3)   |
| CDOs backed by RMBS                                     |  |   | 1  | (0)   |
| CDOs except above                                       | 96   | (6)   | 45   | (3)   |
| CDOs backed by claims against corporations              | 94   | (6)   | 45   | (3)   |
| CDOs backed by CMBS                                     | 2  | (0)   |  |   |
| RMBS <sup>(2)</sup>                                     | 1,137  | (8)   | 9  | (1)   |
| ABS, CLOs and others                                    | 1,316  | (21)  | 134  | (1)   |
| CMBS  | 849  | (20)  | 12   | (0)   |
| ABS   | 406  | 0   | 117  | (2)   |
| CLOs  | 61   | (1)   | 5  | 1   |



**Table of Contents**

Notes:

- (1) Realized losses for our principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities) in the fiscal year ended March 31, 2009 was approximately ¥25 billion.
- (2) Represents RMBS originated by Japanese financial institutions and others. Japan Housing Finance Agency Bonds were excluded. Balance of Japan Housing Finance Agency Bonds as of March 31, 2009 was as follows:

|                         |  |
|-------------------------|--|
| Banking subsidiaries    | Balance: approximately ¥157 billion, Unrealized losses: approximately ¥4 billion |
| Securities subsidiaries | Balance: approximately ¥15 billion, Realized gains/losses: negligible            |

*Loans Held for Sale for which Reserve for Possible Losses on Sales of Loans was Recorded (Banking Subsidiaries)*

As of March 31, 2009, we had a total of approximately ¥105 billion in loans held for sale, including approximately ¥7 billion in undrawn commitments related mainly to overseas leveraged buyout financings. We recorded approximately ¥28 billion of reserve for possible losses on sales of loans against these loans held for sale as of March 31, 2009 at a reserve ratio of 27.2%. Of the balance of loans held for sale, 80% constituted loans in Europe, 10% in the Americas, 5% in Japan and 5% in Asia (ex-Japan). These figures exclude those related to intensive control obligors classification or below. The reserve ratio would be 35.5%, if including the balances of loans held for sale to such obligors and the amounts of both reserves for possible losses on loans and reserve for contingencies in relation to the relevant balances. Out of the above-mentioned ¥105 billion, the LBO/MBO related loans held for sale amounted to approximately ¥81 billion, and the relevant reserve ratio was 30.2%. These figures exclude those related to intensive control obligors classification or below. The reserve ratio would be 37.9%, if including the balances of loans held for sale to such obligors and the amounts of both reserves for possible losses on loans and reserve for contingencies in relation to the relevant balances. Reserve for possible losses on sales of loans was provided based on the following priority in valuation methods: (1) market prices, (2) market prices of similar transactions, (3) prices reasonably calculated by proprietary model reflecting factors relative to each local market conditions. As of March 31, 2009, the top five loans, in terms of amount of loans held for sale, represented approximately 80% of total loans held for sale. With respect to a portion of loans held for sale by our European offices (¥348.2 billion), we reclassified such loans as loans other than loans held for sale, based on the reasonably calculated prices, at the end of December 31, 2008.

The total balance of leveraged loans, primarily including LBO financing and MBO financing, including loans held for sale and loans held within our loan portfolio, was ¥1.3 trillion of which ¥0.1 trillion was included in loans held for sale as of March 31, 2009. Of the balance of leveraged loans, 62% constituted loans in Europe, 21% in the Americas, 9% in Asia (ex-Japan) and 9% in Japan. The balances include commitments that had not been drawn but for which documentation had been concluded.

|                              | Loans held for sale                      | Reserve for possible losses<br>on sales of loans | Reserve ratio |
|------------------------------|--|--|---------------|
|                              | (in billions of yen, except percentages) |  |               |
| As of March 31, 2008         | ¥ 806                                    | ¥ 51   | 6.3%          |
| Foreign exchange rate impact | approx. (31)                             |  |               |
| Newly underwritten           | approx. 5                                |  |               |
| Sales, etc.                  | approx. (674)                            |  |               |
| As of March 31, 2009         | 105 <sup>(1)</sup>                       | 29   | 27.2          |

Note:

- (1) Of which approximately ¥7 billion was unused commitments.



## **Table of Contents**

### *Overseas Asset-backed Commercial Paper Programs (Banking Subsidiaries)*

As of March 31, 2009, the balance of the total assets acquired by overseas asset-backed commercial paper conduits, for which Mizuho Corporate Bank acted as a sponsor, was approximately ¥150 billion, which included approximately ¥82 billion of securitization products backed by credit card receivables, account receivables, auto lease receivables and others. Of the total balance of ¥150 billion, credit card receivables constituted 42%, account receivable constituted 16%, auto lease (rent-a-car) receivables constituted 6%, loans against auto dealers constituted 20% and others constituted 17%. No U.S. subprime mortgage loan-related assets were included. The balance of securitization products acquired by the aforementioned overseas ABCP conduits decreased almost by half from that as of March 31, 2008 due primarily to redemptions at maturities.

With respect to a portion of a liquidity facility for one of the overseas ABCP programs mentioned above, Mizuho Corporate Bank recorded approximately ¥4 billion of reserve for contingencies for the equivalent amount of the entire valuation losses on approximately ¥7 billion of securitization products backed by auto lease receivables (guaranteed by a U.S. monoline insurer) as of March 31, 2009.

### *Securitization Products Guaranteed by U.S. Monoline Insurers (Banking Subsidiaries)*

Approximately ¥8 billion of securitization products backed by auto lease receivables was guaranteed by U.S. monoline insurers. The balance decreased significantly from approximately ¥30 billion as of March 31, 2008 due to redemptions at maturities. See [Overview Impact of the Dislocation in the Global Financial Markets Overseas Asset-backed Commercial Paper Programs \(Banking Subsidiaries\)](#).

### *Loans Guaranteed by U.S. Monoline Insurers (Banking Subsidiaries)*

As of March 31, 2009, approximately ¥13 billion of Mizuho Corporate Bank's loan commitments to overseas infrastructure projects (of which approximately ¥6 billion was drawn) was guaranteed by U.S. monoline insurers. No U.S. subprime mortgage loan-related exposure was included. There were no particular concerns regarding the credit condition of the projects as of March 31, 2009.

### *Other Relevant Information (Banking Subsidiaries)*

As of March 31, 2009, we had a total of approximately ¥45 billion in outstanding loans to U.S. mortgage lenders mainly for their working capital, with approximately 40% of those companies (based on loan amount) having ratings in the A range and the rest having ratings in the BB range (ratings are based on the lowest external ratings as of March 31, 2009). As of March 31, 2009, we had no subprime-related warehouse loans, or loans that provide interim funding to other financial institutions while they accumulate assets for a new asset-backed securities issuance. With respect to investments and loans associated with SIVs held by our banking subsidiaries, all exposures had already been written-off in the fiscal year ended March 31, 2008. There were no SIVs established that received liquidity support and other assistance from our banking subsidiaries.

As shown above, we continue to hold a significant amount of assets that are exposed to the risk of further declines in value or that may otherwise lead to further losses. While we will endeavor to continue reducing the amount of foreign securitization products through sales or other measures, our exposure to assets that are subject to such risks may increase in the future depending on market conditions and other factors.

### *Our Special Purpose Entities*

Our use of special purpose entities relates mainly to variable interest entities, or VIEs, and qualifying special purpose entities, or QSPEs. The following sets forth information regarding our VIEs and QSPEs.



**Table of Contents***Variable Interest Entities (VIEs)*

Our VIEs are distinguished between those that are consolidated for purposes of our consolidated financial statements and those that are not. VIEs are consolidated if we are deemed to be the primary beneficiary of those VIEs. With respect to certain unconsolidated VIEs, we determined that, while we were not the primary beneficiary, they were significant or sponsored unconsolidated variable interest entities due to our significant variable interests. In the normal course of business, we are involved with VIEs primarily through the following types of transactions:

asset-backed commercial paper/loan programs;

asset-backed securitizations;

investments in securitization products;

investment funds; and

trust arrangements and other.

The following table shows the amount of assets held by consolidated VIEs and total assets and maximum exposure to loss for our significant or sponsored unconsolidated VIEs related to each type of transaction:

|   | As of March 31, 2009  |   |                    |   |
|---|---|---|--------------------|---|
|   | Total assets<br>of<br>consolidated and<br>significant<br>or<br>sponsored<br>unconsolidated VIEs | Consolidated VIEs                           |                    | Significant or sponsored<br>unconsolidated VIEs |
|   |   | Consolidated assets<br>(in millions of yen) | Total assets       | Maximum exposure<br>to loss <sup>(1)</sup>      |
| Asset-backed commercial paper/loan programs | ¥ 2,497,291   | ¥ 2,497,291                                 | ¥ 1,417,645        | ¥ 43,908  |
| Asset-backed securitizations                | 2,034,439   | 616,794                                     | 14,926             | 15,000  |
| Single-seller programs                      | 88,036  | 73,110                                      |                    |   |
| Investments in securitization products      | 37,674  | 37,674                                      |                    |   |
| Investment funds                            | 3,042,412   | 607,284                                     | 2,435,128          | 412,983   |
| Trust arrangements and other                | 933,249   |   | 933,249            | 452,549   |
| <b>Total</b>                                | <b>¥ 8,545,065</b>  | <b>¥ 3,759,043</b>                          | <b>¥ 4,786,022</b> | <b>¥ 909,440</b>                                |

Note:

- (1) Maximum exposure to loss is the contractual or notional amounts of liquidity facilities and other off-balance-sheet credit related support or principal amount of financing or investments, and is not indicative of the ongoing exposure which is managed within our risk management framework.

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Asset-backed commercial paper/loan programs in the above table consist of multi-seller programs that we manage, which provide our clients with off-balance-sheet and/or cost-effective financing. Asset-backed securitizations in the above table consist of non-multi-seller programs that we arrange, which include various types of structured financings to meet clients' various off-balance-sheet financing needs (referred to as single-seller programs in this subsection) and CDOs, CLOs or other repackaged instruments that are issued by VIEs to meet clients' or investors' financial needs.

We generally provide liquidity and credit support facilities and other financing to VIEs related to the multi- and single-seller programs, and as a result, these VIEs are generally treated as consolidated VIEs.

See note 26 in our consolidated financial statements included elsewhere in this annual report for further descriptions regarding the above transaction types including those other than the two described above.

**Table of Contents***Asset-backed commercial paper/loan programs*

VIEs categorized under asset-backed commercial paper/loan programs consist of conduits for multi-seller programs. These VIEs purchase receivables from participating clients and other financial assets to meet off-balance-sheet or liquidity needs. The following tables show certain information related to such multi-seller asset-backed commercial paper/loan programs and their acquired assets as of March 31, 2009. All figures in the tables below and in the accompanying footnotes are approximate amounts based on a managerial accounting basis used for risk monitoring purposes.

|   | As of March 31, 2009<br>(in millions of yen) |           |
|---|--|-----------|
| <b>Consolidated multi-seller asset-backed commercial paper/loan programs:</b> |  |           |
| Total assets held by conduits   | ¥  | 2,497,291 |
| Total commercial paper issued by conduits                                     |  | 311,650   |
| Liquidity, credit support facilities and other financing <sup>(1)</sup>       |  | 6,537,069 |

Note:

- (1) Liquidity, credit support facilities and other financing include conditional and unconditional liquidity and credit facilities as well as loans actually provided.

|   | Geographic distribution as of<br>March 31, 2009 |               |       |
|---|---|---------------|-------|
|   | Japan   | United States | Total |
| <b>Consolidated multi-seller asset-backed commercial paper/loan programs:</b> |   |               |       |
| Type of acquired assets:  |   |               |       |
| Credit cards  | 3%  | 2%            | 5%    |
| Residential mortgage loans  | 0   | 0             | 0     |
| Auto loans  | 2   | 0             | 2     |
| Lease payment receivables   | 7   | 1             | 8     |
| Account and note receivables  | 78  | 1             | 79    |
| Real estate   | 0   | 0             | 0     |
| Others  | 5   | 1             | 6     |
| Total   | 95%   | 5%            | 100%  |

|   | As of March 31, 2009          |    |    |     |                            |                               |                     |                 |                 |       |
|---|-------------------------------|----|----|-----|----------------------------|-------------------------------|---------------------|-----------------|-----------------|-------|
|   | Credit ratings <sup>(1)</sup> |    |    |     |                            | Balances by expected maturity |                     |                 |                 |       |
|   | AAA                           | AA | A  | BBB | BB or lower;<br>no ratings | Total                         | Less than<br>1 year | 1 to<br>5 years | Over<br>5 years | Total |
| <b>Consolidated multi-seller asset-backed commercial paper/loan programs of which acquired assets are in Japan:</b> |                               |    |    |     |                            |                               |                     |                 |                 |       |
| Type of acquired assets:  |                               |    |    |     |                            |                               |                     |                 |                 |       |
| Credit cards  | 0%                            | 0% | 3% | 0%  | 0%                         | 3%                            | 3%                  | 0%              | 0%              | 3%    |
| Residential mortgage loans  | 0                             | 0  | 0  | 0   | 0                          | 0                             | 0                   | 0               | 0               | 0     |
| Auto loans  | 0                             | 0  | 0  | 0   | 2                          | 2                             | 1                   | 1               | 0               | 2     |

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|                              |    |    |     |     |     |     |     |    |    |     |
|------------------------------|----|----|-----|-----|-----|-----|-----|----|----|-----|
| Lease payment receivables    | 0  | 0  | 5   | 1   | 1   | 7   | 3   | 4  | 0  | 7   |
| Account and note receivables | 2  | 1  | 24  | 32  | 19  | 78  | 78  | 0  | 0  | 78  |
| Real estate                  | 0  | 0  | 0   | 0   | 0   | 0   | 0   | 0  | 0  | 0   |
| Others                       | 1  | 0  | 3   | 1   | 0   | 5   | 4   | 1  | 0  | 5   |
| Total                        | 3% | 1% | 35% | 34% | 22% | 95% | 89% | 6% | 0% | 95% |

**Table of Contents**

Note:

(1) Credit ratings are based on internal credit ratings.

|   | As of March 31, 2009          |    |    |     |                         |       |                               |              |              |    |       |
|---|-------------------------------|----|----|-----|-------------------------|-------|-------------------------------|--------------|--------------|----|-------|
|   | Credit ratings <sup>(1)</sup> |    |    |     |                         | Total | Balances by expected maturity |              |              |    | Total |
|   | AAA                           | AA | A  | BBB | BB or lower; no ratings |       | Less than 1 year              | 1 to 5 years | Over 5 years |    |       |
| <b>Consolidated multi-seller asset-backed commercial paper/loan programs of which acquired assets are located overseas:</b> |                               |    |    |     |                         |       |                               |              |              |    |       |
| Type of acquired assets:  |                               |    |    |     |                         |       |                               |              |              |    |       |
| Credit cards  | 0%                            | 0% | 0% | 2%  | 0%                      | 2%    | 0%                            | 2%           | 0%           | 2% |       |
| Residential mortgage loans  | 0                             | 0  | 0  | 0   | 0                       | 0     | 0                             | 0            | 0            | 0  |       |
| Auto loans  | 0                             | 0  | 0  | 0   | 0                       | 0     | 0                             | 0            | 0            | 0  |       |
| Lease payment receivables   | 0                             | 0  | 0  | 0   | 1                       | 1     | 1                             | 0            | 0            | 1  |       |
| Account and note receivables  | 0                             | 0  | 1  | 0   | 0                       | 1     | 1                             | 0            | 0            | 1  |       |
| Real estate   | 0                             | 0  | 0  | 0   | 0                       | 0     | 0                             | 0            | 0            | 0  |       |
| Others  | 0                             | 0  | 1  | 0   | 0                       | 1     | 1                             | 0            | 0            | 1  |       |
| Total   | 0%                            | 0% | 2% | 2%  | 1%                      | 5%    | 3%                            | 2%           | 0%           | 5% |       |

Note:

(1) Credit ratings are based on internal credit ratings.

*Asset-backed securitizations*

VIEs categorized under asset-backed securitizations include several single-seller programs used for the purpose of off-balance-sheet financing for our corporate customers, to which we provide liquidity and credit support facilities and other financing and are thus generally consolidated. Typically, VIEs related to single-seller programs purchase corporate claims such as account receivables from our corporate customers and provide factoring services. Those claims are generally generated in the normal course of the on-going businesses of our Japanese corporate customers in Japan, and thus we view the risks related to our providing liquidity and credit support facilities and other financing to be relatively limited under current circumstances. The aggregate amount of assets of such single-seller VIEs was ¥88 billion as of March 31, 2009.

VIEs categorized under asset-backed securitizations also include VIEs that issue CDOs, CLOs or other repackaged instruments that we arrange. The aggregate amounts of assets held by VIEs that issue CDOs categorized as consolidated VIEs and significant or sponsored unconsolidated VIEs were ¥33 billion and ¥130 billion, respectively. Our maximum exposure to loss with respect to such significant or sponsored unconsolidated VIEs was negligible.

Losses relating to VIEs that issue such CDOs, CLOs or other repackaged instruments due to the dislocation in the global financial markets as of March 31, 2009 are generally reflected in our financial statements either through consolidation in the case of consolidated VIEs or through a decline in the value of our interest in VIEs in the case of unconsolidated VIEs.

*Qualifying Special Purpose Entities (QSPEs)*

QSPEs are passive entities designed to purchase assets and pass through the cash flows from those assets to the investors and, subject to specified conditions, are generally exempt from consolidation pursuant to FASB Interpretation No. 46. The total assets of our QSPEs were ¥394 billion as of March 31, 2009. The acquired assets of such QSPEs were primarily residential mortgage loans in Japan.

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**Table of Contents****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.

***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 SFAS No. 114.* In accordance with SFAS No. 114, Accounting by Creditors for Impairment of a Loan ( SFAS No. 114 ), 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. 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 SFAS No. 5.* In accordance with SFAS No. 5, Accounting for Contingencies ( SFAS No. 5 ), 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-homogenous 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 SFAS No. 5 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 SFAS No. 114 but to which special isolated risks apply, management assesses each loan individually to determine appropriate allowance amounts in lieu of mechanically applying the SFAS No. 5 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.

**Table of Contents**

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 future cash flows differ 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***

Effective April 1, 2008, we adopted SFAS No. 157, which clarifies the definition of fair value and the method used to measure fair value and expands the disclosure requirements about fair value measurements. SFAS No. 157 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 28 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 SFAS No. 109, *Accounting for Income Taxes*, as amended ( SFAS No. 109 ), 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 SFAS No. 109. For example, variances in future projected operating performance or tax law



**Table of Contents**

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 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 and pension plans, which provide defined benefits to retired employees. Periodic expense and accrued liabilities are computed based on a number of actuarial assumptions, including mortality, withdrawals, discount rates, expected long-term rates of return on our 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 governmental and corporate bonds that received a rating of AA(Aa) or higher from rating agencies. The durations of such bonds closely match that of the pension benefit obligation. Assumed discount rates were reevaluated at each measurement date.

The expected rate of return for each asset class 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 benefits, see note 21 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 for the fiscal years ended March 31, 2007, 2008 and 2009:

|  | Fiscal years ended March 31, |           |             |
|--|------------------------------|-----------|-------------|
|  | 2007                         | 2008      | 2009        |
|  | (in billions of yen)         |           |             |
| Interest and dividend income                                 | ¥ 2,639.3                    | ¥ 3,110.2 | ¥ 2,384.2   |
| Interest expense   | 1,571.4                      | 1,911.5   | 1,102.0     |
| Net interest income  | 1,067.9                      | 1,198.7   | 1,282.2     |
| Provision (credit) for loan losses                           | 182.1                        | (57.8)    | 567.4       |
| Net interest income after provision (credit) for loan losses | 885.8                        | 1,256.5   | 714.8       |
| Noninterest income   | 1,195.9                      | 1,094.9   | 452.2       |
| Noninterest expenses   | 1,294.6                      | 1,450.6   | 1,463.5     |
| Income (loss) before income tax expense                      | 787.1                        | 900.8     | (296.5)     |
| Income tax expense   | 163.2                        | 672.2     | 761.9       |
| Net income (loss)  | ¥ 623.9                      | ¥ 228.6   | ¥ (1,058.4) |

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**Table of Contents*****Executive Summary******Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008***

Net interest income increased by ¥83.5 billion, or 7.0%, from the previous fiscal year to ¥1,282.2 billion in the fiscal year ended March 31, 2009 due to an increase in net foreign interest and dividend income of ¥46.3 billion and an increase in net domestic interest and dividend income of ¥37.2 billion. The increase in net foreign interest and dividend income was due mainly to decreases in interest expense on foreign short-term borrowings and foreign interest-bearing deposits as a result of decrease in the average interest rates, offset in part by a decrease in interest and dividend income from foreign call loans and funds sold, and receivables under resale agreements and securities borrowing transactions as a result of decrease in the average yields, both of which reflect general declines in U.S. dollar and euro interest rate levels. The increase in net domestic interest and dividend income was due mainly to a decrease in interest expense on domestic interest-bearing deposits, reflecting a decrease in the average interest rate as a result of a decline in yen interest rate levels, offset in part by a decrease in interest and dividend income from domestic investments and a decrease in interest income from interest-bearing deposits in other banks. The decrease in interest and dividend income from domestic investments was due to a decrease in the average balance of domestic investments due mainly to the decrease in the balance of equity securities reflecting declines in domestic stock prices and the balance of debt securities as a result of the turmoil in the financial markets, and the decrease in interest income from interest-bearing deposits in other banks was due mainly to a decrease in average yields as a result of a decline in yen interest rate levels. We had a provision for loan losses of ¥567.4 billion compared to a credit of ¥57.8 billion in the previous fiscal year due mainly to declines in the financial condition of domestic SMEs and middle-market corporations, the effect of the collapse of Lehman Brothers on our exposures to related entities and the weakening credit status of overseas loans reflecting the global economic downturn, as well as increased estimated loss rates related to normal obligors.

Noninterest income decreased by ¥642.7 billion, or 58.7%, from the previous fiscal year to ¥452.2 billion in the fiscal year ended March 31, 2009 due mainly to a decrease in foreign exchange gains net, an increase in investment losses net and a decrease in fees and commissions. The decrease in foreign exchange gains net was due mainly to translation gains with respect to foreign currency-denominated liabilities in the fiscal year ended March 31, 2008 that were funded and incurred to offset foreign exchange risk related to foreign currency-denominated available-for-sale securities. The increase in investment losses net was due mainly to investment losses related to equity securities in the fiscal year ended March 31, 2009, compared to investment gains related to equity securities in the previous fiscal year, as a result of an increase in impairment losses on and a decrease in gains on sales of equity securities reflecting declines in domestic and overseas stock markets. The decrease in fees and commissions was due mainly to a decrease in fees for other customer services and a decrease in fees and commissions from securities-related business. The decrease in fees for other customer services was due mainly to a decrease in trust business-related fees other than those included in trust fees such as brokerage fees related to real estate transactions and other fees and commissions such as sales agency fees related to insurance products including individual annuities. The decrease in fees and commissions from securities-related business was due mainly to decreases in underwriting commissions related to private offerings of debt securities and sales commissions related to investment trusts which were negatively impacted by adverse market conditions, including declines in domestic stock markets.

Noninterest expenses increased by ¥12.9 billion, or 0.9%, from the previous fiscal year to ¥1,463.5 billion in the fiscal year ended March 31, 2009 due mainly to an increase in the provision for losses on off-balance-sheet instruments and an increase in salaries and employee benefits, offset in part by a decrease in impairment of goodwill and a decrease in other noninterest expenses. The increase in provision for losses on off-balance-sheet instruments was due mainly to an increase in allowance for losses on off-balance-sheet transactions primarily as a result of downgrades in credit ratings of some obligors reflecting declines in their financial condition. The increase in salaries and employee benefits was due mainly to the effect of increased employee retirement benefit expenses as a result of a decline in expected return on plan assets and the amortization of net actuarial loss in the fiscal year ended March 31, 2009 compared to the amortization of net actuarial gain in the previous fiscal year. The decrease in impairment of goodwill was due to impairment of goodwill incurred in the fiscal year ended March 31, 2008 as a result of the carrying amount of Mizuho Investors Securities and Mizuho Securities exceeding their fair value. The decrease in other noninterest expenses was due mainly to the decrease in valuation losses related to loans held for sale mainly in connection with overseas leveraged buyout financings.

**Table of Contents**

As a result of the foregoing, income (loss) before income tax expense was a loss of ¥296.5 billion in the fiscal year ended March 31, 2009 compared to income of ¥900.8 billion in the previous fiscal year. Income tax expense increased by ¥89.7 billion to ¥761.9 billion in the fiscal year ended March 31, 2009 due mainly to an increase in deferred income tax expense. As a result, net income (loss) was a loss of ¥1,058.4 billion in the fiscal year ended March 31, 2009 compared to income of ¥228.6 billion in the previous fiscal year.

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

Net interest income increased by ¥130.8 billion, or 12.2%, from the previous fiscal year to ¥1,198.7 billion in the fiscal year ended March 31, 2008 due to an increase in net foreign interest and dividend income of ¥118.6 billion and an increase in net domestic interest and dividend income of ¥12.3 billion. The increase in net foreign interest and dividend income was due mainly to the effects of an increase in the average balance of foreign loans and investments as a result of our efforts to increase such assets which more than offset the effects of the increase in the average balances of foreign short-term borrowings and foreign deposits as we increased funding from these sources for our loans and investments in foreign securities. The increase in net domestic interest and dividend income was due mainly to an increase in interest and dividend income on loans and investments, reflecting a rise in the average loan yield as a result of an increase in yen interest rate levels, offset in part by an increase in domestic interest expense, such as interest expense on deposits, reflecting an increase in yen interest rate levels. The increase in domestic interest and dividend income was larger than the increase in domestic interest expense due mainly to the general insensitivity of yen demand deposits to changes in market interest rate levels. We had a credit for loan losses of ¥57.8 billion compared to a provision of ¥182.1 billion in the previous fiscal year due to upgrades in the internal credit ratings of some large borrowers which had previously been downgraded in the fiscal year ended March 31, 2007, offset in part by an increase in the allowance for loan losses due mainly to the declining trend in the financial condition of SMEs and the downgrading of some large borrowers.

Noninterest income decreased by ¥101.0 billion, or 8.4%, from the previous fiscal year to ¥1,094.9 billion in the fiscal year ended March 31, 2008 due mainly to a decrease in trading account gains net and a decrease in other noninterest income, offset in part by foreign exchange gains net recorded in the fiscal year compared to foreign exchange losses net incurred in the previous fiscal year. The decrease in trading account gains net was due mainly to the trading losses on securitization products incurred by Mizuho Securities and its overseas subsidiaries in connection with the dislocation in the global financial markets. The decrease in other noninterest income was due mainly to the subsidy received from the Japanese government in the fiscal year ended March 31, 2007 after the completion of the transfer of the obligations and assets relating to the substitutional portion of the employees pension funds to the government. The foreign exchange gains net was due mainly to the translation gains with respect to foreign currency-denominated liabilities that were funded and incurred to offset foreign exchange risk related to foreign currency-denominated available-for-sale securities in the fiscal year ended March 31, 2008, compared to translation losses in the previous fiscal year.

Noninterest expenses increased by ¥156.0 billion, or 12.1%, from the previous fiscal year to ¥1,450.6 billion in the fiscal year ended March 31, 2008 due mainly to an increase in other noninterest expenses and the incurrence of impairment of goodwill offset in part by a decrease in minority interest in consolidated subsidiaries. The increase in other noninterest expenses was due mainly to valuation losses related to loans held for sale mainly in connection with overseas leveraged buyout financings reflecting the impact of the dislocation in the global financial markets. The impairment of goodwill was due to the carrying amount of the goodwill relating to Mizuho Investors Securities and Mizuho Securities exceeding their fair value. The decrease in minority interest in consolidated subsidiaries was due mainly to significant losses incurred by Mizuho Securities as a result of the dislocation in the global financial markets.

As a result of the foregoing, income before income tax expense (benefit) increased by ¥113.7 billion to ¥900.8 billion. Income tax expense increased by ¥509.0 billion to ¥672.2 billion in the fiscal year ended March 31, 2008 due mainly to an increase in the deferred income tax expense. As a result, net income in the fiscal year ended March 31, 2008 was ¥228.6 billion, a decrease of ¥395.3 billion from the previous fiscal year.

**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, 2007, 2008 and 2009:

|   | Fiscal years ended March 31, |                 |               |                  |                 |               |                  |                 |               |
|---|------------------------------|-----------------|---------------|------------------|-----------------|---------------|------------------|-----------------|---------------|
|   | 2007                         |                 |               | 2008             |                 |               | 2009             |                 |               |
|   | Average balance              | Interest amount | Interest rate | Average balance  | Interest amount | Interest rate | Average balance  | Interest amount | Interest rate |
| (in billions of yen, except percentages)  |                              |                 |               |                  |                 |               |                  |                 |               |
| <b>Domestic:</b>  |                              |                 |               |                  |                 |               |                  |                 |               |
| Interest-bearing deposits in other banks  | ¥ 585.7                      | ¥ 29.7          | 5.08%         | ¥ 779.3          | ¥ 24.8          | 3.18%         | ¥ 1,903.1        | ¥ 12.0          | 0.63%         |
| Call loans and funds sold, and receivables under resale agreements and securities |                              |                 |               |                  |                 |               |                  |                 |               |
| borrowing transactions  | 7,965.5                      | 25.4            | 0.32          | 7,543.8          | 49.3            | 0.65          | 6,987.8          | 39.8            | 0.57          |
| Trading account assets  | 6,695.1                      | 19.9            | 0.30          | 7,388.9          | 34.1            | 0.46          | 5,972.2          | 37.5            | 0.63          |
| Investments   | 28,106.5                     | 234.1           | 0.83          | 27,900.5         | 282.0           | 1.01          | 26,471.7         | 264.3           | 1.00          |
| Loans   | 58,401.0                     | 899.1           | 1.54          | 57,661.8         | 1,020.2         | 1.77          | 59,386.9         | 1,019.0         | 1.72          |
| <b>Total interest-earning assets</b>  | <b>101,753.8</b>             | <b>1,208.2</b>  | <b>1.19</b>   | <b>101,274.3</b> | <b>1,410.4</b>  | <b>1.39</b>   | <b>100,721.7</b> | <b>1,372.6</b>  | <b>1.36</b>   |
| Deposits  | 62,072.8                     | 234.5           | 0.38          | 64,295.7         | 337.5           | 0.52          | 67,047.3         | 287.9           | 0.43          |
| Debentures  | 5,629.2                      | 34.1            | 0.61          | 3,965.3          | 23.7            | 0.60          | 2,754.8          | 17.6            | 0.64          |
| Short-term borrowings <sup>(1)</sup>  | 19,220.3                     | 81.7            | 0.43          | 19,043.3         | 158.3           | 0.83          | 21,299.2         | 150.6           | 0.71          |
| Trading account liabilities   | 4,658.2                      | 13.7            | 0.29          | 4,232.4          | 8.2             | 0.19          | 2,441.8          | 6.5             | 0.27          |
| Long-term debt  | 5,796.7                      | 161.3           | 2.78          | 7,548.8          | 187.5           | 2.48          | 8,009.7          | 177.6           | 2.22          |
| <b>Total interest-bearing liabilities</b>   | <b>97,377.2</b>              | <b>525.3</b>    | <b>0.54</b>   | <b>99,085.5</b>  | <b>715.2</b>    | <b>0.72</b>   | <b>101,552.8</b> | <b>640.2</b>    | <b>0.63</b>   |
| <b>Net</b>  | <b>4,376.6</b>               | <b>682.9</b>    | <b>0.65</b>   | <b>2,188.8</b>   | <b>695.2</b>    | <b>0.67</b>   | <b>(831.1)</b>   | <b>732.4</b>    | <b>0.73</b>   |
| <b>Foreign:</b>   |                              |                 |               |                  |                 |               |                  |                 |               |
| Interest-bearing deposits in other banks  | 1,231.1                      | 46.9            | 3.81          | 1,439.1          | 53.5            | 3.72          | 942.1            | 26.0            | 2.76          |
| Call loans and funds sold, and receivables under resale agreements and securities |                              |                 |               |                  |                 |               |                  |                 |               |
| borrowing transactions  | 9,574.9                      | 477.8           | 4.99          | 11,259.8         | 534.7           | 4.75          | 8,739.2          | 169.1           | 1.93          |
| Trading account assets  | 3,865.7                      | 49.6            | 1.28          | 4,337.1          | 50.3            | 1.16          | 14,179.9         | 250.0           | 1.76          |
| Investments   | 8,882.6                      | 378.8           | 4.26          | 9,840.1          | 446.6           | 4.54          | 3,622.8          | 102.7           | 2.83          |
| Loans   | 9,641.9                      | 478.0           | 4.96          | 10,860.7         | 614.7           | 5.66          | 10,669.8         | 463.8           | 4.35          |
| <b>Total interest-earning assets</b>  | <b>33,196.2</b>              | <b>1,431.1</b>  | <b>4.31</b>   | <b>37,736.8</b>  | <b>1,699.8</b>  | <b>4.50</b>   | <b>38,153.8</b>  | <b>1,011.6</b>  | <b>2.65</b>   |
| Deposits  | 8,675.0                      | 349.1           | 4.02          | 9,349.3          | 416.7           | 4.46          | 7,249.9          | 199.6           | 2.75          |
| Short-term borrowings <sup>(1)</sup>  | 12,651.4                     | 620.5           | 4.90          | 15,538.5         | 737.4           | 4.75          | 11,870.8         | 224.8           | 1.89          |
| Trading account liabilities   | 3,597.2                      | 58.0            | 1.61          | 3,361.2          | 18.9            | 0.56          | 7,357.3          | 11.5            | 0.16          |
| Long-term debt  | 455.9                        | 18.5            | 4.06          | 784.7            | 23.3            | 2.97          | 888.7            | 25.9            | 2.92          |
| <b>Total interest-bearing liabilities</b>   | <b>25,379.5</b>              | <b>1,046.1</b>  | <b>4.12</b>   | <b>29,033.7</b>  | <b>1,196.3</b>  | <b>4.12</b>   | <b>27,366.7</b>  | <b>461.8</b>    | <b>1.69</b>   |

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|                                    |            |           |      |            |           |      |           |           |      |
|------------------------------------|------------|-----------|------|------------|-----------|------|-----------|-----------|------|
| Net                                | 7,816.7    | 385.0     | 0.19 | 8,703.1    | 503.5     | 0.38 | 10,787.1  | 549.8     | 0.96 |
| <b>Total:</b>                      |            |           |      |            |           |      |           |           |      |
| Total interest-earning assets      | 134,950.0  | 2,639.3   | 1.96 | 139,011.1  | 3,110.2   | 2.24 | 138,875.5 | 2,384.2   | 1.72 |
| Total interest-bearing liabilities | 122,756.7  | 1,571.4   | 1.28 | 128,119.2  | 1,911.5   | 1.49 | 128,919.5 | 1,102.0   | 0.85 |
| Net                                | ¥ 12,193.3 | ¥ 1,067.9 | 0.68 | ¥ 10,891.9 | ¥ 1,198.7 | 0.75 | ¥ 9,956.0 | ¥ 1,282.2 | 0.87 |

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, 2009 Compared to Fiscal Year Ended March 31, 2008*

Interest and dividend income decreased by ¥726.0 billion, or 23.3%, from the previous fiscal year to ¥2,384.2 billion in the fiscal year ended March 31, 2009. Domestic interest and dividend income accounted for ¥1,372.6 billion of the total amount, a decrease of ¥37.8 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥1,011.6 billion, a decrease of ¥688.2 billion from the previous fiscal year.

The decrease in domestic interest and dividend income was due mainly to the decrease in interest and dividend income from domestic investments and interest-bearing deposits in other banks. The decrease in interest and dividend income from domestic investments was due to a decrease in the average balance of domestic investments of ¥1,428.8 billion, due mainly to the decrease in the balance of equity securities reflecting declines in domestic stock prices and the balance of debt securities as a result of the turmoil in the financial markets. The decrease in interest income from domestic interest-bearing deposits in other banks was due mainly to the decrease in average yield, reflecting a decline in yen interest rate levels. The changes in the average yields on domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥50.2 billion, and the changes in average balances of domestic interest-earning assets contributed to an overall increase in interest and dividend income of ¥12.4 billion, resulting in the ¥37.8 billion decrease in domestic interest and dividend income.

The decrease in foreign interest and dividend income was due mainly to decreases in interest and dividend income from foreign call loans and funds sold, and receivables under resale agreements and securities borrowing transactions and foreign investments, offset in part by an increase in interest income from foreign trading account assets. The decrease in interest income from foreign call loans and funds sold, and receivables under resale agreements and securities borrowing transactions was due mainly to a decrease in average yields, reflecting general declines in U.S. dollar and euro interest rate levels. The decrease in interest and dividend income from foreign investments and the increase in interest income from foreign trading account assets was due mainly to the reclassification from investments to trading account assets of foreign currency denominated available-for-sale securities that were elected for fair value treatment under SFAS No. 159 as of April 1, 2008. For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report. The changes in average yields on foreign interest-earning assets contributed to an overall decrease in interest and dividend income of ¥508.3 billion, and the changes in average balances of foreign interest-earning assets contributed to an overall decrease in interest and dividend income of ¥179.9 billion, resulting in the ¥688.2 billion decrease in foreign interest and dividend income.

Interest expense decreased by ¥809.5 billion, or 42.3%, from the previous fiscal year to ¥1,102.0 billion in the fiscal year ended March 31, 2009. Domestic interest expense accounted for ¥640.2 billion of the total amount, a decrease of ¥75.0 billion from the previous fiscal year, and foreign interest expense accounted for ¥461.8 billion of the total amount, a decrease of ¥734.5 billion from the previous fiscal year.

The decrease in domestic interest expense was due mainly to a decrease in interest expense on domestic interest-bearing deposits. The decrease in interest expense on domestic interest-bearing deposits was due to a decrease in the average interest rate, reflecting a decline in yen interest rate levels. The changes in average interest rates on domestic interest-bearing liabilities contributed to an overall decrease in interest expense of ¥102.3 billion, and the changes in average balances of domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥27.3 billion, resulting in the ¥75.0 billion decrease in domestic interest expense.

The decrease in foreign interest expense was due mainly to decreases in interest expense on foreign short-term borrowings and foreign interest-bearing deposits. These decreases were due mainly to the decrease in average interest rates, reflecting general declines in U.S. dollar and euro interest rate levels. The changes in average interest rates on foreign interest-bearing liabilities contributed to an overall decrease in interest expense of ¥518.9 billion, and the changes in average balances of foreign interest-bearing liabilities contributed to an overall decrease in interest expense of ¥215.6 billion, resulting in the ¥734.5 billion decrease in foreign interest expense.

**Table of Contents**

The decrease of 0.27% in the average yield on loans in the fiscal year ended March 31, 2009 compared to the fiscal year ended March 31, 2008 was smaller than the decrease of 0.36% in the average rate on interest-bearing deposits over the same period. Taking into account only domestic loans and domestic deposits, the difference between the decrease of 0.05% in the average yield on domestic loans and the decrease of 0.09% in the average rate on domestic interest-bearing deposits was not significant.

As a result of the foregoing, net interest income increased by ¥83.5 billion, or 7.0%, from the previous fiscal year to ¥1,282.2 billion. Average interest rate spread rose by 0.12% to 0.87%, with domestic average interest rate spread rising by 0.06%, due mainly to a decrease in average interest rate on deposits, which more than offset the effect of a decrease in average yield on loans, both of which reflect declining yen interest rate levels, and foreign average interest rate spread rising by 0.58% due mainly to the effect of the decrease in average interest rate on deposits exceeding the effect of the decrease in average yield on loans, both of which reflects declining U.S. dollar and euro interest rate levels.

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

Interest and dividend income increased by ¥470.9 billion, or 17.8%, from the previous fiscal year to ¥3,110.2 billion in the fiscal year ended March 31, 2008. Domestic interest and dividend income accounted for ¥1,410.4 billion of the total amount, an increase of ¥202.2 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥1,699.8 billion, an increase of ¥268.7 billion from the previous fiscal year.

The increase in domestic interest and dividend income was due mainly to the increase in interest and dividend income from domestic loans and domestic investments. The increase in interest income from domestic loans was due to a rise in the average yield on domestic loans of 0.23%, reflecting an increase in yen interest rate levels, offset in part by the effect of a decrease in the average balance of domestic loans of ¥739.2 billion, resulting from reduced corporate loan demand.

The increase in interest and dividend income from domestic investments was due mainly to the increase of 0.18% in average yield, reflecting an increase in yen interest rate levels. The changes in the average yields on domestic interest-earning assets contributed to an overall increase in interest and dividend income of ¥208.2 billion, and the changes in average balances of domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥6.0 billion, resulting in the ¥202.2 billion increase in domestic interest and dividend income.

The increase in foreign interest and dividend income was due mainly to increases in interest and dividend income from foreign loans and foreign investments, as well as foreign call loans and funds sold, and receivables under resale agreements and securities borrowing transactions. These increases were due mainly to increases in average balances, reflecting the increases in our foreign lending and investment as a result of our efforts to increase such foreign assets, in spite of the appreciation of the yen against currencies such as the U.S. dollar. The changes in average yields on foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥68.6 billion, and the changes in average balances of foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥200.1 billion, resulting in the ¥268.7 billion increase in foreign interest and dividend income.

Interest expense increased by ¥340.1 billion, or 21.6%, from the previous fiscal year to ¥1,911.5 billion in the fiscal year ended March 31, 2008. Domestic interest expense accounted for ¥715.2 billion of the total amount, an increase of ¥189.9 billion from the previous fiscal year, and foreign interest expense accounted for ¥1,196.3 billion of the total amount, an increase of ¥150.2 billion from the previous fiscal year.

The increase in domestic interest expense was due mainly to an increase in interest expense on domestic deposits and short-term borrowings. The increase in interest expense on domestic interest-bearing deposits was

**Table of Contents**

due to an increase of 0.14% in the average interest rate, reflecting an increase in yen interest rate levels. The increase in interest expense on short-term borrowings also reflects the increase in yen interest rate levels. The changes in average interest rates on domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥149.6 billion, and the changes in average balances of domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥40.3 billion, resulting in the ¥189.9 billion increase in domestic interest expense.

The increase in foreign interest expense was due mainly to increases in interest expense on foreign short-term borrowings and deposits. These increases were due mainly to the increase in their average balances as we increased funding from these sources for our investments in foreign securities and loans. The changes in average interest rates on foreign interest-bearing liabilities contributed to an overall decrease in interest expense of ¥21.3 billion, and the changes in average balances of foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥171.5 billion, resulting in the ¥150.2 billion increase in foreign interest expense.

The increase of 0.37% in the average yield on loans in the fiscal year ended March 31, 2008 compared to the fiscal year ended March 31, 2007 was larger than the increase of 0.20% in the average rate on interest-bearing deposits over the same period. Taking into account only domestic loans and domestic deposits, the increase of 0.23% in the average yield on domestic loans was larger than the increase of 0.14% in the average rate on domestic interest-bearing deposits due mainly to the general insensitivity of yen demand deposits to changes in market interest rate levels.

As a result of the foregoing, net interest income increased by ¥130.8 billion, or 12.2%, from the previous fiscal year to ¥1,198.7 billion. Average interest rate spread rose by 0.07% to 0.75%, with domestic average interest rate spread rising by 0.02%, due mainly to a rise in average yield on investments and loans, which more than offset the effect of a rise in average interest rate on deposits, both of which reflects rising yen interest rate levels, and foreign average interest rate spread rising by 0.19% due mainly to the effect of the rise in average yield on loans exceeding the effect of the rise in average interest rate on deposits.

***Provision (Credit) for Loan Losses******Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008***

We had a provision for loan losses of ¥567.4 billion in the fiscal year ended March 31, 2009 compared to a credit for loan losses of ¥57.8 billion in the previous fiscal year. The provision for loan losses was due mainly to declines in the financial condition of domestic SMEs and middle-market corporations, the effect of the collapse of Lehman Brothers on our exposures to related entities and the weakening credit status of overseas loans reflecting the global economic downturn, as well as increased estimated loss rates related to normal obligors. See [Financial Condition Assets Allowance for Loan Losses Provision \(credit\) for loan losses](#).

***Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007***

We had a credit for loan losses of ¥57.8 billion in the fiscal year ended March 31, 2008 compared to a provision for loan losses of ¥182.1 billion in the previous fiscal year. The credit for loan losses was due mainly to upgrades in the internal credit ratings of some large borrowers, including the upgrade of a large non-bank financial company borrower as a result of the financial support described in [Item 5. Operating and Financial Review and Prospects Overview Other Business Events](#) of our annual report on Form 20-F filed on August 10, 2007. Such borrowers had previously been downgraded in the second half of the fiscal year ended March 31, 2007, which was one of the main contributing factors to the significant provision for loan losses recorded in such fiscal year. The credit for loan losses was offset in part by an increase in allowance for loan losses due mainly to the declining trend in the financial condition of SMEs that have relatively weak business bases and the downgrading of some large borrowers to lower internal credit ratings. See [Financial Condition Assets Allowance for Loan Losses Provision \(credit\) for loan losses](#).



**Table of Contents****Noninterest Income**

The following table shows a breakdown of noninterest income for the fiscal years ended March 31, 2007, 2008 and 2009:

|   | Fiscal years ended March 31, |                  |                |
|---|------------------------------|------------------|----------------|
|   | 2007                         | 2008             | 2009           |
|   | (in billions of yen)         |                  |                |
| Fees and commissions  | ¥ 683.0                      | ¥ 633.1          | ¥ 560.5        |
| Fees and commissions from remittance business                       | 116.0                        | 117.4            | 111.3          |
| Fees and commissions from deposits, debentures and lending business | 116.3                        | 87.8             | 110.2          |
| Fees and commissions from securities-related business               | 101.9                        | 94.9             | 57.4           |
| Trust fees  | 66.3                         | 64.1             | 55.9           |
| Fees for other customer services                                    | 282.5                        | 268.9            | 225.7          |
| Foreign exchange gains (losses) net                                 | (51.3)                       | 296.7            | 23.8           |
| Trading account gains net   | 389.9                        | 136.0            | 122.0          |
| Investment losses net   | (186.0)                      | (191.3)          | (462.2)        |
| Investment losses related to bonds                                  | (121.6)                      | (314.1)          | (177.7)        |
| Investment gains (losses) related to equity securities              | (43.0)                       | 121.2            | (282.0)        |
| Others  | (21.4)                       | 1.6              | (2.5)          |
| Gains on disposal of premises and equipment                         | 64.6                         | 37.2             | 23.4           |
| Other noninterest income  | 295.7                        | 183.2            | 184.7          |
| <b>Total noninterest income</b>                                     | <b>¥ 1,195.9</b>             | <b>¥ 1,094.9</b> | <b>¥ 452.2</b> |

*Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008*

Noninterest income decreased by ¥642.7 billion, or 58.7%, from the previous fiscal year to ¥452.2 billion in the fiscal year ended March 31, 2009. The decrease was due mainly to a decrease in foreign exchange gains net of ¥272.9 billion, an increase in investment losses net of ¥270.9 billion and a decrease in fees and commissions of ¥72.6 billion.

*Fees and commissions*

Fees and commissions income decreased by ¥72.6 billion, or 11.5%, from the previous fiscal year to ¥560.5 billion in the fiscal year ended March 31, 2009. The decrease was due mainly to a decrease of ¥43.2 billion in fees for other customer services and a decrease of ¥37.5 billion in fees and commissions from securities-related business, offset in part by an increase of ¥22.4 billion in fees and commissions from deposits, debentures and lending business. The decrease in fees for other customer services was due mainly to a decrease in trust business-related fees other than those included in trust fees such as brokerage fees related to real estate transactions and other fees and commissions such as sales agency fees related to insurance products including individual annuities. The decrease in fees and commissions from securities-related business was due mainly to decreases in underwriting commissions related to private offerings of debt securities and sales commissions related to investment trusts which were negatively impacted by adverse market conditions, including declines in domestic stock markets. The increase in fees and commissions from deposits, debentures and lending business was due mainly to recognition of deferred fees in connection with the loans reclassified from the held-for-sale account during this fiscal year and an increase in fee income associated with domestic syndicated loans reflecting the increased funding needs of domestic corporate customers.

*Foreign exchange gains (losses) net*

Foreign exchange gains net decreased by ¥272.9 billion, or 92.0%, from the previous fiscal year to ¥23.8 billion in the fiscal year ended March 31, 2009. The decrease was due mainly to translation gains with respect to

**Table of Contents**

foreign currency denominated liabilities in the fiscal year ended March 31, 2008 that were funded and incurred to offset foreign exchange risk related to foreign currency denominated available-for-sale securities. In the fiscal year ended March 31, 2009, the translation gains with respect to foreign currency denominated liabilities were offset by translation losses on foreign currency denominated available-for-sale securities as a result of the reclassification of foreign currency denominated available-for-sale securities from investments to trading account assets following the adoption of the fair value option under SFAS No.159 as of April 1, 2008. In the previous fiscal year, the translation losses on foreign currency denominated available-for-sale securities were recorded in other comprehensive income. For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report.

*Trading account gains net*

Trading account gains net decreased by ¥14.0 billion, or 10.3%, from the previous fiscal year to ¥122.0 billion in the fiscal year ended March 31, 2009. The decrease was due mainly to the decrease in gains related to changes in the fair value of derivative financial instruments used to hedge market risks, mainly interest rate risk, that are not eligible for hedge accounting under U.S. GAAP and the losses incurred by consolidated VIEs, such as stock investment trusts, due mainly to declines in the stock markets. Trading account gains net also include losses related to changes in the fair value of foreign currency denominated available-for-sale securities that were elected for fair value treatment under SFAS No.159 as of April 1, 2008. For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report. The increase in these losses was offset in part by the decrease in the trading losses on securitization products incurred by Mizuho Securities, including overseas subsidiaries, in connection with the dislocation in the global financial markets. See Overview Impact of the Dislocation in the Global Financial Markets.

*Investment losses net*

Investment losses net increased by ¥270.9 billion from the previous fiscal year to ¥462.2 billion in the fiscal year ended March 31, 2009. The increase was due mainly to investment losses related to equity securities of ¥282.0 billion in the fiscal year ended March 31, 2009, compared to investment gains related to equity securities of ¥121.2 billion in the previous fiscal year, offset in part by a decrease in investment losses related to bonds of ¥136.4 billion from the previous fiscal year to ¥177.7 billion in the fiscal year ended March 31, 2009. The investment losses related to equity securities in the fiscal year ended March 31, 2009 were due mainly to an increase in impairment losses on and a decrease in gains on sales of equity securities reflecting declines in domestic and overseas stock markets. The decrease in investment losses related to bonds was due mainly to reclassification of investment losses related to foreign currency denominated available-for-sale securities from investments gains (losses) to trading account gains (losses) following the adoption of the fair value option under SFAS No. 159 as of April 1, 2008. Investment losses related to bonds for both fiscal years also include the losses on sales of, and impairment losses on various types of, securitization products due to the impact of the dislocation in the global financial markets. See Overview Impact of the Dislocation in the Global Financial Markets.

*Gains on disposal of premises and equipment*

Gains on disposal of premises and equipment decreased by ¥13.8 billion, or 37.1%, from the previous fiscal year to ¥23.4 billion in the fiscal year ended March 31, 2009 due mainly to decreased gains on the sale of real estate.

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

Noninterest income decreased by ¥101.0 billion, or 8.4%, from the previous fiscal year to ¥1,094.9 billion in the fiscal year ended March 31, 2008. The decrease was due mainly to a decrease in trading account gains net of ¥253.9 billion and a decrease in other noninterest income of ¥112.5 billion, offset in part by foreign exchange gains net of ¥296.7 billion compared to foreign exchanges losses net in the previous year.

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

Fees and commissions income decreased by ¥49.9 billion, or 7.3%, from the previous fiscal year to ¥633.1 billion in the fiscal year ended March 31, 2008. The decrease was due mainly to a decrease of ¥28.5 billion in fees and commissions from deposits, debentures and lending business, a decrease of ¥13.6 billion in fees for other customer services and a decrease of ¥7.0 billion in fees and commissions from securities-related business. The decrease in fees and commissions from deposits, debentures and lending business, such as fee income associated with domestic syndicated loans, was due mainly to increased competition among banks in the domestic loan market and a decrease in transactions of overseas leveraged buyout and other financings as a result of the dislocation in the global financial markets. The decrease in fees for other customer services was due mainly to a decrease in fees from agency business including credit card processing fees earned by UC Card, a former consolidated subsidiary of ours, due to its becoming an equity-method affiliate of ours in June 2007. Accordingly, fees from agency business of UC Card was not recorded under fees and commissions in the fiscal year ending March 31, 2008, and our share of income or loss of UC Card was instead included within investment losses net. The decrease in fees and commissions from securities-related business was due mainly to decreases in underwriting commissions related to private offerings of debt securities and sales commissions related to investment trusts. The decrease in sales commissions related to investment trusts was due mainly to the effects of the dislocation in the global financial markets.

*Foreign exchange gains (losses) net*

Foreign exchange gains (losses) net were gains of ¥296.7 billion in the fiscal year ended March 31, 2008 compared to losses of ¥51.3 billion in the previous fiscal year. The change was due mainly to ¥440.1 billion of translation gains with respect to foreign currency-denominated liabilities that were funded and incurred to offset foreign exchange risk related to foreign currency-denominated available-for-sale securities in the fiscal year ended March 31, 2008, compared to ¥117.3 billion of translation losses in the previous fiscal year.

*Trading account gains net*

Trading account gains net decreased by ¥253.9 billion, or 65.1%, to ¥136.0 billion in the fiscal year ended March 31, 2008. The decrease was due mainly to the trading losses on securitization products incurred by Mizuho Securities and its overseas subsidiaries in connection with the dislocation in the global financial markets. See Overview Impact of the Dislocation in the Global Financial Markets.

*Investment losses net*

Investment losses net increased by ¥5.3 billion, or 2.8%, from ¥186.0 billion in the previous fiscal year to ¥191.3 billion in the fiscal year ended March 31, 2008. The increase was due mainly to an increase of ¥192.5 billion in investment losses related to bonds to ¥314.1 billion in the fiscal year ended March 31, 2008 due mainly to an increase in losses on sales of, and impairment losses on, various types of securitization products incurred in the fiscal year ended March 31, 2008 due to the impact of the dislocation in the global financial markets. See Overview Impact of the Dislocation in the Global Financial Markets. The effect was offset in part by a decrease in impairment losses on Japanese government bonds. Investment gains (losses) related to equity securities were gains of ¥121.2 billion in the fiscal year ended March 31, 2008, compared to losses of ¥43.0 billion in the previous fiscal year, due mainly to active sales of listed common stocks, preferred stocks and equity-related alternative funds investments in the fiscal year ended March 31, 2008 as well as impairment losses on preferred stock issued by a large non-bank financial company incurred in the fiscal year ended March 31, 2007.

*Gains on disposal of premises and equipment*

Gains on disposal of premises and equipment decreased by ¥27.4 billion, or 42.4%, from the previous fiscal year to ¥37.2 billion in the fiscal year ended March 31, 2008 due mainly to decreased gains on the sale of real estate related to closed branches.

**Table of Contents***Other noninterest income*

Other noninterest income decreased by ¥112.5 billion, or 38.0%, from the previous fiscal year to ¥183.2 billion in the fiscal year ended March 31, 2008. The decrease was due mainly to the subsidy of ¥177.4 billion received from the Japanese government in the fiscal year ended March 31, 2007 after the completion of the transfer of the obligations and assets relating to the substitutional portion of the employees' pension funds to the government. Additional information regarding the transfer of the obligation and assets relating to the employees' pension funds to the government is included in note 21 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, 2007, 2008 and 2009:

|  | Fiscal years ended March 31, |                  |                  |
|--|------------------------------|------------------|------------------|
|  | 2007                         | 2008             | 2009             |
|  | (in billions of yen)         |                  |                  |
| Salaries and employee benefits                                 | ¥ 416.7                      | ¥ 436.1          | ¥ 495.9          |
| General and administrative expenses                            | 481.0                        | 508.8            | 499.4            |
| Impairment of goodwill   |                              | 50.3             |                  |
| Occupancy expenses   | 172.5                        | 196.7            | 177.6            |
| Fees and commission expenses                                   | 111.6                        | 111.1            | 105.8            |
| Provision (credit) for losses on off-balance-sheet instruments | (37.8)                       | 5.1              | 83.6             |
| Minority interest in consolidated subsidiaries                 | 27.7                         | (53.7)           | (61.5)           |
| Other noninterest expenses                                     | 122.9                        | 196.2            | 162.7            |
| <b>Total noninterest expenses</b>                              | <b>¥ 1,294.6</b>             | <b>¥ 1,450.6</b> | <b>¥ 1,463.5</b> |

*Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008*

Noninterest expenses increased by ¥12.9 billion, or 0.9%, from the previous fiscal year to ¥1,463.5 billion in the fiscal year ended March 31, 2009. The increase was due mainly to an increase in provision for losses on off-balance-sheet instruments of ¥78.5 billion and an increase in salaries and employee benefits of ¥59.8 billion, offset in part by a decrease in impairment of goodwill of ¥50.3 billion and a decrease in other noninterest expenses of ¥33.5 billion.

*Salaries and employee benefits*

Salaries and employee benefits increased by ¥59.8 billion, or 13.7%, from the previous fiscal year to ¥495.9 billion in the fiscal year ended March 31, 2009 due mainly to the effect of increased employee retirement benefit expenses as a result of a decline in expected return on plan assets, from ¥95.2 billion in the previous fiscal year to ¥52.3 billion in the fiscal year ended March 31, 2009, and the amortization of net actuarial loss of ¥6.3 billion in the fiscal year ended March 31, 2009 compared to the amortization of net actuarial gain of ¥6.0 billion in the previous fiscal year. Additional information regarding pension and other employee benefit plans is included in note 21 to our consolidated financial statements included elsewhere in this annual report.

*General and administrative expenses*

General and administrative expenses decreased by ¥9.4 billion, or 1.8%, from the previous fiscal year to ¥499.4 billion in the fiscal year ended March 31, 2009. The decrease was due mainly to our efforts to enhance our cost efficiency through detailed reviews while we allocated our management resources to focused areas, such as further enhancement to our infrastructure to promote our domestic consulting activities with individuals.

**Table of Contents***Impairment of goodwill*

We did not record impairment of goodwill in the fiscal year ended March 31, 2009. Impairment of goodwill of ¥50.3 billion was incurred in the fiscal year ended March 31, 2008 due to the carrying amount of Mizuho Investors Securities and Mizuho Securities, each a subsidiary of ours, exceeding their fair value as a result of a decrease in the market price of common stock of Mizuho Investors Securities and decreased future cash flows estimation of Mizuho Securities. Additional information regarding the impairment of goodwill is included in note 8 to our consolidated financial statements included elsewhere in this annual report.

*Occupancy expenses*

Occupancy expenses decreased by ¥19.1 billion, or 9.7%, from the previous fiscal year to ¥177.6 billion in the fiscal year ended March 31, 2009. The decrease was due mainly to an increase in depreciation expenses in the fiscal year ended March 31, 2008 as a result of a change in the declining-balance method for depreciating premises and equipment, along with a reduction of the estimated salvage values of the relevant assets.

*Provision (credit) for losses on off-balance-sheet instruments*

Provision for losses on off-balance-sheet instruments increased by ¥78.5 billion from the previous fiscal year to ¥83.6 billion in the fiscal year ended March 31, 2009. The increase was due mainly to an increase in allowance for losses on off-balance-sheet transactions primarily as a result of downgrades in credit ratings of some obligors reflecting declines in their financial condition.

*Minority interest in consolidated subsidiaries*

Minority interest in consolidated subsidiaries was income of ¥61.5 billion in the fiscal year ended March 31, 2009, representing an increase of ¥7.8 billion, or 14.5%, from the previous fiscal year. The increase was due mainly to an increase in the allocation to minority shareholders of the losses incurred by several of our consolidated subsidiaries as a result of the impact of the rapid deterioration of macroeconomic conditions in and out of Japan with the global recession.

*Other noninterest expenses*

Other noninterest expenses decreased by ¥33.5 billion, or 17.1%, from the previous fiscal year to ¥162.7 billion in the fiscal year ended March 31, 2009. The decrease was due mainly to the decrease in valuation losses related to loans held for sale mainly in connection with overseas leveraged buyout financings from ¥59.8 billion in the previous fiscal year to ¥37.9 billion in the fiscal year ended March 31, 2009 as a result of the decrease in the outstanding balance of loans held for sale which remained unsold due to the impact of the dislocation in the global financial markets.

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

Noninterest expenses increased by ¥156.0 billion, or 12.1%, from the previous fiscal year to ¥1,450.6 billion in the fiscal year ended March 31, 2008. The increase was due mainly to an increase in other noninterest expenses of ¥73.3 billion and the incurrence of impairment of goodwill of ¥50.3 billion offset in part by a decrease in minority interest in consolidated subsidiaries of ¥81.4 billion.

*Salaries and employee benefits*

Salaries and employee benefits increased by ¥19.4 billion, or 4.7%, from the previous fiscal year to ¥436.1 billion in the fiscal year ended March 31, 2008 due mainly to an increase in personnel costs related to an increase in business promotion staff engaged in strategic business areas, offset in part by a decrease in employee retirement benefit expenses, resulting from an increase in the expected return on retirement plan assets, from ¥77.3 billion in the previous fiscal year to ¥95.2 billion in the fiscal year ended March 31, 2008.

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**Table of Contents**

*General and administrative expenses*

General and administrative expenses increased by ¥27.8 billion, or 5.8%, from the previous fiscal year to ¥508.8 billion in the fiscal year ended March 31, 2008. The increase was due mainly to an increase in general and administrative expenses related to the enhancements to our domestic infrastructure to promote our consulting activities with individuals and the expansion of our international office network.

*Impairment of goodwill*

Impairment of goodwill of ¥50.3 billion was incurred in the fiscal year ended March 31, 2008 due to the carrying amount of Mizuho Investors Securities and Mizuho Securities, each a subsidiary of ours, exceeding their fair value as a result of a decrease in the market price of common stock of Mizuho Investors Securities and decreased future cash flows estimation of Mizuho Securities. Additional information regarding the impairment of goodwill is included in note 8 to our consolidated financial statements included elsewhere in this annual report.

*Occupancy expenses*

Occupancy expenses increased by ¥24.2 billion, or 14.0%, from the previous fiscal year to ¥196.7 billion in the fiscal year ended March 31, 2008. The increase was due mainly to an increase in depreciation expenses as a result of a change in the declining-balance method for depreciating premises and equipment. Additional information regarding the change in the declining-balance method is included in note 1 to our consolidated financial statements included elsewhere in this annual report.

*Provision (credit) for losses on off-balance-sheet instruments*

Provision (credit) for losses on off-balance-sheet instruments was a provision of ¥5.1 billion in the fiscal year ended March 31, 2008 compared to a credit of ¥37.8 billion in the previous fiscal year. The change was due mainly to a reversal of allowance for losses on off-balance-sheet transactions in the fiscal year ended March 31, 2007 as a result mainly of the sale of commitment lines for certain large obligors. As a result of the provision, the balance of allowance for losses on off-balance-sheet transactions increased to ¥49.0 billion as of March 31, 2008 from ¥43.9 billion as of March 31, 2007.

*Minority interest in consolidated subsidiaries*

Minority interest in consolidated subsidiaries was an income of ¥53.7 billion in the fiscal year ended March 31, 2008 compared to an expense of ¥27.7 billion in the previous fiscal year. This change was due mainly to the allocation of the significant losses incurred by Mizuho Securities, as a result of the dislocation in the global financial markets, to minority shareholders.

*Other noninterest expenses*

Other noninterest expenses increased by ¥73.3 billion from the previous fiscal year to ¥196.2 billion in the fiscal year ended March 31, 2008 due mainly to ¥59.8 billion in valuation losses related to loans held for sale mainly in connection with overseas leveraged buyout financings, as a result of the increase in the outstanding balance of loans held for sale which remained unsold reflecting the impact of the dislocation in the global financial markets.

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

The following table shows the components of income tax expense (benefit) for the fiscal years ended March 31, 2007, 2008 and 2009:

|                            | Fiscal years ended March 31, |         |         |
|----------------------------|------------------------------|---------|---------|
|                            | 2007                         | 2008    | 2009    |
|                            | (in billions of yen)         |         |         |
| <b>Current:</b>            |                              |         |         |
| Domestic                   | ¥ 27.9                       | ¥ 9.7   | ¥ 10.0  |
| Foreign                    | 22.4                         | 35.5    | 40.8    |
| Total current tax expense  | 50.3                         | 45.2    | 50.8    |
| <b>Deferred:</b>           |                              |         |         |
| Domestic                   | 112.4                        | 626.3   | 709.6   |
| Foreign                    | 0.5                          | 0.7     | 1.5     |
| Total deferred tax expense | 112.9                        | 627.0   | 711.1   |
| Total income tax expense   | ¥ 163.2                      | ¥ 672.2 | ¥ 761.9 |

*Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008*

Income tax expense increased by ¥89.7 billion from the previous fiscal year to ¥761.9 billion in the fiscal year ended March 31, 2009. Current income tax expense in the fiscal year ended March 31, 2009 increased by ¥5.6 billion to ¥50.8 billion from the previous fiscal year.

Deferred income tax expense increased by ¥84.1 billion from the previous fiscal year to ¥711.1 billion in the fiscal year ended March 31, 2009 due mainly to the declining realizability of future tax benefits based on a decrease in expected future taxable income resulting from declines in domestic stock markets.

Gross deferred tax assets increased by ¥661.6 billion in the fiscal year ended March 31, 2009 due mainly to an increase in investments, resulting from an increase in impairment losses on equity securities reflecting declines in domestic and overseas stock markets, and an increase in net operating loss carryforwards, resulting from the losses incurred in the fiscal year.

Valuation allowance increased by ¥1,327.5 billion in the fiscal year ended March 31, 2009 due mainly to deteriorated realizability of future tax benefits based on declines in domestic stock markets and a downward revision to our estimation of future taxable income in light of the results of operations of the fiscal year ended March 31, 2009. As a result, deferred tax assets, net of valuation allowance decreased by ¥665.9 billion from the end of the previous fiscal year to ¥1,144.9 billion at March 31, 2009.

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

Income tax expense increased by ¥509.0 billion from the previous fiscal year to ¥672.2 billion in the fiscal year ended March 31, 2008. Current income tax expense in the fiscal year ended March 31, 2008 decreased by ¥5.1 billion to ¥45.2 billion from the previous fiscal year.

Deferred income tax expense increased by ¥514.1 billion from the previous fiscal year to ¥627.0 billion in the fiscal year ended March 31, 2008 due mainly to the declining realizability of future tax benefits based on a decrease in expected future taxable income and reduced efficacy of available tax planning strategies resulting from declines in domestic stock markets.

Gross deferred tax assets decreased by ¥388.5 billion in the fiscal year ended March 31, 2008 due mainly to a decrease of net operating loss carryforwards resulting from its utilization.

**Table of Contents**

Valuation allowance increased by ¥245.9 billion in the fiscal year ended March 31, 2008 due mainly to deteriorated realizability of future tax benefits. As a result, deferred tax assets, net of valuation allowance decreased by ¥634.4 billion from the end of the previous fiscal year to ¥1,810.8 billion at March 31, 2008.

The following table shows components of deferred tax assets as of March 31, 2007, 2008 and 2009:

|  | Fiscal years ended March 31, |                |                |
|--|------------------------------|----------------|----------------|
|  | 2007                         | 2008           | 2009           |
|  | (in billions of yen)         |                |                |
| <b>Deferred tax assets:</b>                            |                              |                |                |
| Investments  | ¥ 1,142.9                    | ¥ 1,176.4      | ¥ 1,346.7      |
| Allowance for loan losses                              | 456.8                        | 333.9          | 495.2          |
| Prepaid pension cost and accrued pension liabilities   |                              |                | 122.3          |
| Premises and equipment                                 | 41.9                         | 38.4           | 26.6           |
| Financial Stabilization Funds                          | 30.3                         | 25.9           | 21.3           |
| Undistributed earning of subsidiaries                  |                              |                | 15.2           |
| Derivative financial instruments                       | 91.6                         | 9.1            |                |
| Net operating loss carryforwards                       | 2,677.0                      | 2,402.6        | 2,559.2        |
| Other  | 209.9                        | 275.6          | 337.0          |
| <b>Gross deferred tax assets</b>                       | <b>4,650.4</b>               | <b>4,261.9</b> | <b>4,923.5</b> |
| Valuation allowance                                    | (2,205.2)                    | (2,451.1)      | (3,778.6)      |
| <b>Deferred tax assets, net of valuation allowance</b> | <b>2,445.2</b>               | <b>1,810.8</b> | <b>1,144.9</b> |
| <b>Deferred tax liabilities:</b>                       |                              |                |                |
| Available-for-sale securities                          | 1,552.8                      | 784.3          | 283.0          |
| Derivative financial instruments                       |                              |                | 27.2           |
| Undistributed earnings of subsidiaries                 | 36.9                         | 4.5            |                |
| Prepaid pension cost and accrued pension liabilities   | 130.7                        | 3.2            |                |
| Other  | 122.5                        | 106.4          | 50.7           |
| <b>Gross deferred tax liabilities</b>                  | <b>1,842.9</b>               | <b>898.4</b>   | <b>360.9</b>   |
| <b>Net deferred tax assets</b>                         | <b>¥ 602.3</b>               | <b>¥ 912.4</b> | <b>¥ 784.0</b> |

**Net Income (Loss)***Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008*

As a result of the foregoing, net income (loss) was a loss of ¥1,058.4 billion in the fiscal year ended March 31, 2009 compared to income of ¥228.6 billion in the previous fiscal year.

*Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007*

As a result of the foregoing, net income decreased by ¥395.3 billion from the previous fiscal year to ¥228.6 billion in the fiscal year ended March 31, 2008.

**Business Segments Analysis**

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 Japanese GAAP following internal managerial accounting rules and practices. Net business profits is used as a



measure of the profitability of core banking operations in Japan 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

## **Table of Contents**

income) less general and administrative expenses (excluding non-recurring expenses). Measurement by net business profits is required for regulatory reporting to the Financial Services Agency. Therefore, the format and information is presented primarily on the basis of Japanese GAAP and is 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 30 to our consolidated financial statements included elsewhere in this annual report.

We manage 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 consists primarily of Mizuho Corporate Bank and Mizuho Securities, the Global Retail Group consists primarily of Mizuho Bank and Mizuho Investors Securities, and the Global Asset & Wealth Management Group consists primarily of Mizuho Trust & Banking. We divide the businesses of each of Mizuho Corporate Bank and Mizuho Bank into three reportable segments based on customer characteristics and functions. Reportable segments of Mizuho Corporate Bank are: domestic; international; and trading and others. Reportable segments of Mizuho Bank are: retail banking; corporate banking; and trading and others. In addition to the three Global Groups, subsidiaries which provide services to a wide range of customers and which do not belong to a specific Global Group are aggregated as Others.

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

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

Mizuho Corporate Bank is the main operating company of the Global Corporate Group and provides 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.

#### ***Domestic banking***

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

#### ***International banking***

This segment mainly offers 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 supports 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 is also engaged in Mizuho Corporate Bank's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also includes costs incurred by headquarters functions of Mizuho Corporate Bank.

#### ***Mizuho Securities***

Mizuho Securities is the primary investment banking arm in the Global Corporate Group and offers wholesale securities and investment banking services, such as underwriting and trading of bonds and equities, advisory services and structured finance, to large and international corporations, financial institutions and public entities.

## **Table of Contents**

### *Others*

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

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

#### *Mizuho Bank*

Mizuho Bank is the main operating company of the Global Retail Group. Mizuho Bank provides banking and other financial services mainly to individuals, SMEs and middle-market corporations through its domestic branch and ATM network.

#### *Retail banking*

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

#### *Corporate banking*

This segment provides 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.

#### *Trading and others*

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

#### *Mizuho Investors Securities*

Mizuho Investors Securities offers securities services to individuals and corporate customers of the Global Retail Group and provides those corporate customers with support in procuring funds through capital markets.

### *Others*

This segment consists of Mizuho Bank's subsidiaries other than Mizuho Investors Securities. These subsidiaries, such as Mizuho Capital and Mizuho Business Financial Center Co., Ltd., offer financial products and services in specific areas of business to customers of the Global Retail Group. This segment also includes elimination of transactions between companies within the Global Retail Group.

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

#### *Mizuho Trust & Banking*

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

## **Table of Contents**

### *Others*

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

### *Others*

This segment consists of Mizuho Financial Group and its subsidiaries that do not belong to a specific Global Group but provide their services to a wide range of customers. Under this segment, we offer 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 includes elimination of transactions between the Global Groups.

The information below for reportable segments is derived from our internal management reporting system.

### ***Results of Operations by Business Segment***

#### *Consolidated Results of Operations*

Consolidated gross profits for the fiscal year ended March 31, 2009 were ¥1,807.0 billion, an increase of ¥146.1 billion compared to the previous fiscal year. Consolidated general and administrative expenses (excluding non-recurring expenses) for the fiscal year ended March 31, 2009 were ¥1,123.6 billion, an increase of ¥30.3 billion compared to the previous fiscal year. Consolidated net business profits for the fiscal year ended March 31, 2009 were ¥622.6 billion, an increase of ¥111.4 billion compared to the previous fiscal year. The following diagram shows the relative contributions to consolidated net business profits of each of our Global Groups for the fiscal year ended March 31, 2009:

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

The following table shows gross profits, general and administrative expenses (excluding non-recurring expenses) and net business profits for the Global Corporate Group for the fiscal years ended March 31, 2007, 2008 and 2009:

|  | Mizuho Corporate Bank |               |                       |          |                      |           | Total<br>Global<br>Corporate<br>Group |
|--|-----------------------|---------------|-----------------------|----------|----------------------|-----------|---------------------------------------|
|  | Domestic              | International | Trading and<br>others | Subtotal | Mizuho<br>Securities | Others    |                                       |
|  | (in billions of yen)  |               |                       |          |                      |           |                                       |
| <b>Fiscal year ended March 31, 2007:</b> |                       |               |                       |          |                      |           |                                       |
| Gross profits:                           |                       |               |                       |          |                      |           |                                       |
| Net interest income (expenses)           | ¥ 202.4               | ¥ 73.4        | ¥ 30.7                | ¥ 306.5  | ¥ (0.2)              | ¥ 101.4   | ¥ 407.7                               |
| Net noninterest income                   | 108.2                 | 59.6          | 73.6                  | 241.4    | 105.9                | 30.3      | 377.6                                 |
| Total                                    | 310.6                 | 133.0         | 104.3                 | 547.9    | 105.7                | 131.7     | 785.3                                 |
| General and administrative expenses      | 88.3                  | 61.5          | 91.2                  | 241.0    | 61.1                 | 74.9      | 377.0                                 |
| Others                                   |                       |               |                       |          |                      | (44.3)    | (44.3)                                |
| Net business profits                     | ¥ 222.3               | ¥ 71.5        | ¥ 13.1                | ¥ 306.9  | ¥ 44.6               | ¥ 12.5    | ¥ 364.0                               |
| <b>Fiscal year ended March 31, 2008:</b> |                       |               |                       |          |                      |           |                                       |
| Gross profits:                           |                       |               |                       |          |                      |           |                                       |
| Net interest income (expenses)           | ¥ 180.5               | ¥ 73.4        | ¥ 39.7                | ¥ 293.6  | ¥ (5.6)              | ¥ 80.8    | ¥ 368.8                               |
| Net noninterest income (expenses)        | 106.0                 | 68.0          | 138.8                 | 312.8    | 41.7                 | (339.1)   | 15.4                                  |
| Total                                    | 286.5                 | 141.4         | 178.5                 | 606.4    | 36.1                 | (258.3)   | 384.2                                 |
| General and administrative expenses      | 85.5                  | 67.1          | 83.6                  | 236.2    | 66.4                 | 91.4      | 394.0                                 |
| Others                                   |                       |               |                       |          |                      | (48.3)    | (48.3)                                |
| Net business profits (loss)              | ¥ 201.0               | ¥ 74.3        | ¥ 94.9                | ¥ 370.2  | ¥ (30.3)             | ¥ (398.0) | ¥ (58.1)                              |
| <b>Fiscal year ended March 31, 2009:</b> |                       |               |                       |          |                      |           |                                       |
| Gross profits:                           |                       |               |                       |          |                      |           |                                       |
| Net interest income (expenses)           | ¥ 172.7               | ¥ 90.1        | ¥ 53.7                | ¥ 316.5  | ¥ (9.7)              | ¥ 74.5    | ¥ 381.3                               |
| Net noninterest income                   | 102.5                 | 40.4          | 68.8                  | 211.7    | 78.0                 | 53.5      | 343.2                                 |
| Total                                    | 275.2                 | 130.5         | 122.5                 | 528.2    | 68.3                 | 128.0     | 724.5                                 |
| General and administrative expenses      | 92.0                  | 66.0          | 88.9                  | 246.9    | 59.5                 | 75.0      | 381.4                                 |
| Others                                   |                       |               |                       |          |                      | (35.4)    | (35.4)                                |
| Net business profits                     | ¥ 183.2               | ¥ 64.5        | ¥ 33.6                | ¥ 281.3  | ¥ 8.8                | ¥ 17.6    | ¥ 307.7                               |

*Fiscal year ended March 31, 2009 compared to fiscal year ended March 31, 2008*

Gross profits for Mizuho Corporate Bank for the fiscal year ended March 31, 2009 decreased by ¥78.2 billion, or 12.9%, from the previous fiscal year to ¥528.2 billion. This decrease was due to a decrease of ¥11.3 billion in domestic operations reflecting a decrease in domestic loan interest income and a decrease of ¥10.9 billion in international operations as a result of a decrease in non-interest income due to the dislocation in global financial markets. Given the severe market environment, losses in credit investments such as on equity investment trusts and a ¥11.4 billion decrease in dividends from Mizuho Securities resulted in a decrease of ¥56.0 billion in gross profits of trading and others. These decreases were offset in part by an increase in fees from syndicated loans due to our responding promptly and appropriately to the needs of our customers that required substitutes for commercial paper and corporate bond financing.

General and administrative expenses of Mizuho Corporate Bank for the fiscal year ended March 31, 2009 increased by ¥10.7 billion, or 4.5%, from the previous fiscal year to ¥246.9 billion due mainly to an increase in employee retirement benefit expenses.



## **Table of Contents**

Mizuho Securities recorded net business profits of ¥8.8 billion compared to a net business loss of ¥30.3 billion due mainly to the increase in bond trading profits and the effects of its business reform program that decreased general and administrative expenses offset in part by a decrease in stock and corporate bond commissions as a result of sluggish market environment.

Net business profits for others was ¥17.6 billion compared to a net business loss of ¥398.0 billion in the previous fiscal year due mainly to the losses incurred in the CDO business in the previous fiscal year by an overseas subsidiary of Mizuho Securities.

As a result mainly of the foregoing, net business profits for the Global Corporate Group for the fiscal year ended March 31, 2009 was ¥307.7 billion compared to a net business loss of ¥58.1 billion in the previous fiscal year.

### *Fiscal year ended March 31, 2008 compared to fiscal year ended March 31, 2007*

Gross profits for Mizuho Corporate Bank for the fiscal year ended March 31, 2008 increased by ¥58.5 billion, or 10.7%, from the previous fiscal year to ¥606.4 billion. This increase was due mainly to an increase in gross profits from trading and others of ¥74.2 billion as a result of conducting operations that appropriately captured the lowering trends in long-term interest rates in domestic and international financial markets, as well as an increase in gross profits from international operations of ¥8.4 billion, despite the effects of the dislocation in global financial markets. These increases were offset in part by a decrease in gross profits from domestic operations of ¥24.1 billion, reflecting a decrease in net interest income due to lower demand for loans and a decline in the domestic average loan interest rate spread and a decrease in noninterest income such as syndicated loans related fees.

General and administrative expenses of Mizuho Corporate Bank for the fiscal year ended March 31, 2008 decreased by ¥4.8 billion, or 2.0%, from the previous fiscal year to ¥236.2 billion.

Mizuho Securities incurred a net business loss of ¥30.3 billion compared to net business profits of ¥44.6 billion in the previous fiscal year due mainly to a significant deterioration in trading profits and a decrease in equity underwriting fees, both largely due to the dislocation in global financial markets stemming from U.S. subprime loan issue.

Net business profits for others decreased by ¥410.5 billion compared to the previous fiscal year due to significant losses incurred by the CDO business of an overseas subsidiary of Mizuho Securities, Mizuho International plc, as a result of the dislocation in global financial markets.

As a result mainly of the foregoing, the Global Corporate Group incurred a net business loss of ¥58.1 billion for the fiscal year ended March 31, 2008 compared to net business profits of ¥364.0 billion in the previous fiscal year.

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

The following table shows gross profits, general and administrative expenses (excluding non-recurring expenses) and net business profits for the Global Retail Group for the fiscal years ended March 31, 2007, 2008 and 2009:

|  | Mizuho Bank       |                      |                       | Subtotal<br>(in billions of yen) | Mizuho                  | Others | Total<br>Global<br>Retail<br>Group |
|--|-------------------|----------------------|-----------------------|----------------------------------|-------------------------|--------|------------------------------------|
|  | Retail<br>Banking | Corporate<br>Banking | Trading<br>and others |                                  | Investors<br>Securities |        |                                    |
| <b>Fiscal year ended March 31, 2007:</b> |                   |                      |                       |                                  |                         |        |                                    |
| Gross profits:                           |                   |                      |                       |                                  |                         |        |                                    |
| Net interest income                      | ¥ 262.6           | ¥ 326.6              | ¥ 4.6                 | ¥ 593.8                          | ¥ 1.2                   | ¥ 45.6 | ¥ 640.6                            |
| Net noninterest income                   | 53.4              | 233.3                | 98.0                  | 384.7                            | 61.0                    | 19.1   | 464.8                              |
| Total                                    | 316.0             | 559.9                | 102.6                 | 978.5                            | 62.2                    | 64.7   | 1,105.4                            |
| General and administrative expenses      | 199.3             | 245.2                | 82.5                  | 527.0                            | 43.4                    | 18.1   | 588.5                              |
| Others                                   |                   |                      |                       |                                  |                         | (11.5) | (11.5)                             |
| Net business profits                     | ¥ 116.7           | ¥ 314.7              | ¥ 20.1                | ¥ 451.5                          | ¥ 18.8                  | ¥ 35.1 | ¥ 505.4                            |
| <b>Fiscal year ended March 31, 2008:</b> |                   |                      |                       |                                  |                         |        |                                    |
| Gross profits:                           |                   |                      |                       |                                  |                         |        |                                    |
| Net interest income (expenses)           | ¥ 311.0           | ¥ 328.9              | ¥ (33.0)              | ¥ 606.9                          | ¥ 0.7                   | ¥ 46.8 | ¥ 654.4                            |
| Net noninterest income (expenses)        | 42.7              | 174.5                | 118.7                 | 335.9                            | 52.3                    | (2.8)  | 385.4                              |
| Total                                    | 353.7             | 503.4                | 85.7                  | 942.8                            | 53.0                    | 44.0   | 1,039.8                            |
| General and administrative expenses      | 214.8             | 229.3                | 93.1                  | 537.2                            | 45.2                    | (1.6)  | 580.8                              |
| Others                                   |                   |                      |                       |                                  |                         | (14.7) | (14.7)                             |
| Net business profits (loss)              | ¥ 138.9           | ¥ 274.1              | ¥ (7.4)               | ¥ 405.6                          | ¥ 7.8                   | ¥ 30.9 | ¥ 444.3                            |
| <b>Fiscal year ended March 31, 2009:</b> |                   |                      |                       |                                  |                         |        |                                    |
| Gross profits:                           |                   |                      |                       |                                  |                         |        |                                    |
| Net interest income                      | ¥ 327.3           | ¥ 297.9              | ¥ (21.5)              | ¥ 603.7                          | ¥ 0.4                   | ¥ 44.0 | ¥ 648.1                            |
| Net noninterest income (expenses)        | 25.2              | 144.4                | 54.4                  | 224.0                            | 30.9                    | (2.7)  | 252.2                              |
| Total                                    | 352.5             | 442.3                | 32.9                  | 827.7                            | 31.3                    | 41.3   | 900.3                              |
| General and administrative expenses      | 235.7             | 234.2                | 101.2                 | 571.1                            | 44.0                    | 0.8    | 615.9                              |
| Others                                   |                   |                      |                       |                                  |                         | (13.8) | (13.8)                             |
| Net business profits (loss)              | ¥ 116.8           | ¥ 208.1              | ¥ (68.3)              | ¥ 256.6                          | ¥ (12.7)                | ¥ 26.7 | ¥ 270.6                            |

*Fiscal year ended March 31, 2009 compared to fiscal year ended March 31, 2008*

Gross profits for Mizuho Bank for the fiscal year ended March 31, 2009 decreased by ¥115.1 billion, or 12.2%, from the previous fiscal year to ¥827.7 billion. This decrease was due to a decrease in gross profits of ¥1.2 billion from retail banking, reflecting decreases in income from loans and fee income from sales of investment trusts and individual annuities due to the weakness in stock markets, and a decrease of ¥61.1 billion from corporate banking, reflecting decreases in income from loans and net noninterest income from our solutions business, foreign exchange business and others. In addition, gross profits from trading and others decreased by ¥52.8 billion due mainly to a decline in trading income and from our conservative asset-and-liability-management operations. These decreases were offset in part by an improvement in the profitability of deposits due to an increase in outstanding balances and other factors.

General and administrative expenses for Mizuho Bank increased by ¥33.9 billion, or 6.3%, from the previous fiscal year to ¥571.1 billion due mainly to an increase in employee retirement benefit expenses.





## **Table of Contents**

Mizuho Investors Securities incurred a net business loss of ¥12.7 billion compared to net business profit of ¥7.8 billion in the previous fiscal year due mainly to a decrease in commission income from its stock brokerage business as a result of weak domestic stock markets, sluggish foreign bond sales and write-downs of yen-denominated samurai bonds issued by Lehman Brothers.

As a result mainly of the foregoing, net business profits for the Global Retail Group for the fiscal year ended March 31, 2009 decreased by ¥173.7 billion, or 39.1%, from the previous fiscal year to ¥270.6 billion.

*Fiscal year ended March 31, 2008 compared to fiscal year ended March 31, 2007*

Gross profits for Mizuho Bank for the fiscal year ended March 31, 2008 decreased by ¥35.7 billion, or 3.6%, from the previous fiscal year to ¥942.8 billion. The decrease was due to decreases in gross profits of ¥56.5 billion from corporate banking and ¥16.9 billion from trading and others. The decrease in gross profits from corporate banking was due to a decrease in noninterest income, reflecting a decline in fees and commissions from our solutions business, and sluggish growth in net interest income, reflecting an increase in competition in the domestic SME market. The decrease in gross profits from trading and others was due mainly to a decrease in trading income and from our conservative asset-and-liability-management operations. These decreases were offset in part by an increase in gross profits from retail banking of ¥37.7 billion, reflecting an improvement in the profitability of deposits, which more than offset a decline in the profitability of loans to individuals and decreased fee income from sales of investment trusts and individual annuities affected by the dislocation in financial markets and other factors.

General and administrative expenses for Mizuho Bank increased by ¥10.2 billion, or 1.9%, from the previous fiscal year to ¥537.2 billion due mainly to expenses incurred in connection with our efforts to grow future gross profits relating to the retail banking business through opening of new branches and the refurbishment of existing branches and other strategic expenses such as those related to new product development.

Net business profits for Mizuho Investors Securities decreased by ¥11.0 billion, or 58.5%, from the previous fiscal year to ¥7.8 billion due mainly to a decrease in trading profits in addition to a decrease in commission income, mainly those from its equity business, as a result of weak domestic equity markets that were impacted by the dislocation in global financial markets.

As a result mainly of the foregoing, net business profits for the Global Retail Group for the fiscal year ended March 31, 2008 decreased by ¥61.1 billion, or 12.1%, compared to the previous fiscal year to ¥444.3 billion.

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

The following table shows gross profits, general and administrative expenses (excluding non-recurring expenses) and net business profits for the Global Asset & Wealth Management Group for the fiscal years ended March 31, 2007, 2008 and 2009:

|  | Mizuho Trust &<br>Banking | Others<br>(in billions of yen) | Total Global<br>Asset & Wealth<br>Management<br>Group |
|--|---------------------------|--------------------------------|---|
| <b>Fiscal year ended March 31, 2007:</b> |                           |                                |   |
| Gross profits:                           |                           |                                |   |
| Net interest income                      | ¥ 52.2                    | ¥ 1.6                          | ¥ 53.8  |
| Net noninterest income                   | 121.7                     | 48.1                           | 169.8   |
| Total                                    | 173.9                     | 49.7                           | 223.6   |
| General and administrative expenses      | 87.8                      | 38.4                           | 126.2   |
| Others                                   |                           | (1.2)                          | (1.2)   |
| Net business profits                     | ¥ 86.1                    | ¥ 10.1                         | ¥ 96.2  |
| <b>Fiscal year ended March 31, 2008:</b> |                           |                                |   |
| Gross profits:                           |                           |                                |   |
| Net interest income                      | ¥ 53.5                    | ¥ 1.9                          | ¥ 55.4  |
| Net noninterest income                   | 119.2                     | 56.5                           | 175.7   |
| Total                                    | 172.7                     | 58.4                           | 231.1   |
| General and administrative expenses      | 86.8                      | 40.8                           | 127.6   |
| Others                                   |                           | (1.5)                          | (1.5)   |
| Net business profits                     | ¥ 85.9                    | ¥ 16.1                         | ¥ 102.0   |
| <b>Fiscal year ended March 31, 2009:</b> |                           |                                |   |
| Gross profits:                           |                           |                                |   |
| Net interest income                      | ¥ 48.6                    | ¥ 1.2                          | ¥ 49.8  |
| Net noninterest income                   | 81.5                      | 45.6                           | 127.1   |
| Total                                    | 130.1                     | 46.8                           | 176.9   |
| General and administrative expenses      | 91.3                      | 40.7                           | 132.0   |
| Others                                   |                           | (3.2)                          | (3.2)   |
| Net business profits                     | ¥ 38.8                    | ¥ 2.9                          | ¥ 41.7  |

*Fiscal year ended March 31, 2009 compared to fiscal year ended March 31, 2008*

Gross profits of Mizuho Trust & Banking for the fiscal year ended March 31, 2009 decreased by ¥42.6 billion, or 24.7%, from the previous fiscal year to ¥130.1 billion. The decrease was due mainly to a decline in noninterest income from trust and asset management businesses, such as real estate related transactions.

General and administrative expenses for Mizuho Trust & Banking increased by ¥4.5 billion, or 5.2%, from the previous fiscal year to ¥91.3 billion due mainly to an increase in employee retirement benefit expenses.

As a result of the foregoing, as well as a decrease in others which was a result mainly of losses of overseas subsidiaries in connection with the collapse of Lehman Brothers, net business profits for the Global Asset & Wealth Management Group for the fiscal year ended March 31, 2009 decreased by ¥60.3 billion from the previous fiscal year to ¥41.7 billion.



**Table of Contents**

*Fiscal year ended March 31, 2008 compared to fiscal year ended March 31, 2007*

Gross profits for Mizuho Trust & Banking for the fiscal year ended March 31, 2008 decreased by ¥1.2 billion, or 0.7%, from the previous fiscal year to ¥172.7 billion. The decrease was due to a decline in income from trust and asset management businesses, including real estate business.

General and administrative expenses for Mizuho Trust & Banking decreased by ¥1.0 billion from the previous fiscal year to ¥86.8 billion.

Net business profits for others increased by ¥6.0 billion, or 59.4%, from the previous fiscal year to ¥16.1 billion due mainly to an increase in profits of asset management companies in connection with an increase in the amount of entrusted funds.

As a result mainly of the foregoing, net business profits for the Global Asset & Wealth Management Group for the fiscal year ended March 31, 2008 increased by ¥5.8 billion, or 6.0%, from the previous fiscal year to ¥102.0 billion.

**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<br>(in billions of yen) | Asia/Oceania<br>excluding Japan,<br>and others | Total       |
|--|-------------|------------|--------------------------------|--|-------------|
| <b>Fiscal year ended March 31, 2007:</b> |             |            |                                |  |             |
| Total revenue <sup>(1)</sup>             | ¥ 2,249.5   | ¥ 843.0    | ¥ 495.4                        | ¥ 247.4  | ¥ 3,835.3   |
| Total expenses <sup>(2)</sup>            | 1,854.9     | 641.5      | 387.5                          | 164.3  | 3,048.2     |
| Income before income tax expense         | ¥ 394.6     | ¥ 201.5    | ¥ 107.9                        | ¥ 83.1   | ¥ 787.1     |
| Net income                               | ¥ 254.3     | ¥ 192.6    | ¥ 104.8                        | ¥ 72.2   | ¥ 623.9     |
| Total assets at end of fiscal year       | ¥ 111,842.6 | ¥ 17,390.3 | ¥ 13,003.3                     | ¥ 5,145.1                                      | ¥ 147,381.3 |
| <b>Fiscal year ended March 31, 2008:</b> |             |            |                                |  |             |
| Total revenue <sup>(1)</sup>             | ¥ 3,015.1   | ¥ 833.3    | ¥ 92.5                         | ¥ 264.3  | ¥ 4,205.2   |
| Total expenses <sup>(2)</sup>            | 1,913.0     | 712.9      | 511.2                          | 167.3  | 3,304.4     |
| Income before income tax expense         | ¥ 1,102.1   | ¥ 120.4    | ¥ (418.7)                      | ¥ 97.0   | ¥ 900.8     |
| Net income (loss)                        | ¥ 466.1     | ¥ 100.1    | ¥ (422.6)                      | ¥ 85.0   | ¥ 228.6     |
| Total assets at end of fiscal year       | ¥ 115,715.1 | ¥ 19,025.8 | ¥ 11,490.4                     | ¥ 5,086.5                                      | ¥ 151,317.8 |
| <b>Fiscal year ended March 31, 2009:</b> |             |            |                                |  |             |
| Total revenue <sup>(1)</sup>             | ¥ 1,867.3   | ¥ 423.9    | ¥ 347.0                        | ¥ 198.2  | ¥ 2,836.4   |
| Total expenses <sup>(2)</sup>            | 2,355.3     | 274.8      | 359.7                          | 143.1  | 3,132.9     |
| Income before income tax expense         | ¥ (488.0)   | ¥ 149.1    | ¥ (12.7)                       | ¥ 55.1   | ¥ (296.5)   |
| Net income (loss)                        | ¥ (1,207.6) | ¥ 118.3    | ¥ (15.6)                       | ¥ 46.5   | ¥ (1,058.4) |
| Total assets at end of fiscal year       | ¥ 115,588.5 | ¥ 24,995.1 | ¥ 9,816.0                      | ¥ 4,683.4                                      | ¥ 155,083.0 |

Notes:

- (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.

**Table of Contents*****Fiscal Year Ended March 31, 2009 Compared to Fiscal Year Ended March 31, 2008***

In the fiscal year ended March 31, 2009, we recorded a net loss in Japan and Europe. Among the geographical regions in which we recorded net income, 71.8% of the net income was derived from the Americas and 28.2% from Asia/Oceania, excluding Japan, and others. At March 31, 2009, 74.5% of total assets were allocated to Japan, 16.1% to the Americas, 6.3% to Europe and 3.1% to Asia/Oceania, excluding Japan, and others.

Total revenue in Japan decreased by ¥1,147.8 billion from the previous fiscal year due primarily to an increase in investment losses net, as a result of an increase in impairment losses on, and a decrease in gains on sales of, equity securities reflecting declines in domestic stock markets, and a decrease in foreign exchange gains as a result of translation gains with respect to foreign currency denominated liabilities that were funded and incurred to offset foreign exchange risk related to foreign currency denominated available-for-sale securities in the fiscal year ended March 31, 2008. In the fiscal year ended March 31, 2009, the translation gains with respect to foreign currency denominated liabilities were offset by translation losses on foreign currency denominated available-for-sale securities as a result of the reclassification of foreign currency denominated available-for-sale securities from investments to trading account assets following the adoption of the fair value option under SFAS No.159 as of April 1, 2008. In the previous fiscal year, the translation losses on foreign currency denominated available-for-sale securities were recorded in other comprehensive income. Total expenses increased by ¥442.3 billion due to an increase in provision for loan losses, reflecting the effects of the rapid deterioration of macroeconomic conditions in Japan as a result of the global recession, worsening business environment and economic condition surrounding domestic companies, and abrupt bankruptcies of real estate companies. This increase was offset in part by income recorded from minority interest in consolidated subsidiaries due mainly to an increase in the allocation to minority shareholders of the losses incurred by several of our consolidated domestic subsidiaries. As a result, net income in Japan decreased by ¥1,673.7 billion. Total assets in Japan decreased by ¥126.6 billion due primarily to decreases in receivables under securities borrowing transactions and trading account assets, offset in part by an increase in loans as corporate borrowing increased during the financial market turmoil.

In the Americas, total revenue decreased by ¥409.4 billion due primarily to a decrease in interest income as a result of decreases in average yields reflecting general declines in U.S. dollar interest rate levels, offset in part a decrease in investment losses net, as the impairment losses on various types of securitization products due to the impact of the dislocation in the global financial markets significantly decreased compared to the previous fiscal year. Total expenses decreased by ¥438.1 billion due primarily to a decrease in interest expenses reflecting general declines in U.S. dollar interest rate levels. As a result, net income in the Americas increased by ¥18.2 billion. Total assets in the Americas increased by ¥5,969.3 billion due primarily to an increase in trading account assets, consisting mainly of those regarding derivative contracts, offset in part by a decrease in investments due primarily to the reclassification to trading account assets as a result of the adoption of the fair value option under SFAS No. 159.

In Europe, total revenue increased by ¥254.5 billion due primarily to the decrease in losses incurred in the trading account and investments during the previous fiscal year affected by the impact of the dislocation in the global financial markets, offset in part by a decrease in interest income as a result of decreases in average yields reflecting general declines in euro interest rate levels. Total expenses decreased by ¥151.5 billion due primarily to a decrease in interest expenses reflecting general declines in euro interest rate levels, offset in part by an increase in minority interest in consolidated subsidiaries as one of our European subsidiary recorded a large net loss during the previous fiscal year. As a result, net income in Europe increased by ¥407.0 billion. Total assets in Europe decreased by ¥1,674.4 billion due primarily to a decrease in investments, which included a reclassification to trading account assets as a result of the adoption of SFAS No. 159, and a decrease in receivables under resale agreements, partially offset by an increase in trading account assets.

In Asia/Oceania excluding Japan, and others, total revenue decreased by ¥66.1 billion due primarily to decreases in interest income and trading account gains net, offset in part by an increase in foreign exchange

**Table of Contents**

gains net. Total expenses decreased by ¥24.2 billion due primarily to a decrease in interest expenses, offset in part by an increase in provision for loan losses. As a result, net income in Asia/Oceania excluding Japan, and others decreased by ¥38.5 billion. Total assets in Asia/Oceania excluding Japan, and others decreased by ¥403.1 billion due primarily to a decrease in investments which included reclassification as a result of the adoption of SFAS No. 159, and a decrease in loans, partially offset by an increase in trading account assets.

***Fiscal Year Ended March 31, 2008 Compared to Fiscal Year Ended March 31, 2007***

In the fiscal year ended March 31, 2008, we recorded net loss in Europe. Among the geographical regions in which we recorded net income, 71.6% of the net income was derived from Japan, 15.4% from the Americas, and 13.0% from Asia/Oceania, excluding Japan, and others. At March 31, 2008, 76.5% of total assets were allocated to Japan, 12.6% to the Americas, 7.6% to Europe and 3.3% to Asia/Oceania, excluding Japan, and others.

Total revenue in Japan increased by ¥765.6 billion from the previous fiscal year due primarily to an increase in foreign exchange gains net, as a result of translation gains with respect to foreign currency-denominated liabilities that were funded to offset foreign exchange risk related to foreign currency-denominated available-for-sale securities, and a decrease in investment losses net, as we had incurred significant impairment losses on Japanese government bonds in the previous fiscal year. Total expenses increased by ¥58.1 billion due to an increase in interest expense mainly reflecting an increase in yen interest rate levels and other factors offset in part by a decrease in provision for loan losses, reflecting upgrades in the internal credit ratings of some large borrowers. Income tax expense increased by ¥495.7 billion because of increased deferred tax expense due mainly to deteriorated realizability of future tax benefits based on a decrease in expected future taxable income and the efficacy of available tax-planning strategies. As a result, net income in Japan increased by ¥211.8 billion. Total assets in Japan increased by ¥3,872.5 billion due primarily to an increase in trading account assets, offset in part by a decrease in loans as funding needs by corporate borrowers, especially SMEs, decreased.

In the Americas, total revenue decreased by ¥9.7 billion due primarily to an increase in investment losses net, as we incurred significant impairment losses on various types of securitization products due to the impact of the dislocation in the global financial markets, offset in part by an increase in interest income, as a result of increases in average balances of interest-earning assets. Total expenses increased by ¥71.4 billion due primarily to an increase in interest expenses as the average balances of interest-bearing liabilities increased. As a result, net income in the Americas decreased by ¥92.5 billion. Total assets in the Americas increased by ¥1,635.5 billion, due primarily to an increase in trading account assets.

In Europe, total revenue decreased by ¥402.9 billion due primarily to the loss incurred in the trading account and investments, affected by the impact of the dislocation in the global financial markets, offset in part by an increase in interest income, especially interest from loans, due mainly to increases in average balances as a result of our efforts to increase foreign loans. Total expenses increased by ¥123.7 billion due primarily to an increase in interest expenses, especially interest on deposits, as the average balances of interest-bearing liabilities increased. As a result, net income in Europe decreased by ¥527.4 billion. Total assets in Europe decreased by ¥1,512.9 billion due primarily to a decrease in receivables under resale agreements, and a decrease in investments as a result of divestitures conducted in light of interest rate movements, partially offset by an increase in loans.

Total revenue in Asia/Oceania excluding Japan, and others increased by ¥16.9 billion due primarily to an increase in interest income, offset in part by a decrease in trading account gains net. Total expenses increased slightly by ¥3.0 billion. As a result, net income in Asia/Oceania excluding Japan, and others increased by ¥12.8 billion. Total assets in Asia/Oceania excluding Japan, and others decreased by ¥58.6 billion due primarily to a decrease in trading account assets, offset in part by an increase in loans, as a result of our efforts to increase foreign assets.



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

Our assets as of March 31, 2008 and 2009 were as follows:

|   | As of March 31,<br>2008 | As of March 31,<br>2009<br>(in billions of yen) | Increase<br>(decrease) |
|---|-------------------------|---|------------------------|
| Cash and due from banks                             | ¥ 2,085.8               | ¥ 2,732.9                                       | ¥ 647.1                |
| Interest-bearing deposits in other banks            | 1,549.7                 | 3,128.1   | 1,578.4                |
| Call loans and funds sold                           | 257.7                   | 144.5   | (113.2)                |
| Receivables under resale agreements                 | 7,235.2                 | 6,276.5   | (958.7)                |
| Receivables under securities borrowing transactions | 9,069.1                 | 5,819.4   | (3,249.7)              |
| Trading account assets                              | 20,552.4                | 31,006.3  | 10,453.9               |
| Investments   | 36,155.7                | 28,745.7  | (7,410.0)              |
| Loans   | 68,221.8                | 72,657.1  | 4,435.3                |
| Allowance for loan losses                           | (649.8)                 | (869.8)   | (220.0)                |
| Loans, net of allowance                             | 67,572.0                | 71,787.3  | 4,215.3                |
| Premises and equipment net                          | 852.4                   | 899.7   | 47.3                   |
| Due from customers on acceptances                   | 62.3                    | 54.2  | (8.1)                  |
| Accrued income                                      | 380.6                   | 296.2   | (84.4)                 |
| Goodwill  | 15.0                    | 15.0  |                        |
| Deferred tax assets                                 | 923.6                   | 791.5   | (132.1)                |
| Other assets  | 4,606.3                 | 3,385.7   | (1,220.6)              |
| <b>Total assets</b>                                 | <b>¥ 151,317.8</b>      | <b>¥ 155,083.0</b>                              | <b>¥ 3,765.2</b>       |

Total assets increased by ¥3,765.2 billion from the end of the previous fiscal year to ¥155,083.0 billion as of March 31, 2009. This increase was due primarily to an increase of ¥10,453.9 billion in trading account assets, primarily interest rate-related derivative contracts, and an increase of ¥4,215.3 billion in loans, net of allowance, offset in part by a decrease of ¥7,410.0 billion in investments and a decrease of ¥3,249.7 billion in receivables under securities borrowing transactions. The increase in trading account assets and the decrease in investments were due mainly to the reclassification from investments to trading account assets of foreign currency denominated available-for-sale securities that were elected for fair value treatment under SFAS No. 159 as of April 1, 2008. For further information on the fair value option, see note 28 to our consolidated financial statements included elsewhere in this annual report.

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

The following table shows our loans outstanding as of March 31, 2008 and 2009:

|  | 2008       | As of March 31,<br>2009<br>(in billions of yen, except percentages) |            | Increase<br>(decrease) |           |        |
|--|------------|---|------------|------------------------|-----------|--------|
| <b>Domestic:</b>                                 |            |   |            |                        |           |        |
| Manufacturing                                    | ¥ 7,806.7  | 11.43%  | ¥ 8,915.1  | 12.26%                 | ¥ 1,108.4 | 0.83%  |
| Construction                                     | 1,429.6    | 2.09  | 1,456.3    | 2.00                   | 26.7      | (0.09) |
| Real estate                                      | 6,489.6    | 9.50  | 6,215.7    | 8.54                   | (273.9)   | (0.96) |
| Services   | 5,566.2    | 8.15  | 5,378.4    | 7.39                   | (187.8)   | (0.76) |
| Wholesale and retail                             | 6,100.1    | 8.93  | 6,006.4    | 8.26                   | (93.7)    | (0.67) |
| Transportation                                   | 2,516.3    | 3.68  | 2,593.2    | 3.56                   | 76.9      | (0.12) |
| Banks and other financial institutions           | 4,355.6    | 6.37  | 5,037.1    | 6.92                   | 681.5     | 0.55   |
| Government and public institutions               | 5,807.5    | 8.50  | 8,655.1    | 11.90                  | 2,847.6   | 3.40   |
| Other industries                                 | 5,061.1    | 7.40  | 4,645.8    | 6.39                   | (415.3)   | (1.01) |
| Individuals                                      | 12,326.7   | 18.04   | 12,543.2   | 17.25                  | 216.5     | (0.79) |
| Mortgage loans                                   | 11,122.4   | 16.28   | 11,382.1   | 15.65                  | 259.7     | (0.63) |
| Other  | 1,204.3    | 1.76  | 1,161.1    | 1.60                   | (43.2)    | (0.16) |
| Total domestic                                   | 57,459.4   | 84.09   | 61,446.3   | 84.47                  | 3,986.9   | 0.38   |
| <b>Foreign:</b>                                  |            |   |            |                        |           |        |
| Commercial and industrial                        | 8,815.2    | 12.90   | 8,680.3    | 11.93                  | (134.9)   | (0.97) |
| Banks and other financial institutions           | 1,544.9    | 2.26  | 2,223.7    | 3.06                   | 678.8     | 0.80   |
| Government and public institutions               | 414.7      | 0.61  | 300.5      | 0.41                   | (114.2)   | (0.20) |
| Other  | 93.8       | 0.14  | 94.3       | 0.13                   | 0.5       | (0.01) |
| Total foreign                                    | 10,868.6   | 15.91   | 11,298.8   | 15.53                  | 430.2     | (0.38) |
| Subtotal   | 68,328.0   | 100.00%   | 72,745.1   | 100.00%                | 4,417.1   |        |
| Less: Unearned income and deferred loan fees net | (106.2)    |   | (88.0)     |                        | 18.2      |        |
| Total loans before allowance for loan losses     | ¥ 68,221.8 |   | ¥ 72,657.1 |                        | ¥ 4,435.3 |        |

Total loans before allowance for loan losses increased by ¥4,435.3 billion from the end of the previous fiscal year to ¥72,657.1 billion as of March 31, 2009. Domestic loans increased by ¥3,986.9 billion to ¥61,446.3 billion due mainly to an increase in loans to government and public institutions attributable mainly to loans to the Japanese government. The increase in domestic loans was also attributable to the strong funding needs by corporate borrowers, particularly in the manufacturing sector, as an alternative to funding from the markets, triggered by the turmoil in the financial markets.

Loans to foreign borrowers increased by ¥430.2 billion from the end of the previous fiscal year to ¥11,298.8 billion as of March 31, 2009. The increase in foreign loans was due mainly to an increase in loans to banks and other financial institutions, which included loans reclassified from the held-for-sale account during this fiscal year, which we decided not to sell for the foreseeable future based on our determination that it is reasonable to continue holding such loans based on the difficulty in selling at a fair price. The increase was offset in part by the effect of the appreciation of the yen against other currencies on the yen equivalent of foreign loans.

Within our loan portfolio, loans to domestic borrowers increased from 84.09% to 84.47% while loans to foreign borrowers decreased from 15.91% to 15.53%.



## **Table of Contents**

### *Impaired Loans*

Japanese banks are required to categorize obligors into the groups listed below based on their financial condition and other factors and then to classify loans and off-balance-sheet instruments against obligors, taking into consideration the risk of collection and risk of impairment. We refer to this categorization and classification process as the self-assessment procedures which are conducted in conjunction with our credit rating system. Through the self-assessment procedures, we categorize obligors into the following categories:

*normal*: Obligor for which business conditions are favorable and are deemed not to have any particular problems in terms of their financial position.

*watch*: Obligor that require observation going forward because of either concerns regarding their financial position or weak or unstable business conditions.

*special attention*: Among watch obligors, those having difficulty meeting loan conditions, such as reduced or suspended interest payments, or those in default of payment obligations such as failure to make principal or interest payments beyond a specified period.

*intensive control*: Obligor that are not yet bankrupt but are in financial difficulties and are deemed likely to become bankrupt in the future because of failure to make progress in implementing their management improvement plans or other measures (including obligors that are receiving ongoing support from financial institutions).

*substantially bankrupt*: Obligor that have not yet become legally or formally bankrupt but are effectively insolvent because they are in serious financial difficulties and are deemed to be not capable of restructuring.

*bankrupt*: Obligor that have become legally or formally bankrupt.

We consider both loans that are subject to SFAS No. 114, *Accounting by Creditors for Impairment of a Loan* an amendment of FASB statement No. 5 and 15 and small balance, homogeneous 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. Among other things, restructured loans under SFAS No. 15, *Accounting by Debtors and Creditors for Troubled Debt Restructuring* ( SFAS No. 15 ) and loans that are 90 days or more delinquent are generally considered to be impaired. We determine loans to special attention, intensive control, substantially bankrupt and bankrupt obligors as impaired loans in connection with our consideration of collectibility mentioned above. 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.

We endeavor to remove impaired loans from our balance sheet within three years of their being so categorized through methods such as collection, charge-offs, disposal and improving the borrowers credit rating through restructuring efforts.

**Table of Contents**

The following table shows our impaired loans as of March 31, 2008 and 2009 based on classifications by domicile and industry segment:

|  | As of March 31,                          |  |                |  |                     |  |
|--|--|--|----------------|--|---------------------|--|
|  | 2008                                     |  | 2009           |  | 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                          | ¥ 160.8                                  | 2.06%                                  | ¥ 213.0        | 2.39%                                  | ¥ 52.2              | 0.33%                                  |
| Construction                           | 88.1                                     | 6.16                                   | 86.6           | 5.95                                   | (1.5)               | (0.21)                                 |
| Real estate                            | 106.3                                    | 1.64                                   | 308.9          | 4.97                                   | 202.6               | 3.33                                   |
| Services                               | 200.0                                    | 3.59                                   | 212.7          | 3.95                                   | 12.7                | 0.36                                   |
| Wholesale and retail                   | 243.3                                    | 3.99                                   | 159.9          | 2.66                                   | (83.4)              | (1.33)                                 |
| Transportation                         | 115.0                                    | 4.57                                   | 103.9          | 4.01                                   | (11.1)              | (0.56)                                 |
| Banks and other financial institutions | 178.1                                    | 4.09                                   | 26.4           | 0.52                                   | (151.7)             | (3.57)                                 |
| Other industries                       | 11.4                                     | 0.10                                   | 40.6           | 0.30                                   | 29.2                | 0.20                                   |
| Individuals                            | 146.0                                    | 1.18                                   | 165.3          | 1.32                                   | 19.3                | 0.14                                   |
| Total domestic                         | 1,249.0                                  | 2.17                                   | 1,317.3        | 2.14                                   | 68.3                | (0.03)                                 |
| Foreign                                | 46.5                                     | 0.43                                   | 114.7          | 1.02                                   | 68.2                | 0.59                                   |
| Total impaired loans                   | ¥ 1,295.5                                | 1.90%                                  | ¥ 1,432.0      | 1.97%                                  | ¥ 136.5             | 0.07%                                  |

Impaired loans increased by ¥136.5 billion, or 10.5%, from the end of the previous fiscal year to ¥1,432.0 billion as of March 31, 2009. Domestic impaired loans increased by ¥68.3 billion due primarily to an increase in real estate, mainly as a result of the worsening business environment, offset in part by a decrease in banks and other financial institutions, primarily as a result of an upgrade in the internal credit rating of a large borrower. Foreign impaired loans increased by ¥68.2 billion, reflecting the turmoil in the financial markets and the global recession.

The percentage of impaired loans within gross total loans increased from 1.90% as of March 31, 2008 to 1.97% as of March 31, 2009. The percentage of impaired loans net of allowance to gross total loans net of allowance decreased from 0.95% as of March 31, 2008 to 0.78% as of March 31, 2009, as the balance of allowance for loan losses increased more than that of impaired loans.

*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, homogenous 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).

## Special attention obligors

The allowance for special attention obligors is generally calculated individually based on the present value of expected future cash flows

**Table of Contents**

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, 2008 and 2009:

|   | As of March 31,                          |            | Increase  |
|---|--|------------|-----------|
|   | 2008                                     | 2009       |           |
|   | (in billions of yen, except percentages) |            |           |
| Allowance for loan losses on impaired loans (A)               | ¥ 349.2                                  | ¥ 440.3    | ¥ 91.1    |
| Allowance for loan losses on other loans (B)                  | 300.6                                    | 429.5      | 128.9     |
| Total allowance for loan losses (C)                           | 649.8                                    | 869.8      | 220.0     |
| Impaired loans requiring an allowance for loan losses (D)     | 1,089.7                                  | 1,147.8    | 58.1      |
| Impaired loans not requiring an allowance for loan losses (E) | 205.8                                    | 284.2      | 78.4      |
| Other loans (F)   | 67,032.5                                 | 71,313.1   | 4,280.6   |
| Gross total loans (G)   | ¥ 68,328.0                               | ¥ 72,745.1 | ¥ 4,417.1 |

Percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance (A)/(D)x100

32.04%      38.36%      6.32%

Percentage of allowance for loan losses on other loans against the balance of other loans (B)/(F)x100

0.45      0.60      0.15

Percentage of total allowance for loan losses against gross total loans (C)/(G)x100

0.95      1.20      0.25

Allowance for loan losses increased by ¥220.0 billion from the end of the previous fiscal year to ¥869.8 billion as of March 31, 2009. Of such increase, ¥128.9 billion was attributable to an increase in the allowance for loan losses on other loans due primarily to increased estimated loss rates related to normal obligors, and ¥91.1 billion was attributable to an increase in the allowance for loan losses on impaired loans, including in relation to domestic borrowers in the real estate industry as well as foreign borrowers, due primarily to an increase in loans to intensive control obligors as a result of downgrades. As a result, the percentage of total allowance for loan losses against gross total loans increased by 0.25% to 1.20%, and the percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance increased by 6.32% to 38.36%.

**Table of Contents***Provision (credit) 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, 2008 and 2009:

|   | Fiscal years ended March 31,<br>2008 | Fiscal years ended March 31,<br>2009<br>(in billions of yen) | Increase<br>(decrease) |
|---|--------------------------------------|--|------------------------|
| Allowance for loan losses at beginning of fiscal year | ¥ 946.1                              | ¥ 649.8  | ¥ (296.3)              |
| Provision (credit) for loan losses                    | (57.8)                               | 567.4  | 625.2                  |
| <b>Charge-offs:</b>                                   |                                      |  |                        |
| <b>Domestic:</b>                                      |                                      |  |                        |
| Manufacturing   | 31.5                                 | 38.7   | 7.2                    |
| Construction  | 8.3                                  | 23.9   | 15.6                   |
| Real estate   | 3.7                                  | 92.9   | 89.2                   |
| Services  | 88.9                                 | 18.6   | (70.3)                 |
| Wholesale and retail                                  | 40.7                                 | 57.0   | 16.3                   |
| Transportation  | 3.8                                  | 3.6  | (0.2)                  |
| Banks and other financial institutions                | 53.2                                 | 19.4   | (33.8)                 |
| Other industries                                      | 12.9                                 | 8.9  | (4.0)                  |
| Individuals   | 17.4                                 | 24.0   | 6.6                    |
| Total domestic charge-offs                            | 260.4                                | 287.0  | 26.6                   |
| Foreign   | 10.8                                 | 57.1   | 46.3                   |
| Total charge-offs                                     | 271.2                                | 344.1  | 72.9                   |
| <b>Recoveries:</b>                                    |                                      |  |                        |
| <b>Domestic:</b>                                      |                                      |  |                        |
| Manufacturing   | 2.3                                  | 3.3  | 1.0                    |
| Construction  | 0.9                                  | 1.3  | 0.4                    |
| Real estate   | 13.8                                 | 2.4  | (11.4)                 |
| Services  | 7.4                                  | 2.1  | (5.3)                  |
| Wholesale and retail                                  | 7.3                                  | 4.3  | (3.0)                  |
| Transportation  | 0.2                                  | 0.4  | 0.2                    |
| Banks and other financial institutions                | 3.6                                  | 0.1  | (3.5)                  |
| Other industries                                      | 1.4                                  | 2.0  | 0.6                    |
| Individuals   | 2.8                                  | 3.2  | 0.4                    |
| Total domestic recoveries                             | 39.7                                 | 19.1   | (20.6)                 |
| Foreign   | 7.7                                  | 9.8  | 2.1                    |
| Total recoveries                                      | 47.4                                 | 28.9   | (18.5)                 |
| Net charge-offs                                       | 223.8                                | 315.2  | 91.4                   |
| Others <sup>(1)</sup>                                 | (14.7)                               | (32.2)   | (17.5)                 |
| Balance at end of fiscal year                         | ¥ 649.8                              | ¥ 869.8  | ¥ 220.0                |

Note:

(1) Others include primarily foreign exchange translation.

We recorded a provision for loan losses of ¥567.4 billion in the fiscal year ended March 31, 2009 compared to a credit for loan losses of ¥57.8 billion in the fiscal year ended March 31, 2008. The provision for loan losses was due mainly to declines in the financial condition of domestic SMEs and middle-market corporations, the effect of the collapse of Lehman Brothers on our exposures to related entities and the weakening credit status of overseas loans reflecting the global economic downturn, as well as increased estimated loss rates related to normal obligors.



**Table of Contents**

Charge-offs increased by ¥72.9 billion from the previous fiscal year to ¥344.1 billion for the fiscal year ended March 31, 2009. Charge-offs of domestic loans increased by ¥26.6 billion compared to the previous fiscal year to ¥287.0 billion in the fiscal year ended March 31, 2009, reflecting the severe business environment and economic condition surrounding domestic companies, especially in real estate. The increase was offset in part by a decrease in services as a sale of a loan to a large borrower in this industry was recorded in the previous fiscal year. Charge-offs of foreign loans increased by ¥46.3 billion compared to the previous fiscal year to ¥57.1 billion in the fiscal year ended March 31, 2009.

Recoveries decreased by ¥18.5 billion from the previous fiscal year to ¥28.9 billion in the fiscal year ended March 31, 2009, reflecting a decrease in recoveries with respect to domestic loans offset in part by an increase with respect to foreign loans.

*Investments*

The majority of our investments are available-for-sale securities, which at March 31, 2008 and 2009 were as follows:

|                                       | 2008           |            | As of March 31,               |                |            | 2009                          |                | Increase (decrease) |                               |  |
|---------------------------------------|----------------|------------|-------------------------------|----------------|------------|-------------------------------|----------------|---------------------|-------------------------------|--|
|                                       | 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)                  |                |            |                               |                |            |                               |                |                     |                               |  |
| <b>Available-for-sale securities:</b> |                |            |                               |                |            |                               |                |                     |                               |  |
| Debt securities                       | ¥ 29,844.2     | ¥ 29,859.1 | ¥ 14.9                        | ¥ 24,710.7     | ¥ 24,684.6 | ¥ (26.1)                      | ¥ (5,133.5)    | ¥ (5,174.5)         | ¥ (41.0)                      |  |
| Japanese government bonds             | 16,216.1       | 16,212.4   | (3.7)                         | 18,450.3       | 18,458.1   | 7.8                           | 2,234.2        | 2,245.7             | 11.5                          |  |
| Other than Japanese government bonds  | 13,628.1       | 13,646.7   | 18.6                          | 6,260.4        | 6,226.5    | (33.9)                        | (7,367.7)      | (7,420.2)           | (52.5)                        |  |
| Equity securities (marketable)        | 2,619.5        | 4,512.5    | 1,893.0                       | 2,237.3        | 2,870.1    | 632.8                         | (382.2)        | (1,642.4)           | (1,260.2)                     |  |
| Total                                 | ¥ 32,463.7     | ¥ 34,371.6 | ¥ 1,907.9                     | ¥ 26,948.0     | ¥ 27,554.7 | ¥ 606.7                       | ¥ (5,515.7)    | ¥ (6,816.9)         | ¥ (1,301.2)                   |  |

Available-for-sale securities decreased by ¥6,816.9 billion from the end of the previous fiscal year to ¥27,554.7 billion at March 31, 2009. This decrease was a result of a decrease in debt securities other than Japanese government bonds, primarily foreign government bonds, as foreign currency denominated available-for-sale securities were reclassified as trading securities following the adoption of SFAS No. 159. See note 28 to our consolidated financial statements included elsewhere in this annual report for details of such adoption. The decrease was offset in part by an increase in Japanese government bonds to take advantage of their safety and liquidity during the turmoil in the global financial markets. Equity securities decreased by ¥1,642.4 billion from March 31, 2008 to ¥2,870.1 billion at March 31, 2009 due mainly to the decline in Japanese stock prices as of March 31, 2009 compared to March 31, 2008. See note 4 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 ¥647.1 billion from the end of the previous fiscal year to ¥2,732.9 billion at March 31, 2009. The increase was due to net cash provided by operating activities of ¥3,497.4 billion and net cash provided by financing activities of ¥446.5 billion being offset in part by net cash used in investing activities of ¥3,266.4 billion.

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

The following table shows our liabilities as of March 31, 2008 and 2009:

|  | As of March 31,<br>2008 | As of March 31,<br>2009 | Increase<br>(decrease) |
|--|-------------------------|-------------------------|------------------------|
|  | (in billions of yen)    |                         |                        |
| Deposits                                       | ¥ 86,429.1              | ¥ 87,075.7              | ¥ 646.6                |
| Debentures                                     | 3,159.4                 | 2,300.5                 | (858.9)                |
| Due to trust accounts                          | 1,119.9                 | 986.1                   | (133.8)                |
| Call money and funds purchased                 | 6,693.7                 | 6,449.8                 | (243.9)                |
| Payables under repurchase agreements           | 11,511.0                | 9,183.4                 | (2,327.6)              |
| Payables under securities lending transactions | 7,095.1                 | 4,302.8                 | (2,792.3)              |
| Commercial paper                               | 561.0                   | 315.8                   | (245.2)                |
| Other short-term borrowings                    | 4,812.8                 | 8,399.6                 | 3,586.8                |
| Trading account liabilities                    | 14,120.4                | 21,507.5                | 7,387.1                |
| Bank acceptances outstanding                   | 62.3                    | 54.2                    | (8.1)                  |
| Income taxes payable                           | 28.8                    | 22.2                    | (6.6)                  |
| Deferred tax liabilities                       | 11.2                    | 7.4                     | (3.8)                  |
| Accrued expenses                               | 294.2                   | 216.2                   | (78.0)                 |
| Long-term debt                                 | 7,618.9                 | 8,017.8                 | 398.9                  |
| Other liabilities                              | 4,231.8                 | 5,206.9                 | 975.1                  |
| <b>Total liabilities</b>                       | <b>¥ 147,749.6</b>      | <b>¥ 154,045.9</b>      | <b>¥ 6,296.3</b>       |

Total liabilities increased by ¥6,296.3 billion from the end of the previous fiscal year to ¥154,045.9 billion at March 31, 2009. This increase was due primarily to an increase of ¥7,387.1 billion in trading account liabilities, primarily interest rate-related derivative contracts, offset in part by a decrease of ¥2,156.0 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, 2008 and 2009:

|                                | As of March 31,<br>2008 | As of March 31,<br>2009 | Increase<br>(decrease) |
|--------------------------------|-------------------------|-------------------------|------------------------|
|                                | (in billions of yen)    |                         |                        |
| <b>Domestic:</b>               |                         |                         |                        |
| Non-interest-bearing deposits  | ¥ 10,846.5              | ¥ 11,843.4              | ¥ 996.9                |
| Interest-bearing deposits      | 66,329.6                | 67,114.6                | 785.0                  |
| <b>Total domestic deposits</b> | <b>77,176.1</b>         | <b>78,958.0</b>         | <b>1,781.9</b>         |
| <b>Foreign:</b>                |                         |                         |                        |
| Non-interest-bearing deposits  | 412.9                   | 470.8                   | 57.9                   |
| Interest-bearing deposits      | 8,840.1                 | 7,646.9                 | (1,193.2)              |
| <b>Total foreign deposits</b>  | <b>9,253.0</b>          | <b>8,117.7</b>          | <b>(1,135.3)</b>       |
| <b>Total deposits</b>          | <b>¥ 86,429.1</b>       | <b>¥ 87,075.7</b>       | <b>¥ 646.6</b>         |

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Deposits increased by ¥646.6 billion from the end of the previous fiscal year to ¥87,075.7 billion at March 31, 2009. Domestic deposits increased by ¥1,781.9 billion from March 31, 2008 to ¥78,958.0 billion at March 31, 2009. Non-interest-bearing deposits, mainly from Japanese companies, increased by ¥996.9 billion as corporations secured fiscal-year-end funding and interest-bearing deposits increased, mainly from individuals, by

**Table of Contents**

¥785.0 billion while investment products such as investment trusts declined. Foreign deposits decreased by ¥1,135.3 billion from the end of the previous fiscal year to ¥8,117.7 billion due mainly to a decrease in interest-bearing deposits affected by the severe market conditions overseas.

*Debentures*

Debentures decreased by ¥858.9 billion from the end of the previous fiscal year to ¥2,300.5 billion at March 31, 2009. In Japan, certain banks are entitled to issue discount and coupon debentures in the domestic market under applicable banking laws. Mizuho Corporate Bank and Mizuho Bank benefit from such entitlement originally held by The Industrial Bank of Japan, one of our predecessor banks. While the two bank subsidiaries have this entitlement through March 2012, we have been reducing our reliance on debentures in recent years and are shifting to other sources of financing, including mainly bonds. See Liquidity.

*Short-term Borrowings*

The following table shows a breakdown of our short-term borrowings as of March 31, 2008 and 2009:

|  | 2008                 |                   | As of March 31,   |                   |                  | 2009              |                  |                    | Increase (decrease) |           |  |
|--|----------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|---------------------|-----------|--|
|  | Domestic             | Foreign           | Total             | Domestic          | Foreign          | Total             | Domestic         | Foreign            | Total               |           |  |
|  | (in billions of yen) |                   |                   |                   |                  |                   |                  |                    |                     |           |  |
| Due to trust accounts  | ¥ 1,119.9            | ¥                 | ¥ 1,119.9         | ¥ 986.1           | ¥                | ¥ 986.1           | ¥ (133.8)        | ¥                  | ¥                   | ¥ (133.8) |  |
| Call money and funds purchased, and payables under repurchase agreements and securities lending transactions | 14,701.8             | 10,598.1          | 25,299.9          | 12,591.9          | 7,344.1          | 19,936.0          | (2,109.9)        | (3,254.0)          | (5,363.9)           |           |  |
| Commercial paper   | 294.0                | 267.0             | 561.0             | 161.2             | 154.7            | 315.9             | (132.8)          | (112.3)            | (245.1)             |           |  |
| Other short-term borrowings  | 4,413.9              | 398.8             | 4,812.7           | 7,907.9           | 491.7            | 8,399.6           | 3,494.0          | 92.9               | 3,586.9             |           |  |
| <b>Total short-term borrowings</b>   | <b>¥ 20,529.6</b>    | <b>¥ 11,263.9</b> | <b>¥ 31,793.5</b> | <b>¥ 21,647.1</b> | <b>¥ 7,990.5</b> | <b>¥ 29,637.6</b> | <b>¥ 1,117.5</b> | <b>¥ (3,273.4)</b> | <b>¥ (2,155.9)</b>  |           |  |

Short-term borrowings decreased by ¥2,155.9 billion from the end of the previous fiscal year to ¥29,637.6 billion at March 31, 2009. Foreign short-term borrowings decreased by ¥3,273.4 billion due mainly to a decrease in payables under repurchase agreements. Domestic short-term borrowings increased by ¥1,117.5 billion as our banking subsidiaries increased short-term borrowings.

*Shareholders Equity*

The following table shows a breakdown of shareholders equity as of March 31, 2008 and 2009:

|  | As of March 31,      |                | Increase (decrease) |
|--|----------------------|----------------|---------------------|
|  | 2008                 | 2009           |                     |
|  | (in billions of yen) |                |                     |
| Preferred stock                                    | ¥ 980.4              | ¥ 948.6        | ¥ (31.8)            |
| Common stock                                       | 3,437.4              | 3,386.8        | (50.6)              |
| Accumulated deficit                                | (2,066.6)            | (3,293.7)      | (1,227.1)           |
| Accumulated other comprehensive income, net of tax | 920.1                | (189.5)        | (1,109.6)           |
| Treasury stock, at cost                            | (2.5)                | (6.2)          | (3.7)               |
| <b>Total shareholders equity</b>                   | <b>¥ 3,268.8</b>     | <b>¥ 846.0</b> | <b>¥ (2,422.8)</b>  |

Shareholders equity decreased by ¥2,422.8 billion from the end of the previous fiscal year to ¥846.0 billion. Preferred stock decreased by ¥31.8 billion from the end of the previous fiscal year to ¥948.6 billion at March 31, 2009 as a result of the cancellation of preferred stock that were converted to common stock after commencement of the conversion period on July 1, 2008.



**Table of Contents**

Common stock decreased by ¥50.6 billion from the end of the previous fiscal year to ¥3,386.8 billion at March 31, 2009 as a result of the cancellation of common stock repurchased during the fiscal year. See Overview Capital Improvements. The decrease was offset in part by issuance of common stock as a result of conversions of preferred stock.

Accumulated deficit increased by ¥1,227.1 billion from the end of the previous fiscal year to ¥3,293.7 billion. This increase was due primarily to the net loss of ¥1,058.4 billion for the fiscal year ended March 31, 2009 and dividend payments of ¥133.9 billion.

Accumulated other comprehensive income, net of tax, decreased by ¥1,109.6 billion from the end of the previous fiscal year to ¥(189.5) billion at March 31, 2009 due primarily to a decrease in unrealized net gains on available-for-sale securities of ¥737.2 billion and an increase in pension liability adjustments of ¥259.7 billion.

Treasury stock increased by ¥3.7 billion from ¥2.5 billion at the end of the previous fiscal year to ¥6.2 billion at March 31, 2009 due primarily to the common stock repurchased but not cancelled as they were assigned for the exercise of Stock Compensation-type Stock Options (Stock Acquisition Rights) for our directors and executive officers.

**Liquidity**

We continuously endeavor to enhance the management of our liquidity profile and strengthen our capital base to meet our customers' loan requirements and deposit withdrawals and respond to unforeseen situations such as adverse movements in stock, foreign currency, interest rate and other markets or changes in general domestic or international conditions.

Deposits and the issuance of debentures, based on our broad customer base and brand recognition in Japan, have been our primary sources of liquidity. Our total deposits and debentures decreased by ¥212.3 billion, or 0.2%, from the end of the previous fiscal year to ¥89,376.2 billion as of March 31, 2009. As shown in the following table, our average balance of deposits and debentures combined for the fiscal year ended March 31, 2009 exceeded our average balance of loans for the same period by ¥17,018.7 billion. We invested the excess portion primarily in marketable securities and other high liquidity assets.

**Average balance for the fiscal year ended March 31, 2009****(in billions of yen)**

|       |            |            |            |
|-------|------------|------------|------------|
| Loans | ¥ 70,056.7 | Deposits   | ¥ 84,320.6 |
|       |            | Debentures | 2,754.8    |

We will no longer be able to issue debentures beginning April 2012 due to applicable regulations. Mizuho Corporate Bank ceased issuing debentures to institutional investors in April 2006 and started to issue senior straight bonds each quarter. We also ceased all new issuances of debentures by Mizuho Bank through its retail branch network in March 2007. As a result, we believe the balance of our debentures will decrease significantly going forward.

**Table of Contents**

Secondary sources of liquidity include short-term borrowings such as call money and funds purchased and commercial paper. 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 mainly for purposes of enhancing our capital adequacy ratios. 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 31, 2009:

|                        | As of July 31, 2009 |            |                         |           |            |                       |
|------------------------|---------------------|------------|-------------------------|-----------|------------|-----------------------|
|                        | S&P                 |            | Fundamental<br>strength | Moody's   |            | Financial<br>strength |
|                        | Long-term           | Short-term |                         | Long-term | Short-term |                       |
| Mizuho Corporate Bank  | A+                  | A-1        | B                       | Aa3       | P-1        | D+                    |
| Mizuho Bank            | A+                  | A-1        | B                       | Aa3       | P-1        | D+                    |
| Mizuho Trust & Banking | A+                  | A-1        | B                       | Aa3       | P-1        | D+                    |

We source our funding in foreign currencies primarily from 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 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.

We maintain management and control systems to support our ability to access liquidity on a stable and cost-effective basis. For a description of our management of liquidity risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Market and Liquidity Risk Management.

**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 FSA 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 consolidated financial statements.

The capital adequacy guidelines applicable to Japanese banks and bank holding companies with international operations supervised by the FSA 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 FSA 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.

Under the first pillar, the capital ratio is calculated by dividing regulatory capital by risk-weighted assets. With respect to the calculation of risk-weighted assets, Mizuho Financial Group adopted the advanced internal ratings-based approach ( AIRB approach ) instead of the foundation internal ratings-based approach ( FIRB approach ) in the fiscal year ended March 31, 2009. Under the AIRB 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 the probability of default and loss given default, which are derived from our own

**Table of Contents**

internal credit experience. Under the FIRB approach, only the probability of default was derived by 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 selected the standardized approach for the calculation of operational risk capital charge, which calculates operational risk by dividing its activities into eight business lines and multiplying gross income of each of those business lines by the applicable factor assigned to each of the business lines.

With regard to risk-based capital, these guidelines are consistent with the original BIS framework, or Basel I, in requiring a target minimum standard capital adequacy ratio of 8%, at least half of which must consist of Tier 1 capital, on both a consolidated and non-consolidated basis for banks with international operations, such as Mizuho Corporate 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 three tiers: Tier 1 capital; Tier 2 capital; and Tier 3 capital. Tier 1 capital generally consists of shareholders' equity less any recorded goodwill, unrealized losses on other securities (net of taxes) (if any), consolidation adjustment accounts and others. Tier 2 capital generally consists of the following components:

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;

45% of each of the unrealized gains on valuation of certain securities classified as other securities under Japanese GAAP, if any, and the unrealized appreciation in the value of land;

the balance of subordinated perpetual debt; and

the balance of subordinated term debt with an original maturity of over five years and preferred term shares up to 50% of Tier 1 capital.

Tier 2 capital may be included in a bank's risk-based capital up to the amount equivalent to Tier 1 capital, less Tier 3 capital if market risk is taken into account in the capital adequacy ratio calculation. Tier 3 capital consists of the balance of subordinated term debt with original maturity of at least two years. Tier 3 capital may be included in total risk-based capital subject to certain conditions, depending on the measure for market risk equivalent and the amount of Tier 1 capital.

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.

Japanese banks with only domestic operations, such as 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%, at least half of which must consist of Tier 1 capital, on both a consolidated and non-consolidated basis.

In December 2008, the FSA implemented special temporary measures, applicable through March 2012, which (i) allow Japanese banks and bank holding companies with international operations to elect not to add unrealized gains on valuation of bonds with a zero risk weighting to Tier 2 capital and not to deduct unrealized



**Table of Contents**

losses on valuation of bonds with a zero risk weighting from Tier 1 capital, and (ii) require Japanese banks and bank holding companies with only domestic operations not to deduct unrealized losses on valuation of other securities under Japanese GAAP (including equity securities) from Tier 1 capital. The Japanese capital adequacy requirements applicable to Japanese banks and bank holding companies with only domestic operations do not allow unrealized gains on other securities to be added to Tier 2 capital before or after this special temporary measures.

If the capital adequacy ratio of a financial institution falls below the required level, the FSA 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 statements.

**Consolidated Capital Adequacy Ratios**

Our capital adequacy ratios as of March 31, 2008 and 2009 calculated in accordance with Japanese GAAP and guidelines established by the FSA are as set forth in the following table:

|   | As of March 31,                          |                | Increase<br>(decrease) |
|---|--|----------------|------------------------|
|   | 2008                                     | 2009           |                        |
|   | (in billions of yen, except percentages) |                |                        |
| Tier 1 capital                                | ¥ 4,880.1                                | ¥ 3,766.3      | ¥ (1,113.8)            |
| Tier 2 capital included as qualifying capital | 3,221.8                                  | 2,793.8        | (427.9)                |
| Deductions for total risk-based capital       | (393.6)                                  | (333.2)        | 60.4                   |
| <br>Total risk-based capital                  | <br>¥ 7,708.3                            | <br>¥ 6,226.9  | <br>¥ (1,481.3)        |
| <br>Risk-weighted assets                      | <br>¥ 65,872.8                           | <br>¥ 58,983.9 | <br>¥ (6,888.9)        |
| Tier 1 capital ratio                          | 7.40%                                    | 6.38%          | (1.02)%                |
| Required Tier 1 ratio                         | 4.00                                     | 4.00           |                        |
| Capital adequacy ratio                        | 11.70                                    | 10.55          | (1.15)                 |
| Required capital adequacy ratio               | 8.00                                     | 8.00           |                        |

Our capital adequacy ratio as of March 31, 2009 was 10.55%, a decline of 1.15% compared to March 31, 2008. Our Tier 1 capital ratio as of March 31, 2009 was 6.38%, a decline of 1.02% compared to March 31, 2008. The declines were due mainly to the decrease in retained earnings as a result of the net loss of ¥588.8 billion and the increase in unrealized losses on other securities (net of taxes) of ¥516.0 billion offset in part by the decrease in risk-weighted assets due mainly to the introduction of the AIRB approach associated with credit risk. We believe that we were in compliance with all capital adequacy requirements to which we were subject as of March 31, 2009.

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

The following table shows a breakdown of our total risk-based capital as of March 31, 2008 and 2009:

|  | As of March 31,<br>2008 | As of March 31,<br>2009<br>(in billions of yen) | Increase<br>(decrease) |
|--|-------------------------|---|------------------------|
| <b>Tier 1 capital:</b>                               |                         |   |                        |
| Common stock and preferred stock                     | ¥ 1,540.9               | ¥ 1,540.9                                       | ¥                      |
| Capital surplus                                      | 411.0                   | 411.3   | 0.2                    |
| Retained earnings                                    | 1,475.7                 | 607.9   | (867.8)                |
| Minority interest in consolidated subsidiaries       | 1,733.4                 | 2,036.8   | 303.4                  |
| Treasury stock                                       | (2.5)                   | (6.2)   | (3.7)                  |
| Dividends, etc.                                      | (133.8)                 | (131.0)   | 2.8                    |
| Unrealized losses on other securities (net of taxes) |                         | (516.0)   | (516.0)                |
| Foreign currency translation adjustments             | (78.3)                  | (114.7)   | (36.3)                 |
| Other  | (66.2)                  | (62.6)  | 3.6                    |
| <b>Total Tier 1 capital</b>                          | <b>4,880.1</b>          | <b>3,766.3</b>                                  | <b>(1,113.8)</b>       |
| <b>Tier 2 capital:</b>                               |                         |   |                        |
| 45% of unrealized gains on other securities          | 289.7                   |   | (289.7)                |
| 45% of revaluation reserve for land                  | 113.6                   | 112.8   | (0.7)                  |
| General reserve for possible losses on loans, etc.   | 7.9                     | 7.9   | 0.0                    |
| Debt capital, etc.                                   | 2,810.4                 | 2,759.0   | (51.3)                 |
| <b>Total Tier 2 capital</b>                          | <b>3,221.8</b>          | <b>2,879.9</b>                                  | <b>(341.9)</b>         |
| Tier 2 capital included as qualifying capital        | 3,221.8                 | 2,793.8   | (427.9)                |
| <b>Deductions for total risk-based capital</b>       | <b>(393.6)</b>          | <b>(333.2)</b>                                  | <b>60.4</b>            |
| <b>Total risk-based capital</b>                      | <b>¥ 7,708.3</b>        | <b>¥ 6,226.9</b>                                | <b>¥ (1,481.3)</b>     |

Our Tier 1 capital decreased by ¥1,113.8 billion from March 31, 2008 to ¥3,766.3 billion as of March 31, 2009. This decrease was due mainly to the decrease in retained earnings as a result of a net loss of ¥588.8 billion and an increase in unrealized losses on other securities (net of taxes). These effects were offset in part by increases in non-dilutive preferred securities issued by overseas special purpose companies described below.

Minority interest in consolidated subsidiaries included within our Tier 1 capital includes non-dilutive preferred securities issued by our overseas special purpose companies to investors. As of March 31, 2009, the amount of minority interest in consolidated subsidiaries within our Tier 1 capital that was attributable to such non-dilutive preferred securities was ¥1,886.8 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 Tier 1 capital as of March 31, 2009 and the total amount of non-dilutive preferred securities with each such initial optional redemption date. The non-dilutive preferred securities are denominated in yen, unless otherwise noted.

| Initial optional redemption date | Amount of<br>non-dilutive<br>preferred securities<br>included within<br>Tier 1 capital<br>(in billions of yen) |
|----------------------------------|--|
|                                  |  |

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|           |   |                      |
|-----------|---|----------------------|
| June 2009 | ¥ | 176.0 <sup>(1)</sup> |
| June 2011 |   | 64.9 <sup>(2)</sup>  |
| June 2012 |   | 171.0                |
| June 2014 |   | 83.5 <sup>(3)</sup>  |
| June 2015 |   | 355.0                |
| June 2016 |   | 458.9 <sup>(4)</sup> |
| June 2018 |   | 274.5                |
| June 2019 |   | 303.0                |

**Table of Contents**

Notes:

- (1) In June 2009, we redeemed all ¥176.0 billion of such non-dilutive preferred securities.
- (2) Denominated in euros ( 500.0 million).
- (3) Denominated in dollars (\$850.0 million).
- (4) Denominated in yen (¥400.0 billion) and dollars (\$600.0 million).
- (5) In June 2009, we issued non-dilutive preferred securities of ¥139.5 billion through an overseas special purpose company with an initial optional redemption date in June 2014.

The following table shows the outstanding balances of preferred stock and non-dilutive preferred securities included in our Tier 1 capital as of the dates indicated:

|   | 2005                     | 2006                     | As of March 31,<br>2007                  |         | 2008                      | 2009 |
|---|--------------------------|--------------------------|--|---------|---------------------------|------|
|   |                          |                          | (in billions of yen, except percentages) |         |                           |      |
| Preferred stock                                 | ¥ 2,446.8 <sup>(1)</sup> | ¥ 1,580.4 <sup>(1)</sup> | ¥ 980.4                                  | ¥ 980.4 | ¥ 948.6 <sup>(2)(3)</sup> |      |
| Non-dilutive preferred securities               | 927.9                    | 1,095.7                  | 1,504.9                                  | 1,539.7 | 1,886.8                   |      |
| Percentage within Tier 1 capital <sup>(4)</sup> | 80.8%                    | 58.7%                    | 50.3%                                    | 51.6%   | 75.2%                     |      |

Notes:

- (1) Preferred stock as of March 31, 2005 and 2006 includes public funds, or preferred stock we issued to the Resolution and Collection Corporation, in the amount of ¥1,466.4 billion and ¥600.0 billion, respectively. We completed repayment of all public funds in July 2006.
- (2) Excludes treasury stock.
- (3) During the period from April 1, 2009 to July 31, 2009, holders of our eleventh series class XI preferred stock converted 265,647,000 shares (or ¥265.6 billion) by requesting us to acquire the preferred stock and issue common stock to them.
- (4) Tier 1 capital on a Basel I basis was used for March 31, 2005 and 2006 figures, and that on a Basel II basis was used for March 31, 2007, 2008 and 2009 figures.

Our Tier 2 capital included as qualifying capital as of March 31, 2009 was ¥2,793.8 billion, a decrease of ¥427.9 billion compared to March 31, 2008. The decrease was due mainly to the decreases in unrealized gains on other securities and debt capital.

As a result of the above, together with deductions of ¥333.2 billion, total risk-based capital as of March 31, 2009 was ¥6,226.9 billion, a decrease of ¥1,481.3 billion compared to March 31, 2008.

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

Alongside the regulatory capital requirements supervised by the FSA, we calculate and monitor prime capital as our important management indicator. Prime capital represents capital items with a stronger ability to absorb losses. Prime capital is calculated as Tier 1 capital less preferred securities less preferred stock (excluding mandatory convertible preferred stock), and prime capital ratio is the ratio of prime capital against risk-weighted assets. We aim to maintain our prime capital at a level of more than half of our Tier 1 capital.

The following table shows a breakdown of our capital items as of March 31, 2008 and 2009:

|   | As of March 31,                          |           |
|---|--|-----------|
|   | 2008                                     | 2009      |
|   | (in billions of yen, except percentages) |           |
| Tier 1 capital (i)                          | ¥ 4,880.1                                | ¥ 3,766.3 |
| Preferred stock (ii)                        | 980.4                                    | 948.6     |
| Mandatory convertible preferred stock (iii) | 943.7                                    | 911.9     |
| Preferred securities (iv)                   | 1,539.7                                  | 1,886.8   |
| Prime capital (i) - (ii) + (iii) - (iv)     | 3,303.7                                  | 1,842.7   |
| Risk-weighted assets                        | 65,872.8                                 | 58,983.9  |
| Tier 1 capital ratio                        | 7.40%                                    | 6.38%     |
| Prime capital ratio                         | 5.01%                                    | 3.12%     |

**Risk-weighted Assets**

The following table shows a breakdown of our risk-weighted assets as of March 31, 2008 and 2009:

|                                    | As of March 31,      |            | Increase<br>(decrease) |
|------------------------------------|----------------------|------------|------------------------|
|                                    | 2008                 | 2009       |                        |
|                                    | (in billions of yen) |            |                        |
| Risk-weighted assets:              |                      |            |                        |
| On-balance-sheet items             | ¥ 48,988.0           | ¥ 43,561.6 | ¥ (5,426.4)            |
| Off-balance-sheet items            | 11,195.8             | 10,597.7   | (598.0)                |
| Credit risk assets                 | 60,183.8             | 54,159.3   | (6,024.5)              |
| Market risk equivalent assets      | 2,052.9              | 1,342.1    | (710.7)                |
| Operational risk equivalent assets | 3,636.0              | 3,482.3    | (153.6)                |
| Adjusted floor amount              |                      |            |                        |
| Total                              | ¥ 65,872.8           | ¥ 58,983.9 | ¥ (6,888.9)            |

Risk-weighted assets as of March 31, 2009 were ¥58,983.9 billion, representing a decrease of ¥6,888.9 billion compared to March 31, 2008. Credit risk assets decreased by ¥6,024.5 billion to ¥54,159.3 billion due mainly to the effect of the migration from the FIRB approach to the AIRB approach, which was responsible for an approximately ¥7 trillion decrease. Market risk equivalent assets decreased by ¥710.7 billion to ¥1,342.1 billion due mainly to a decrease in trading position of Mizuho Securities. Operational risk equivalent assets decreased by ¥153.6 billion to ¥3,482.3 billion.

**Table of Contents**

The following table shows required capital by portfolio classification as of March 31, 2009:

|  | <b>Fiscal year ended March 31, 2009</b> |   |
|--|---|---|
|  | <b>Exposure<br/>at default</b>          | <b>Required<br/>capital<sup>(1)</sup></b> |
|  | <b>(in billions of yen)</b>             |   |
| Credit risk  | ¥ 155,516.2                             | ¥ 5,907.0                                 |
| Internal ratings-based approach                    | 146,715.4                               | 5,602.1                                   |
| Corporate (except specialized lending)             | 55,192.8                                | 3,437.5                                   |
| Corporate (specialized lending)                    | 2,968.4                                 | 314.3                                     |
| Sovereign  | 54,333.3                                | 64.0                                      |
| Bank   | 6,561.6                                 | 188.6                                     |
| Retail   | 13,144.5                                | 552.4                                     |
| Residential mortgage                               | 10,555.5                                | 366.0                                     |
| Qualifying revolving loans                         | 336.7                                   | 29.9                                      |
| Other retail                                       | 2,252.2                                 | 156.4                                     |
| Equities, etc.                                     | 3,538.9                                 | 425.5                                     |
| Probability of default/Loss given default approach | 817.4                                   | 133.5                                     |
| Market-based approach (simple risk weight method)  | 332.0                                   | 89.4                                      |
| Market-based approach (internal models approach)   |   |   |
| Transitional measure applied                       | 2,389.5                                 | 202.6                                     |
| Regarded-method exposure                           | 882.1                                   | 246.7                                     |
| Purchased receivables                              | 2,071.3                                 | 102.0                                     |
| Securitizations                                    | 5,645.3                                 | 80.4                                      |
| Others   | 2,376.7                                 | 190.3                                     |
| Standardized approach                              | 8,800.8                                 | 304.8                                     |
| Sovereign  | 3,510.6                                 | 2.1                                       |
| Bank   | 2,290.7                                 | 41.0                                      |
| Corporate  | 2,405.6                                 | 182.0                                     |
| Residential mortgage                               | 0.0                                     | 0.0                                       |
| Securitizations                                    | 37.1                                    | 35.9                                      |
| Others   | 556.5                                   | 43.6                                      |
| Market risk  | n.a.                                    | 107.3                                     |
| Standardized approach                              | n.a.                                    | 64.1                                      |
| Interest rate risk                                 | n.a.                                    | 53.3                                      |
| Equities risk                                      | n.a.                                    | 1.8                                       |
| Foreign exchange risk                              | n.a.                                    | 1.7                                       |
| Commodities risk                                   | n.a.                                    | 7.1                                       |
| Option transactions                                | n.a.                                    |   |
| Internal models approach                           | n.a.                                    | 43.2                                      |
| Operational risk (standardized approach)           | n.a.                                    | 278.5                                     |
| Total required capital <sup>(2)</sup>              | n.a.                                    | 4,718.7                                   |

Notes:

- (1) For credit risk, required capital is the sum of (i) 8% of credit risk-weighted assets, (ii) expected losses and (iii) deductions from capital. For market risk, required capital is the market risk equivalent amount. For operational risk, required capital is the operational risk equivalent amount.
- (2) Total required capital (consolidated) is equal to 8% of the denominator used for purposes of calculating capital adequacy ratios.

**Table of Contents****Principal Banking Subsidiaries**

Capital adequacy ratios of our principal banking subsidiaries, on a consolidated basis, as of March 31, 2008 and 2009, calculated in accordance with Japanese GAAP and guidelines established by the FSA, were as set forth in the following table:

|                                   | As of March 31, |       | Increase   |
|-----------------------------------|-----------------|-------|------------|
|                                   | 2008            | 2009  | (decrease) |
| <b>Mizuho Corporate Bank</b>      |                 |       |            |
| BIS standard:                     |                 |       |            |
| Tier 1 capital ratio              | 8.48%           | 8.48% | %          |
| Capital adequacy ratio            | 12.17           | 11.89 | (0.28)     |
| <b>Mizuho Bank<sup>(1)</sup></b>  |                 |       |            |
| Domestic standard:                |                 |       |            |
| Tier 1 capital ratio              | 7.28            | 6.66  | (0.62)     |
| Capital adequacy ratio            | 11.97           | 11.78 | (0.19)     |
| BIS standard:                     |                 |       |            |
| Tier 1 capital ratio              | 7.22            | 5.82  | (1.40)     |
| Capital adequacy ratio            | 11.87           | 10.56 | (1.31)     |
| <b>Mizuho Trust &amp; Banking</b> |                 |       |            |
| BIS standard:                     |                 |       |            |
| Tier 1 capital ratio              | 10.16           | 8.21  | (1.95)     |
| Capital adequacy ratio            | 15.87           | 13.39 | (2.48)     |

Note:

(1) BIS standards apply only to banks with international operations. Because Mizuho Bank does not operate overseas, it is subject solely to domestic capital adequacy requirements. As such, information based on the BIS standards is included for reference purpose only.

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, 2009.

Our securities subsidiaries in Japan are also subject to the capital adequacy rules of the FSA under the Financial Instruments and Exchange Law. These rules require securities firms to 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 100% or less may lead to a temporary suspension of all or part of the business operations and cancellation of the license to act as a securities broker and dealer. We believe, as of March 31, 2009, that our securities subsidiaries in Japan are in compliance with all capital adequacy requirements to which they are subject.

**Table of Contents****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, 2008 and 2009:

|   | As of March 31,<br>2008                      2009 |            | Increase<br>(decrease) |
|---|---|------------|------------------------|
|   | (in billions of yen)                              |            |                        |
| <b>Guarantees:</b>                              |   |            |                        |
| Performance guarantees                          | ¥ 1,899.8   | ¥ 1,681.6  | ¥ (218.2)              |
| Guarantees on loans                             | 1,070.8   | 859.8      | (211.0)                |
| Guarantees on securities                        | 6.6   | 20.2       | 13.6                   |
| Other guarantees                                | 1,157.4   | 991.7      | (165.7)                |
| Guarantees for the repayment of trust principal | 995.3   | 931.8      | (63.5)                 |
| Liabilities of trust accounts                   | 8,131.7   | 6,941.9    | (1,189.8)              |
| Derivative financial instruments                | 95,697.4  | 58,569.1   | (37,128.3)             |
|   |   |            |                        |
|   | As of March 31,<br>2008                      2009 |            | (Decrease)             |
|   | (in billions of yen)                              |            |                        |
| <b>Commitments<sup>(1)</sup>:</b>               |   |            |                        |
| Commitments to extend credit                    | ¥ 48,820.2  | ¥ 47,900.0 | ¥ (920.2)              |
| Commercial letters of credit                    | 537.0   | 332.3      | (204.7)                |
|   |   |            |                        |
| Total commitments                               | ¥ 49,357.2  | ¥ 48,232.3 | ¥ (1,124.9)            |

Note:

(1) Certain amounts in the prior period have been reclassified to conform to the current period's presentation. See note 24 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 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 Financial Accounting Standards Board Interpretation No. 46 (revised December 2003) Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN No. 46R). These off-balance-sheet arrangements include the types of transactions discussed below.



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**Table of Contents*****Asset-backed Commercial Paper/Loan Programs***

We manage several asset-backed commercial paper/loan programs that provide our clients off-balance-sheet and cost-effective financing. The variable interest entities used in the programs purchase 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 assets. While customers normally continue to service the transferred receivables, we underwrite, distribute and make a market in commercial paper issued by the variable interest entities. We typically provide program-wide liquidity and credit support facilities and, in some instances, financing to the variable interest entities. We determined that we absorb a majority of expected losses or expected residual returns through the facilities and, therefore, consolidated this type of variable interest entities.

***Asset-backed Securitizations***

We act as an arranger of various types of structured finance to meet clients various off-balance-sheet financing needs. In substantially all of these structured financing transactions, the transfer of the 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, from time to time we establish 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 needs. We also arrange securitization transactions including commercial mortgage-backed securities and residential mortgage-backed securities mainly in Japan and others. In these transactions, we act as an underwriter, placement agent, asset manager, derivatives counterparty and/or investor for 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, we determined that we absorb a majority of expected losses or expected residual returns and, therefore, consolidated the variable interest entities.

***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 current income or capital appreciations, which all utilize entities that are deemed variable interest entities.

By design, such investments were investment grade at issuance and held by a diverse group of investors. We usually take into consideration the seniority and the share of our investments by each tranche to evaluate whether we are the primary beneficiary. 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. However, we consolidated some variable interest entities, mostly where the transactions were tailored by the third party arrangers to meet our needs as a sole investor. General information about such investments in unconsolidated variable interest entities is included in notes 3 and 4 to our consolidated financial statements included elsewhere in this annual report.

***Investment Funds***

We invest in various investment funds, including securities investment trusts that invest in equity and debt securities such as listed Japanese securities and investment grade bonds. Investment advisory companies or fund

**Table of Contents**

management companies, including our subsidiaries and affiliates, administer and make the investment decisions with respect to such investment funds. We determined to consolidate certain investment funds where we were the primary beneficiary as we were holding a majority of share.

**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.

As a trustee, we are required to exercise due care in the managing and safe-keeping of the assets entrusted. Because we manage and administer entrusted assets in the capacity of an agent or fiduciary on behalf of customers and are required to segregate trust assets from our proprietary assets, trust accounts are recorded separately from our general accounts and are not included in our consolidated financial statements.

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 high-grade marketable securities such as Japanese government bonds and placing cash with our subsidiary trust banks to maintain liquidity and for cash management purposes. We have determined through expected loss calculation that we do not absorb a majority of the expected losses or expected residual returns in connection with these trust arrangements but had significant variable interests and, therefore, the trust accounts are not included in our consolidated financial statements but are disclosed in the tables below regarding significant or sponsored unconsolidated VIEs.

**Significant or Sponsored Unconsolidated VIEs**

The tables below summarize our involvement in significant or sponsored unconsolidated VIEs as of March 31, 2008 and 2009:

| As of March 31, 2008                        | Significant or sponsored unconsolidated VIEs |  |
|---|--|--|
|   | Total assets<br>(in millions of yen)         | Maximum exposure to loss<br>(in millions of yen) |
| Asset-backed commercial paper/loan programs | ¥  | ¥  |
| Asset-backed securitizations                | 1,642,466                                    | 73,962   |
| Investments in securitization products      |  |  |
| Investment funds                            | 2,951,984                                    | 402,626  |
| Trust arrangements and other                | 997,318                                      | 421,577  |
| Total                                       | ¥ 5,591,768                                  | ¥ 898,165  |

| As of March 31, 2009                        | Significant or sponsored unconsolidated VIEs |  |
|---|--|--|
|   | Total assets<br>(in millions of yen)         | Maximum exposure to loss<br>(in millions of yen) |
| Asset-backed commercial paper/loan programs | ¥  | ¥  |
| Asset-backed securitizations                | 1,417,645                                    | 43,908   |
| Investments in securitization products      |  |  |
| Investment funds                            | 2,435,128                                    | 412,983  |
| Trust arrangements and other                | 933,249                                      | 452,549  |
| Total                                       | ¥ 4,786,022                                  | ¥ 909,440  |



**Table of Contents**

Asset-backed commercial paper/loan programs include multi-seller programs managed by us, under which the related conduits 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 conduits for multi-seller programs is generally more significant than other types of conduits in terms of liquidity support and credit enhancement obligations. All of the conduits for our asset-backed commercial paper/loan programs to which we provided liquidity support or credit enhancements were consolidated VIEs as of March 31, 2009. See [Overview](#) [Our Special Purpose Entities](#) [Variable Interest Entities \(VIEs\)](#) for more information on our VIEs.

**Other Types of Off-balance-sheet Arrangements**

See note 26 to our consolidated financial statements included elsewhere in this annual report for further descriptions of variable interest entities and securitizations.

**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, 2009:

|                         | Due in one<br>year or less | Due from<br>one year to<br>two years | Due from<br>two years to<br>three years | Due from<br>three years to<br>four years | Due from<br>four years to<br>five years | Due after<br>five years | Total      |
|-------------------------|----------------------------|--------------------------------------|---|--|---|-------------------------|------------|
|                         | (in billions of yen)       |                                      |   |  |   |                         |            |
| Time deposits           | ¥ 31,056.0                 | ¥ 1,979.4                            | ¥ 1,405.7                               | ¥ 235.9                                  | ¥ 290.9                                 | ¥ 114.3                 | ¥ 35,082.2 |
| Certificates of deposit | 9,355.3                    | 4.2                                  |   |  |   |                         | 9,359.5    |
| Debentures              | 859.8                      | 889.7                                | 197.8                                   | 165.3                                    | 187.9                                   |                         | 2,300.5    |
| Long-term debt          | 827.5                      | 479.8                                | 1,130.9                                 | 1,045.9                                  | 704.6                                   | 3,829.1                 | 8,017.8    |
| Operating leases        | 39.5                       | 33.6                                 | 27.2                                    | 23.7                                     | 20.0                                    | 26.0                    | 170.0      |
| Total                   | ¥ 42,138.1                 | ¥ 3,386.7                            | ¥ 2,761.6                               | ¥ 1,470.8                                | ¥ 1,203.4                               | ¥ 3,969.4               | ¥ 54,930.0 |

**Recent Accounting Pronouncements***Accounting pronouncements issued but not yet effective*

In June 2007, the American Institute of Certified Public Accountants ( AICPA ) issued Statement of Position ( SOP ) No.07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies ( SOP No.07-1 ). SOP No.07-1 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide Investment Companies ( the Guide ). Prior to the issuance of SOP No.07-1, in May 2007, the FASB issued FSP No.FIN46(R)-7 Application of FASB Interpretation No.46(R) to Investment Companies ( FSP No.FIN46(R)-7 ), which addresses the application of FIN No.46R by an entity that accounts for its investments in accordance with the Guide. FSP No.FIN46(R)-7 extends the scope exception for investment companies in FIN No.46R to unregistered investment companies as defined by SOP No.07-1. SOP No.07-1 was expected to be effective for fiscal years beginning on or after December 15, 2007, with earlier application encouraged, and FSP No.FIN46(R)-7 was expected to follow the adoption of SOP No.07-1. However, in February 2008, the FASB issued FSP No.SOP07-1-1, Effective Date of AICPA Statement of Position 07-1 ( FSP No.SOP07-1-1 ) to delay the effective date of SOP No.07-1 indefinitely in order to address implementation issues. The MHFG Group does not expect that the current form of the SOP will have a material impact on its consolidated results of operations or financial condition.

In December 2007, the FASB issued SFAS No.141 (revised 2007), Business Combinations ( SFAS No.141R ). SFAS No.141R establishes principles and requirements for how the acquirer (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in the acquiree, (2) recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to

**Table of Contents**

evaluate the nature and financial effects of the business combination. SFAS No.141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited. In April 2009, the FASB issued FSP No.FAS141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ( FSP No.FAS141(R)-1 ), which provides the guidance for initial recognition and measurement of all assets acquired and liabilities assumed in a business combination that arise from contingencies as well as subsequent measurement and accounting of such assets and liabilities. Relating to the merger transaction applying SFAS No.141R discussed in note 33 to our consolidated financial statements included elsewhere in this annual report, the MHFG Group expects to recognize an increase in pretax income of approximately ¥107 billion during the fiscal year ending March 31, 2010.

In December 2007, the FASB issued SFAS No.160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No.51 ( SFAS No.160 ). SFAS No.160 amends Accounting Research Bulletins No.51, Consolidated Financial Statements to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No.160 requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. SFAS No.160 is effective for fiscal years beginning on or after December 15, 2008. Early adoption is prohibited. The MHFG Group is currently evaluating the potential impact that the adoption of SFAS No.160 will have on its consolidated results of operations and financial condition.

In February 2008, the FASB issued FSP No.FAS140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions ( FSP No.FAS140-3 ). FSP No.FAS140-3 provides that if an initial transfer of a financial asset and a repurchase financing that is entered into contemporaneously with, or in contemplation of, the initial transfer meet certain conditions, the initial transfer shall be accounted for separately from the repurchase financing. Otherwise, the initial transfer and repurchase financing should be evaluated as a linked transaction, which shall be accounted for based on the economics of the combined transactions. FSP No.FAS140-3 is effective for fiscal years beginning after November 15, 2008. Early adoption is prohibited. The MHFG Group does not expect that the adoption of FSP No.FAS140-3 will have a material impact on its consolidated results of operations or financial condition.

In March 2008, the FASB issued SFAS No.161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No.133 ( SFAS No.161 ). SFAS No.161 requires enhanced disclosures about derivative instruments and hedged items that are accounted for under SFAS No.133 and its related interpretations. SFAS No.161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. SFAS No.161 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 2008, the EITF reached a consensus on Issue No.07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock ( EITF Issue No.07-5 ). EITF Issue No.07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. EITF Issue No.07-5 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The MHFG Group does not expect that the adoption of EITF Issue No.07-5 will have a material impact on its consolidated results of operations or financial condition.

In November 2008, the EITF reached a consensus on Issue No.08-6, Equity Method Investment Accounting Considerations ( EITF Issue No.08-6 ). EITF Issue No.08-6 clarifies the accounting for (1) initial measurement, (2) decrease in investment value and (3) change in level of ownership or degree of influence related to equity method investments. EITF Issue No.08-6 is effective for reporting periods beginning after December 15, 2008. The MHFG Group does not expect that the adoption of EITF Issue No.08-6 will have a material impact on its consolidated results of operations or financial condition.

In December 2008, the FASB issued FSP No.FAS132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets ( FSP No.FAS132(R)-1 ). FSP No.FAS132(R)-1 requires additional disclosures about plan assets of a defined benefit pension or other postretirement plan, including investment strategies, fair value of

**Table of Contents**

major categories of plan assets and valuation techniques used to measure the fair value of plan assets. FSP No.FAS132(R)-1 is effective for fiscal years ending after December 15, 2009, with early adoption permitted. FSP No.FAS132(R)-1 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 April 2009, the FASB issued FSP No.FAS107-1 and APB28-1, *Interim Disclosures about Fair Value of Financial Instruments* ( FSP No.FAS107-1 and APB28-1 ). FSP No.FAS107-1 and APB28-1 requires disclosures about the fair value of financial instruments for interim financial reporting periods of publicly traded companies as well as in annual financial statements. The FSP also amends Accounting Principles Boards ( APB ) Opinion No.28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. The FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted. The FSP 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 April 2009, the FASB issued FSP No.FAS157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FSP No.FAS157-4 ). FSP No.FAS157-4 provides additional guidance for estimating fair value in accordance with SFAS No.157, when the volume and level of activity for the asset or liability have significantly decreased. FSP No.FAS157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP No.FAS157-4 requires detailed disclosures for debt and equity securities. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted. The MHFG Group does not expect that the adoption of the FSP will have a material impact on its consolidated results of operations or financial condition.

In April 2009, the FASB issued FSP No.FAS115-2 and FAS124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ( FSP No.FAS115-2 and FAS124-2 ), which amends the other-than-temporary impairment model for debt securities. FSP No.FAS115-2 and FAS124-2 requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. In addition, FSP No.FAS115-2 and FAS124-2 expands existing disclosures and requires new disclosures about other-than-temporary impairments. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted. The MHFG Group is currently evaluating the potential impact that the adoption of the FSP will have on its consolidated results of operations and financial condition.

In May 2009, the FASB issued SFAS No.165, *Subsequent Events* ( SFAS No.165 ). SFAS No.165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No.165 is effective for interim or annual financial periods ending after June 15, 2009. The MHFG Group does not expect that the adoption of SFAS No.165 will have a material impact on its consolidated results of operations or financial condition.

In June 2009, the FASB announced that the FASB Accounting Standards Codification ( Codification ) would be officially launched on July 1, 2009. The Codification reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics, and does not change U.S. GAAP.

In June 2009, the FASB issued SFAS No.166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No.140 ( SFAS No.166 ). SFAS No.166 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. SFAS No.166 also eliminates the concept of qualifying SPE and changes the requirements for derecognizing financial assets. SFAS No.166 is effective as of the beginning of an enterprise's first fiscal year that begins after November 15, 2009. Early adoption is prohibited. The MHFG Group is currently evaluating the potential impact that the adoption of SFAS No.166 will have on its consolidated results of operations and financial condition.

**Table of Contents**

In June 2009, the FASB issued SFAS No.167, Amendments to FASB Interpretation No.46(R) ( SFAS No.167 ). SFAS No.167 provides a new guidance 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. SFAS No.167 is effective as of the beginning of an enterprise's first fiscal year that begins after November 15, 2009. Early adoption is prohibited. The MHFG Group is currently evaluating the potential impact that the adoption of SFAS No.167 will have on its consolidated results of operations and financial condition.

In June 2009, the FASB issued SFAS No.168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No.162 ( SFAS No.168 ). SFAS No.168 replaces SFAS No.162 and establishes the Codification as the single source of authoritative U.S. GAAP recognized by the FASB to be applied in the preparation of financial statements of nongovernmental entities. SFAS No.168 is effective for interim and annual reporting periods ending after September 15, 2009. As SFAS No.168 and the Codification do not change U.S. GAAP, the adoption of SFAS No.168 will have no impact on the MHFG Group's consolidated results of operations or financial condition.

**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<br>fiscal year ended<br>March 31, 2009 |             |
|--|--|-------------|
|  | Shareholders<br>equity                                   | Net income  |
|  | (in billions of yen)                                     |             |
| U.S. GAAP  | ¥ 846.0  | ¥ (1,058.4) |
| Differences arising from different accounting for:                               |  |             |
| 1. Derivative financial instruments and hedging activities                       | (1.0)  | (83.9)      |
| 2. Investments   | 28.7   | (89.8)      |
| 3. Loans   | 136.3  | 3.3         |
| 4. Allowances for loan losses and off-balance-sheet instruments                  | 137.7  | 105.7       |
| 5. Premises and equipment  | (35.1)   | 5.8         |
| 6. Real estate sales and leasebacks  | 57.2   | (18.2)      |
| 7. Land revaluation  | 186.0  | (3.0)       |
| 8. Business combinations   | (14.9)   | 1.1         |
| 9. Non-interest-earning deposits made under government-led restructuring program | 50.5   | (10.7)      |
| 10. Pension liabilities  | 751.1  | (49.6)      |
| 11. Consolidation of variable interest entities                                  | 59.2   | 75.1        |
| 12. Deferred taxes   | (100.4)  | 583.7       |
| 13. Other  | 33.6   | (49.9)      |
| Japanese GAAP  | ¥ 2,134.9  | ¥ (588.8)   |

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## **Table of Contents**

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 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. 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 more than 50% 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 more than 30% 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 SFAS No. 159, 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 on April 1, 2008, 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.



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**Table of Contents**

## 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 under Japanese GAAP, fees and costs are recognized in earnings at the time the loan is originated.

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 collateral if the loan is collateral dependent. For certain impaired loans which are aggregated for the purpose of measuring impairment, pools of smaller balance homogeneous loans and other non-homogenous 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 application of the formula allowance and 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.

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**Table of Contents**

8. Business combinations

U.S. GAAP and Japanese GAAP differ with regard to accounting for business combinations, primarily in accounting for goodwill. 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.

9. Non-interest-bearing deposits made under government-led restructuring program

In connection with the government-led restructuring program for seven failed housing loan companies, we made non-interest bearing deposits of ¥359,017 million in the fiscal year ended March 31, 1997. Under Japanese GAAP, these deposits are recorded at cost. Under U.S. GAAP, these deposits are discounted to their present value at the time of deposit, and the discount is subsequently accreted to income over the expected period to maturity.

10. 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 SFAS No. 87, Employers Accounting for Pensions, 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 SFAS No.158. Under SFAS No.158, 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. 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 a difference in the amount of the shareholders' equity between U.S. GAAP and Japanese GAAP. See note 21 to our consolidated financial statements included elsewhere in this annual report for further discussion.

11. 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 26 to our consolidated financial statements included elsewhere in this annual report for further discussion.

12. 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.

13. Other

This adjustment reflects the effects of miscellaneous items that are not individually material.



**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 June 30, 2009:

| Name<br><br>(date of birth)          | Current positions and<br><br>principal outside positions |           | Business experience   | Expiration of<br>current term<br>as director<br>or corporate<br>auditor |
|--------------------------------------|--|-----------|---|---|
| Terunobu Maeda<br><br>(Jan. 2, 1945) | Chairman<br>(since Apr. 2009)                            | Apr. 1968 | Joined The Fuji Bank, Limited   | June 2011   |
|                                      |  | June 1995 | Director/General Manager of Credit Planning Division                            |   |
|                                      |  | Apr. 1996 | Director/General Manager of Corporate Planning Division                         |   |
|                                      |  | May 1997  | Managing Director   |   |
|                                      |  | Jan. 1998 | Managing Director/Head of Public and Financial Institutions Group               |   |
|                                      |  | May 1999  | Managing Director/Chief Financial Officer                                       |   |
|                                      |  | May 2001  | Deputy President/Chief Financial Officer (until Mar. 2002)                      |   |
|                                      |  | Jan. 2002 | Director of Mizuho Holdings, Inc. (present Mizuho Financial Strategy Co., Ltd.) |   |
|                                      |  | Apr. 2002 | President & CEO (until Apr. 2007)   |   |
|                                      |  | Jan. 2003 | President & CEO of Mizuho Financial Group, Inc.                                 |   |
|                                      |  | Apr. 2009 | Chairman (current)  |   |

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|   |   |           |   |           |
|---|---|-----------|---|-----------|
| Takashi Tsukamoto<br><br>(Aug. 2, 1950) | President & CEO<br>(since Apr. 2009) (Representative<br>Director) | Apr. 1974 | Joined The Dai-Ichi Kangyo Bank,<br>Limited   | June 2010 |
|   | Head of Human Resources Group                                     | Apr. 2002 | Executive Officer/General Manager of<br>Human Resources Division of Mizuho<br>Corporate Bank, Ltd.  |           |
|   | Chief Human Resources Officer                                     | Mar. 2003 | Managing Executive Officer/Head of Risk<br>Management Group, Head of Human<br>Resources Group and General Manager of<br>Post-retirement Counseling of Mizuho<br>Financial Group, Inc. |           |
|   |   | Feb. 2004 | Managing Executive Officer/Head of Risk<br>Management Group and Head of Human<br>Resources Group  |           |

123

**Table of Contents**

| Name                              | Current positions and   | Business experience  | Expiration of current term as director or corporate auditor |
|-----------------------------------|---|--|---|
| (date of birth)                   | principal outside positions                                     |  |   |
|                                   |   | 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.                  |   |
|                                   |   | Apr. 2008 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 (current)  |   |
| Tetsuji Kosaki<br>(Jan. 27, 1952) | Deputy President<br>(since June 2009) (Representative Director) | Apr. 1976 Joined The Industrial Bank of Japan, Limited   | June 2011   |
|                                   | Head of Financial Control and Accounting Group                  | Mar. 2003 Executive Officer/Senior Corporate Officer of Strategic Planning Group of Mizuho Corporate Bank, Ltd.                              |   |
|                                   | Chief Financial Officer   | Apr. 2004 Managing Executive Officer (until June 2004)   |   |
|                                   |   | Apr. 2004 Managing Executive Officer/Head of Strategic Planning Group and Head of Audit and Compliance Group of Mizuho Financial Group, Inc. |   |
|                                   |   | June 2004  |   |

Managing Director/Head of Strategic  
Planning Group and Head of Audit and  
Compliance Group

Oct. 2004    Managing Director/Head of Strategic  
Planning Group

June 2005    Managing Director/Head of Strategic  
Planning Group and Head of IT, Systems  
& Operations Group

124

**Table of Contents**

| Name                               | Current positions and                  | Business experience  | Expiration of current term as director or corporate auditor |
|------------------------------------|--|--|---|
| (date of birth)                    | principal outside positions            |  |   |
| Hajime Saito<br>(July 7, 1956)     | Managing Director<br>(since June 2009) | Apr. 2007 Director (until June 2007)   | June 2011   |
|                                    | Head of Internal Audit Group           | Apr. 2007 Deputy President of Mizuho Bank, Ltd.  |   |
|                                    |  | Apr. 2009 Deputy President-Executive Officer/Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.                                    |   |
|                                    |  | Apr. 2009 President & CEO of Mizuho Financial Strategy Co., Ltd. (current)   |   |
|                                    |  | June 2009 Deputy President/Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc. (current)  |   |
|                                    | Chief Auditor                          | Apr. 1979 Joined The Dai-Ichi Kangyo Bank, Limited   |   |
|                                    |  | Apr. 2004 General Manager of Financial Planning of Mizuho Financial Group, Inc.  |   |
|                                    |  | Mar. 2006 Executive Officer/General Manager of Treasury Division of Mizuho Bank, Ltd.  |   |
|                                    |  | Apr. 2008 Managing Executive Officer/Head of Risk Management Group, Head of Human Resources Group and Head of Compliance Group of Mizuho Financial Group, Inc. |   |
|                                    |  | Apr. 2009 Managing Executive Officer/Head of Internal Audit Group  |   |
|                                    |  | June 2009 Managing Director/Head of Internal Audit Group (current)   |   |
| Satoru Nishibori<br>(Mar. 2, 1953) | Director (since June 2009)             | Apr. 1975 Joined The Fuji Bank, Limited  | June 2011   |



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President & CEO of  
Mizuho Bank, Ltd.

Apr. 2002 Executive Officer/General Manager of  
Financial Planning Division of Mizuho  
Corporate Bank, Ltd.

Dec. 2002 Executive Officer/Senior Corporate Officer  
of Financial Control and Accounting  
Group

125

**Table of Contents**

| Name            | Current positions and                          | Business experience |   | Expiration of current term as director or corporate auditor |
|-----------------|--|---------------------|---|---|
| (date of birth) | principal outside positions                    |                     |   |   |
|                 |  | Apr. 2004           | Managing Executive Officer/Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc. |   |
|                 |  | June 2004           | Managing Director/Head of Financial Control and Accounting Group  |   |
|                 |  | Apr. 2007           | President & CEO of Mizuho Financial Strategy Co., Ltd. (until Apr. 2008)                                  |   |
|                 |  | Apr. 2008           | Director of Mizuho Financial Group, Inc. (until June 2008)  |   |
|                 |  | Apr. 2008           | Deputy President of Mizuho Bank, Ltd.   |   |
|                 |  | Apr. 2009           | President & CEO (current)   |   |
|                 |  | June 2009           | Director of Mizuho Financial Group, Inc. (current)  |   |
| Yasuhiro Sato   | Director (since June 2009)                     | Apr. 1976           | Joined The Industrial Bank of Japan, Limited  | June 2011   |
| (Apr. 15, 1952) | President & CEO of Mizuho Corporate Bank, Ltd. | 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 (current)   |   |

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|  |  |           |   |           |
|--|--|-----------|---|-----------|
|  |  | June 2009 | Director of Mizuho Financial Group, Inc.<br>(current) |           |
| Akihiko Nomiyama <sup>(1)</sup><br><br>(June 15, 1934) | Director (since June 2007)                         | Apr. 1957 | Joined Nippon Mining Co., Ltd.                        | June 2011 |
|  | Special Advisor of<br>NIPPON MINING HOLDINGS, INC. | June 1984 | Director  |           |
|  |  | June 1989 | Managing Director                                     |           |
|  |  | Dec. 1992 | Managing Director of Nikko Kyodo Co.,<br>Ltd.         |           |
|  |  | Dec. 1993 | Managing Director of Japan Energy<br>Corporation      |           |
|  |  | June 1994 | Senior Managing Director                              |           |
|  |  | June 1996 | President and CEO (Representative<br>Director)        |           |

126

**Table of Contents**

| Name<br>(date of birth)                         | Current positions and<br>principal outside positions  | Business experience   | Expiration of<br>current term<br>as director<br>or corporate<br>auditor |
|---|---|---|---|
|   |   | June 2000 Chairman, President and CEO (Representative Director)   |   |
|   |   | 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 (current)   |   |
|   |   | June 2007 Director of Mizuho Financial Group, Inc. (current)  |   |
| Mitsuo Ohashi <sup>(1)</sup><br>(Jan. 18, 1936) | Director (since June 2005)<br><br>Director and Chairman of the Board of Directors of Showa Denko K.K. | Mar. 1959 Joined Mitsui Bank, Ltd.<br><br>Dec. 1961 Joined Showa Denko K.K.<br><br>May 1988 General Manager of Corporate Planning Division<br><br>Mar. 1989 Director/General Manager of Corporate Planning Division<br><br>Mar. 1993 Managing Director<br><br>Mar. 1995 Senior Managing Director<br><br>Mar. 1997 President and Chief Executive Officer<br><br>Jan. 2005 Representative Director and Chairman of the Board of Directors | June 2011   |

|                                 |                            |           |   |           |
|---------------------------------|----------------------------|-----------|---|-----------|
|                                 |                            | June 2005 | Director of Mizuho Financial Group, Inc. (current)                            |           |
|                                 |                            | Mar. 2007 | Director and Chairman of the Board of Directors of Showa Denko K.K. (current) |           |
| Kanemitsu Anraku <sup>(1)</sup> | Director (since June 2007) | Apr. 1964 | Joined Nissan Motor Co., Ltd.   | June 2011 |
| (Apr. 21, 1941)                 |                            | June 1993 | Director  |           |
|                                 |                            | June 1997 | Managing Director   |           |
|                                 |                            | May 1999  | Executive Vice President (Representative Director)                            |           |
|                                 |                            | Apr. 2000 | Vice Chairman (member of the board of directors)                              |           |
|                                 |                            | June 2000 | Vice Chairman   |           |

**Table of Contents**

| Name                                 | Current positions and                                   | Business experience |   | Expiration of<br>current term<br>as director<br>or corporate<br>auditor |
|--------------------------------------|---|---------------------|---|---|
| (date of birth)                      | principal outside positions                             |                     |   |   |
| Tsuneo Muneoka<br><br>(May 14, 1951) | Corporate Auditor<br>(since June 2008)                  | Apr. 2002           | President (Representative Director) of Nissan Real Estate Development Corporation     | June 2012   |
|                                      |   | June 2005           | Counselor   |   |
|                                      |   | July 2006           | Counselor of Nissan Network Holdings Co., Ltd. (until June 2007)                      |   |
|                                      |   | June 2007           | Director of Mizuho Financial Group, Inc. (current)                                    |   |
|                                      |   | Apr. 1976           | Joined The Industrial Bank of Japan, Limited  |   |
|                                      |   | Apr. 2004           | Executive Officer/General Manager of Financial Planning Division of Mizuho Bank, Ltd. |   |
| Tsuneo Morita<br><br>(Apr. 29, 1954) | Corporate Auditor (since June 2009)                     | Apr. 2005           | Managing Executive Officer  | June 2013   |
|                                      |   | Apr. 2008           | Advisor   |   |
|                                      |   | June 2008           | Corporate Auditor of Mizuho Financial Group, Inc. (current)                           |   |
|                                      |   | Apr. 1978           | Joined The Fuji Bank, Limited   |   |
|                                      |   | Aug. 2003           | Corporate Auditor of Mizuho Securities Co., Ltd.                                      |   |
| Mar. 2006                            | Executive Officer/General Manager of Administration     |                     |   |   |
| Apr. 2008                            | Managing Executive Officer/Head of Internal Audit Group |                     |   |   |
| June 2008                            |   |                     |   |   |

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Managing Director/Head of Internal Audit  
Group

|  |  |           |  |           |
|--|--|-----------|--|-----------|
|  |  | Apr. 2009 | Director   |           |
|  |  | June 2009 | Corporate Auditor (current)                                |           |
|  |  | June 2009 | Corporate Auditor of Mizuho Securities Co., Ltd. (current) |           |
| Yukio Nozaki <sup>(2)</sup><br>(Aug. 19, 1931) | Corporate Auditor (since Jan. 2003)              | Apr. 1956 | Assistant Judge of the Tokyo District Court                | June 2011 |
|  | Corporate Auditor of Mizuho Corporate Bank, Ltd. | Mar. 1992 | President of the Sendai High Court                         |           |
|  |  | Mar. 1993 | President of the Nagoya High Court                         |           |
|  | Corporate Auditor of Mizuho Bank, Ltd.           | Aug. 1996 | Resigned from judge  |           |

128

**Table of Contents**

| Name   | Current positions and  | Expiration of<br>current term<br>as director<br>or corporate<br>auditor |
|--|--|---|
| (date of birth)                                      | principal outside positions  |   |
|  | Business experience  |   |
|  | Oct. 1996 Registered as attorney at law (Daiichi Tokyo Bar Association)  |   |
|  | June 1997 Corporate Auditor of The Dai-Ichi Kangyo Bank, Limited (until Mar. 2002)   |   |
|  | Sep. 2000 Corporate Auditor of Mizuho Holdings, Inc. (until Mar. 2003)   |   |
|  | Apr. 2002 Corporate Auditor of Mizuho Corporate Bank, Ltd. (current)   |   |
|  | Jan. 2003 Corporate Auditor of Mizuho Financial Group, Inc. (current)  |   |
|  | Mar. 2006 Corporate Auditor of Mizuho Bank, Ltd. (current)   |   |
| Masahiro Seki <sup>(2)</sup><br><br>(Sep. 11, 1934)  | Corporate Auditor<br>(since June 2006)   | June 2010   |
|  | 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)    |   |
|  | June 2006 Corporate Auditor of Mizuho Financial Group, Inc. (current)  |   |
| Masami Ishizaka <sup>(2)</sup><br><br>(Dec. 5, 1939) | Corporate Auditor<br>(since June 2008)   | June 2012   |
|  | June 1993 Director-General of the Financial Bureau   |   |



**Table of Contents**

| Name<br>(date of birth) | Current positions and<br>principal outside positions | Business experience  | Expiration of<br>current term<br>as director<br>or corporate<br>auditor |
|-------------------------|--|--|---|
|                         |  | July 1994<br>Director-General of the Planning and<br>Co-ordination Bureau of Environment<br>Agency |   |
|                         |  | July 1995<br>Administrative Vice Minister  |   |
|                         |  | July 1996<br>Vice Chairman of Automobile<br>Insurance Rating Organization of Japan                 |   |
|                         |  | July 1998<br>Executive Vice President of Japan<br>National Oil Corporation                         |   |
|                         |  | Mar. 2004<br>Advisor   |   |
|                         |  | July 2004<br>Vice Chairman of The General<br>Insurance Association of Japan                        |   |
|                         |  | Sep. 2007<br>Chairman of Okura Zaimu Kyokai<br>(current)   |   |
|                         |  | June 2008<br>Corporate Auditor of Mizuho Financial<br>Group, Inc. (current)                        |   |

## Notes:

- (1) Messrs. Nomiyama, Ohashi and Anraku satisfy the requirements for an outside director under the Company Law of Japan.  
(2) Messrs. Nozaki, Seki and Ishizaka satisfy the requirements for an outside corporate auditor under the Company Law of Japan.

**Executive Officers**

The following table provides information about our executive officers as of June 30, 2009, other than information regarding those that are also directors and listed above:

| Name<br>(date of birth) | Current positions and<br>principal outside positions | Business experience                        |
|-------------------------|--|--|
| Takeo Nakano            | Managing Executive Officer<br>(since Apr. 2009)      | Apr. 1980<br>Joined The Fuji Bank, Limited |

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(June 28, 1956)

|   |           |  |
|---|-----------|--|
| Head of Risk Management Group                       | Apr. 2004 | Senior Corporate Officer of Financial Control & Accounting Group of Mizuho Corporate Bank, Ltd.  |
| Head of Compliance Group                            | Apr. 2007 | Executive Officer/General Manager of Kobunacho Branch of Mizuho Bank, Ltd.   |
| In charge of Financial Control and Accounting Group | Apr. 2009 | Managing Executive Officer/Head of Risk Management Group, Head of Compliance Group and In charge of Financial Control and Accounting Group of Mizuho Financial Group, Inc. (current) |
| Chief Risk Officer                                  |           |  |
| Chief Compliance Officer                            |           |  |

**Table of Contents**

| <b>Name</b>                         | <b>Current positions and</b>                 |           | <b>Business experience</b>  |
|-------------------------------------|--|-----------|---|
| <b>(date of birth)</b>              | <b>principal outside positions</b>           |           |   |
| Daisaku Abe<br><br>(June 20, 1957)  | Managing Executive Officer (since Apr. 2009) | Apr. 1980 | Joined The Industrial Bank of Japan, Limited  |
|                                     | Head of Strategic Planning Group             | Apr. 2002 | Deputy General Manager of IT & Systems Planning Division of Mizuho Corporate Bank, Ltd.   |
|                                     | Head of IT, Systems & Operations Group       | Apr. 2005 | General Manager of Administration Division  |
|                                     | General Manager of Group Strategic Planning  | Mar. 2006 | General Manager of Executive Secretariat  |
|                                     | Chief Strategy Officer                       | Apr. 2007 | Executive Officer/General Manager of Executive Secretariat  |
|                                     | Chief Information Officer                    | 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. (current) |
| Shin Kuranaka<br><br>(Oct. 5, 1957) | Executive Officer (since Apr. 2009)          | Apr. 1981 | Joined The Industrial Bank of Japan, Limited  |
|                                     | General Manager of Human Resources           | Apr. 2003 | Joint General Manager of Human Resources Division of Mizuho Corporate Bank, Ltd.  |
|                                     |  | Mar. 2006 | General Manager of Career Development Division  |
|                                     |  | Apr. 2007 | General Manager of Human Resources of Mizuho Financial Group, Inc.  |
|                                     |  | Apr. 2009 | Executive Officer/General Manager of Human Resources (current)  |
| Masakane Koike (July 9, 1959)       | Executive Officer (since Apr. 2009)          | Apr. 1982 | Joined The Dai-ichi Kangyo Bank, Limited  |
|                                     | General Manager of Financial Planning        | July 2003 | Corporate Officer of Financial Control & Accounting Group and Deputy General Manager of Accounting Division of Mizuho Corporate   |

Bank, Ltd.

Apr. 2007 General Manager of Credit Coordination  
Division

Apr. 2008 General Manager of Financial Planning of  
Mizuho Financial Group, Inc.

Apr. 2009 Executive Officer/General Manager of Financial  
Planning (current)

131

## **Table of Contents**

An Executive Officer may serve any number of consecutive terms. The term of office of the Executive Officers currently in office will expire at the close of the first meeting of our board of directors after the ordinary general meeting of shareholders.

No family relationship exists among any of our directors, executive officers or corporate auditors.

### **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 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, 2009 was ¥673 million and ¥93 million, respectively.

Mizuho Financial Group and some of its subsidiaries, abolished their respective retirement allowance programs for directors 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. Mizuho Financial Group and such subsidiaries set aside an aggregate of ¥87 million for such retirement allowances for the directors and corporate auditors of Mizuho Financial Group. The amount of reserves set aside by subsidiaries that continue their retirement allowance program for the payment of retirement allowances for directors and corporate auditors of Mizuho Financial Group for the fiscal year ended March 31, 2009 was ¥1 million.

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 resolved to allot 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. 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. Our evaluation of the value of each stock acquisition right was ¥190,910 as of March 31, 2009.

### **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

## **Table of Contents**

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 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.

To ensure transparency and objectivity in personnel matters relating to directors, we have established a nominating committee and a compensation committee. Each committee is comprised of six members, of whom three are outside directors.

For additional information on our directors and corporate auditors and our board practices, see Item 6.A. Directors, Senior Management and Employees Directors and Senior Management Directors and Corporate Auditors and Item 10.B. Additional Information Memorandum and Articles of Association.

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 2.3 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,

**Table of Contents**

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 16G. 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, 2007, 2008 and 2009, we had 47,449, 49,114 and 50,191 employees, respectively, on a consolidated basis, including overseas local staff but excluding advisers and temporary employees. We also had an average of approximately 18,988 temporary employees during the fiscal year ended March 31, 2009.

The following tables show our full-time employees as of March 31, 2009 and average number of temporary employees for the fiscal year ended March 31, 2009, 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                 | 12,520                               | 1,348  |
| Global Retail Group                    | 27,716                               | 16,660                                       |
| Global Asset & Wealth Management Group | 5,347                                | 583  |
| Others                                 | 4,608                                | 397  |
| <b>Total</b>                           | <b>50,191</b>                        | <b>18,988</b>                                |

| <b>Business segment</b>                   | <b>Number of full-time employees</b> | <b>Average number of temporary employees</b> |
|---|--------------------------------------|--|
| Japan                                     | 93.9%                                | 99.9%  |
| Americas                                  | 1.4                                  | 0.1  |
| Europe                                    | 1.4                                  | 0.0  |
| Asia/Oceania (excluding Japan) and others | 3.2                                  | 0.0  |
| <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, 2009:

| <b>Directors</b>  | <b>Number of shares owned</b> |
|-------------------|-------------------------------|
| Terunobu Maeda    | 133,770                       |
| Takashi Tsukamoto | 48,840                        |
| Tetsuji Kosaki    | 108,480                       |
| Hajime Saito      | 12,000                        |
| Satoru Nishibori  | 47,100                        |
| Yasuhiro Sato     | 15,880                        |
| Akihiko Nomiyama  | 3,100                         |
| Mitsuo Ohashi     |                               |
| Kanemitsu Anraku  | 7,000                         |





**Table of Contents**

| <b>Corporate Auditors</b> | <b>Number of shares owned</b> |
|---------------------------|-------------------------------|
| Tsuneo Muneoka            | 12,620                        |
| Tsuneo Morita             | 17,150                        |
| Yukio Nozaki              | 67,800                        |
| Masahiro Seki             | 1,000                         |
| Masami Ishizaka           | 27,100                        |

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.

For information on our stock compensation-type stock options (stock acquisition rights) for directors, see Item 6.B. Directors, Senior Management and Employees Compensation.

We have two employee stock ownership plans under which participating employees of the companies listed below are 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 these plans held as of March 31, 2009:

|  | <b>As of March 31, 2009</b>             | <b>Number of shares owned</b> |
|--|---|-------------------------------|
| <b>Plan</b>                                | <b>Employer companies</b>               |                               |
| Mizuho Employee Stock Ownership Plan       | Mizuho Financial Group                  |                               |
|  | Mizuho Bank                             |                               |
|  | Mizuho Corporate Bank                   |                               |
|  | Mizuho Asset Management                 |                               |
|  | Mizuho Research Institute               |                               |
|  | Mizuho Information & Research Institute | 48,417,470                    |
| Mizuho Group Employee Stock Ownership Plan | Mizuho Securities                       | 493,100                       |
| <b>Total</b>                               |   | <b>48,910,570</b>             |

**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, 2009:

| Name  | As of March 31, 2009   |  |
|---|------------------------|--|
|   | Number of shares owned | Percentage of issued shares <sup>(1)</sup> |
| Japan Trustee Services Bank, Ltd. (trustee account)   | 613,467,800            | 5.49%                                      |
| Japan Trustee Services Bank, Ltd. (trustee account 4G)  | 608,481,100            | 5.44                                       |
| The Master Trust Bank of Japan, Ltd. (trustee account)  | 421,309,500            | 3.77                                       |
| The Dai-ichi Mutual Life Insurance Company  | 209,950,000            | 1.88                                       |
| Japan Trustee Services Bank, Ltd. (trustee account 4)   | 160,188,100            | 1.43                                       |
| Trust & Custody Services Bank, Ltd. (Meiji Yasuda Life Insurance Company Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.) | 137,000,000            | 1.23                                       |
| Nippon Life Insurance Company   | 132,630,760            | 1.19                                       |
| The Bank of New York Mellon as Depository Bank for Depository Receipt Holders   | 130,047,800            | 1.16                                       |
| SSBT OD05 Omnibus Account China Treaty Clients  | 129,380,041            | 1.16                                       |
| Trust & Custody Services Bank, Ltd. (securities investment trust account)   | 81,606,500             | 0.73                                       |
| <b>Total</b>  | <b>2,624,061,601</b>   | <b>23.47%</b>                              |

Note:

(1) Percentage of number of shares owned within the total number of issued shares (including treasury stock).

As of March 31, 2009, there were 184 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 6% 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.

**Table of Contents****Preferred Stock**

Classes of preferred stock with shares outstanding as of March 31, 2009 consisted of eleventh series class XI and thirteenth series class XIII preferred stock, all of which are non-voting. The following table sets forth information regarding the combined ownership of shares of eleventh series class XI preferred stock and thirteenth series class XIII preferred stock by our ten largest shareholders of preferred stock as of March 31, 2009, as appearing on the register of preferred shareholders:

| Name   | As of March 31, 2009   |                             |
|--|------------------------|-----------------------------|
|  | Number of shares owned | Percentage of issued shares |
| Goldman, Sachs & Co. REG                                       | 46,164,000             | 4.85%                       |
| Credit Suisse First Boston Europe PB Sec Int Non-Treaty Client | 45,690,000             | 4.80                        |
| UBS AG London A/C Ipb Segregated Client Account                | 41,195,000             | 4.33                        |
| Morgan Stanley & Co. International plc                         | 40,945,000             | 4.30                        |
| The Dai-ichi Mutual Life Insurance Company                     | 27,000,000             | 2.84                        |
| Meiji Yasuda Life Insurance Company                            | 25,000,000             | 2.63                        |
| Nomura Intl PLC A/C CB Client                                  | 20,645,000             | 2.17                        |
| Sompo Japan Insurance Inc.                                     | 19,000,000             | 2.00                        |
| Morgan Stanley & Co. Inc.                                      | 18,790,000             | 1.97                        |
| BNP Paribas London Branch for BNPPPB Evotok                    | 16,350,000             | 1.72                        |
| <b>Total</b>   | <b>300,779,000</b>     | <b>31.61%</b>               |

As of March 31, 2009, there were 11 record holders of our preferred stock with addresses in the United States, whose shareholdings represented approximately 8% of our outstanding preferred stock on that date. As of the record date on March 31, 2009, securities companies and foreign investors in aggregate accounted for approximately 35% (in terms of the number of issued and outstanding shares) of the eleventh series class XI preferred stock.

The following table shows the shares of preferred stock that we issued to, and repurchased from, the Resolution and Collection Corporation during the past three years:

| Class of preferred stock               | Date of repurchase | Number of shares repurchased | Original issue price | Repurchase price |
|--|--------------------|------------------------------|----------------------|------------------|
|  |                    |                              | (in billions of yen) |                  |
| Fourth series class IV preferred stock | July 4, 2006       | 150,000                      | ¥ 300.0              | ¥ 301.9          |
| Sixth series class VI preferred stock  | July 4, 2006       | 150,000                      | 300.0                | 301.6            |

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, 2009, such transactions included, but were not limited to, call money, loans, deposits, guarantees and foreign exchange transactions, those transactions were immaterial and were made at prevailing market rates, terms and conditions and do not involve more than the normal risk of collectibility or present other unfavorable features.

**Table of Contents**

During the fiscal year ended March 31, 2009, 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, 2009.

During the fiscal year ended March 31, 2009, no loans were made to our directors or executive officers or corporate auditors other than in the normal course of business, on normal commercial terms and conditions.

**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.

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 disputes 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 lawsuits brought by the obligors under the bonds in Indonesia. Our consolidated financial statements do not include a reserve in relation to these disputes 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 are pursuing strengthening of stable capital base and steady returns to shareholders as its disciplined capital management.

Based on the above policy, with respect to the year-end cash dividend of common stock for the fiscal year ended March 31, 2009, despite the considerable worsening of our consolidated financial results compared with the previous fiscal year, from the standpoint of providing regular stable dividend payments to our shareholders, we made dividend payments of ¥10 per share, which is the same level as the previous fiscal year, in view of the level of retained earnings and other factors. With respect to each class of preferred stock, we made dividend payments as prescribed.

Although our Articles of Incorporation provide for our ability to pay an interim dividend to shareholders of record as of September 30 in each year pursuant to Article 454 Paragraph 5 of the Company Law, we have been paying only the annual dividend.

The payment of any annual dividends is subject to the authorization by a general meeting of shareholders, while the payment of any interim dividend may be made by resolution of our board of directors.

We will apply retained earnings to funds for strengthen our financial condition and to the development of our business going forward.

#### **8.B. Significant Changes**

Except as disclosed in note 33 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 since their listing on November 8, 2006:

| Fiscal years ended/ending March 31, | Price per ADS |          | Average daily trading volume (shares) |
|-------------------------------------|---------------|----------|---------------------------------------|
|                                     | High          | Low      |                                       |
| 2007 (from November 8, 2006)        | \$ 15.35      | \$ 12.74 | 46,049                                |
| 2008                                | 14.95         | 7.01     | 164,439                               |
| 2009                                | 12.00         | 3.26     | 420,986                               |
| 2008:                               |               |          |                                       |
| First quarter                       | 14.95         | 11.99    | 48,337                                |
| Second quarter                      | 14.44         | 10.37    | 109,086                               |
| Third quarter                       | 12.36         | 9.14     | 243,454                               |
| Fourth quarter                      | 9.76          | 7.01     | 258,617                               |
| 2009:                               |               |          |                                       |
| First quarter                       | 11.45         | 7.44     | 322,107                               |
| Second quarter                      | 12.00         | 6.74     | 433,753                               |
| Third quarter                       | 8.89          | 3.56     | 465,130                               |
| Fourth quarter                      | 6.67          | 3.26     | 465,017                               |
| 2010:                               |               |          |                                       |
| First quarter                       | 5.70          | 3.72     | 400,287                               |
| Most recent six months:             |               |          |                                       |
| February                            | 5.14          | 3.67     | 447,779                               |
| March                               | 4.90          | 3.26     | 469,205                               |
| April                               | 4.55          | 3.72     | 615,020                               |
| May                                 | 5.32          | 4.17     | 328,144                               |
| June                                | 5.70          | 4.61     | 260,901                               |
| July                                | 4.85          | 4.02     | 564,446                               |
| August (through August 18)          | 5.02          | 4.65     | 246,577                               |

**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       |                                       |
| 2005 <sup>(1)</sup>                 | ¥ 560,000       | ¥ 391,000 | 90,873                                |
| 2006 <sup>(1)</sup>                 | 969,000         | 469,000   | 93,074                                |
| 2007 <sup>(1)</sup>                 | 1,030,000       | 733,000   | 78,245                                |
| 2008 <sup>(1)</sup>                 | 911,000         | 360,000   | 120,603                               |
| 2009 <sup>(2)</sup>                 | 606             | 166       | 184,530,927                           |
| 2008:                               |                 |           |                                       |
| First quarter <sup>(1)</sup>        | 911,000         | 707,000   | 83,015                                |
| Second quarter <sup>(1)</sup>       | 876,000         | 586,000   | 121,468                               |
| Third quarter <sup>(1)</sup>        | 727,000         | 499,000   | 128,624                               |
| Fourth quarter <sup>(1)</sup>       | 539,000         | 360,000   | 150,764                               |
| 2009:                               |                 |           |                                       |
| First quarter <sup>(1)</sup>        | 606,000         | 364,000   | 218,046                               |
| Second quarter <sup>(1)</sup>       | 597,000         | 378,000   | 171,448                               |
| Third quarter <sup>(1)</sup>        | 466,000         | 190,000   | 209,333                               |
| Fourth quarter                      | 299             | 166       | 139,320,754                           |
| 2010:                               |                 |           |                                       |
| First quarter                       | 274             | 188       | 203,334,564                           |
| Most recent six months:             |                 |           |                                       |
| February                            | 233             | 173       | 127,358,611                           |
| March                               | 235             | 166       | 175,825,190                           |
| April                               | 220             | 188       | 219,174,600                           |
| May                                 | 263             | 202       | 228,883,911                           |
| June                                | 274             | 224       | 167,310,518                           |
| July                                | 236             | 187       | 223,093,641                           |
| August (through August 19)          | 240             | 219       | 183,940,938                           |

## Notes:

- (1) Under the new 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 price and volume figures in the above table prior to December 31, 2008 are figures before such allotment was made.
- (2) The price and volume figures prior to December 31, 2008 are adjusted 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.

**9.B. Plan of Distribution**

Not applicable.

**Table of Contents**

**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 and the First Section of the Osaka Securities 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 ADSs have been listed on the New York Stock Exchange since November 8, 2006 and are quoted under the ticker symbol MFG.

On January 4, 2009, we abolished the fractional share system and adopted the unit share system concurrently with the allotment of shares or fractions of a share without consideration. Allotment of shares was made at the rate of 999 shares per 1 share, which in effect increased the number of shares held by shareholders by 1,000 times. In addition, we lowered the current minimum investment amount with respect to our common stock to one tenth by reducing the number of shares constituting 1 unit of shares from 1,000 shares to 100 shares. In conjunction with these changes, we changed the ADSs conversion ratio from 500 ADSs to 1 common share to 1 ADS to 2 common shares.

**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, which came into effect on May 1, 2006 relating to joint stock corporations (*kabushiki kaisha*) and certain related legislation, all as currently in effect.

Where relevant to the common stock, provisions of our preferred stock are also described below. Additional details on the terms of our outstanding preferred stock are given in note 15 to our consolidated financial statements included elsewhere in this annual report.

###### ***Distribution of Surplus***

###### ***General***

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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 Surplus ). We are permitted to make distributions of Surplus to our shareholders any number of times per fiscal

**Table of Contents**

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 third 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 and ¥30 per share of thirteenth series class XIII 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 two 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:

$$A + B + C + D - (E + F + G)$$

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

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**Table of Contents**

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, 2009.

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.

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**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.

***Abolishment of Fractional Share System***

With the implementation of the electronic share certificate system under the Law for Partial Amendments to the Law Concerning Book-entry Transfer of Corporate Bonds and Other Securities for the Purpose of Streamlining the Settlements of Trades of Stocks and Other Securities (Law No. 88 of 2004) which became effective on January 5, 2009, all listed shares became eligible for book-entry transfer. However, because fractional shares are not eligible for book-entry transfer and are no longer handled under the new book-entry transfer system after the implementation of the electronic share certificate system, we implemented the allotment of shares or fractions of a share without consideration to the shareholders or the holders of fractional shares in order to abolish all the fractional shares. Shares and fractions of a share were allotted on January 4, 2009 in proportion to the number of shares of common stock, shares of each class of preferred stock and fractional shares held by the holders thereof, in each case without any additional consideration, at the rate of 999 shares per 1 share and 9.99 shares per every 0.01 of a share. As a result, currently there are no outstanding fractional shares.

***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 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, 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. 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.

## **Table of Contents**

### ***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.

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;
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);

## **Table of Contents**

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 under specially favorable conditions.

### ***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 shares 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. 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 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.

Japan Securities Depository Center, Inc. ( 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 an ordinary 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 dispose of 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

**Table of Contents**

Transfer of Corporate Bonds, Stocks, etc. (Law No. 75 of 2001, including regulations promulgated thereunder; the Book-entry Law ). Under the new clearing system, in order for any person to hold, sell or otherwise 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 against us, a shareholder must have its name and address registered in our register of shareholders, except in limited circumstances. Under the new clearing system, such registration is made upon our receipt of necessary information from JASDEC. 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 new 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 1,369,512,000 shares of class XI preferred stock, 1,500,000,000 shares of class XII preferred stock and 1,500,000,000 shares of class XIII preferred stock.

As of March 31, 2009, 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.

**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 type of outstanding preferred stock 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 shares.

## **Table of Contents**

Thirteenth series class XIII preferred stock bears an annual non-cumulative dividend of ¥30 per share, and in the event we pay an interim dividend, holders are entitled to receive ¥15 per share in preference to common shares.

The amount of any preferred interim dividend will be deducted from the preferred dividend payable on preferred shares in respect of the same fiscal year.

No payment of dividends on our preferred shares or any other shares 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 shares are non-cumulative. If the full amount of any dividend is not declared on our preferred shares in respect of any fiscal year, holders of our preferred shares 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 shares 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 shares of our preferred stock will be entitled, equally in rank as among themselves and in preference over shares of common stock, to receive out of our residual assets upon liquidation a distribution of ¥1,000 per share in the case of eleventh series class XI and thirteenth series class XIII preferred stock.

Holders of shares 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;



## **Table of Contents**

(iv) granting pre-emptive rights for new shares or stock acquisition rights;

(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.

### ***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 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 Dividends Restriction of Dividends ). We may also, acquire all or a portion of the thirteenth series class XIII preferred stock on or after April 1, 2013 at a price of ¥1,000 per share, with the equivalent amount of preferred dividends accrued to such acquisition, without consent of the holders of shares 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.

### ***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 or XII (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 outstanding are non-convertible.

**Table of Contents**

Our articles of incorporation also provide that class XI or XII (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 ¥303.50, 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 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 be made in accordance with the following formula.

$$\begin{array}{rcl}
 \text{Conversion price after adjustment}^{(1)} & = & \text{Conversion price before adjustment}^{(1)} \times \left( \frac{\text{Number of shares of common stock already issued} + \text{Number of shares of common stock to be newly issued}}{\text{Number of shares of common stock to be newly issued} + \text{Current market price per share} \times \text{Number of shares of common stock to be newly issued}} \right)
 \end{array}$$

Note:

- (1) Conversion of the preferred stock is conducted through the acquisition of the relevant shares of preferred stock by Mizuho Financial Group 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.

**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 our shares or 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.

## **Table of Contents**

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 by way of a stock split is not subject to any notification or reporting requirements.

### **Acquisition of Shares**

In general, a non-resident 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 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, unless the transfer is made through a bank, securities company or financial futures trader licensed 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 within 15 days from and including the date of such acquisition, 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 Corporate 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 Corporate 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.



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**Table of Contents****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 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 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% 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 who holds 5% or more of the total number of shares issued by the relevant Japanese corporation, the aforementioned 20% withholding tax rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2011 and (ii) 15% for dividends due and payable on or after January 1, 2012.

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. 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

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## **Table of Contents**

status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the Depositary. 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, from the relevant Japanese tax authority, 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 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.

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;

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**Table of Contents**

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 depository 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.

The U.S. Treasury has expressed concerns that parties through whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described in U.S. Taxation Taxation of Dividends below, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of Japanese taxes and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described in U.S. Taxation Taxation of Dividends below, could be affected by actions taken by parties through whom the ADSs are released.

***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.

**Table of Contents**

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 *Japanese 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.

With respect to non-corporate U.S. investors, certain dividends received before January 1, 2011 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

**Table of Contents**

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.

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 in taxable years beginning prior to January 1, 2011, 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.

## **Table of Contents**

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 common stock 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, such as a corporation. 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.

### **10.F. Dividends and Paying Agents**

Not applicable.

### **10.G. Statement by Experts**

Not applicable.

### **10.H. Documents on Display**

We file reports, including annual reports on Form 20-F, and other information, including information filed on Form 6-K, with 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.

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**Table of Contents****ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Progress in financial deregulation and internationalization has led to rapid 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.

*Approach to Basel II*

The BIS Regulations, the regulations for international standards of the health of banks first implemented in 1992, have been revised in light of developments in risk management methods in order to better reflect the actual substance of the risks. These amended regulations, known as

Basel II, focus on three main points. The first is minimum capital requirements relating to risk which should be maintained by banks, with respect to which the calculation method for credit risk was changed and operational risk was added. 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 obtained the necessary approvals from government authorities on calculation methods for each type of risk and have been calculating capital adequacy ratios based on Basel II from March 31, 2007, when the Basel II was implemented in Japan. With regard to credit risk, we have been applying the Advanced Internal Ratings-Based Approach, the most sophisticated of the three methods provided for by Basel II, from March 31, 2009. In addition, we are planning to apply the advanced measurement approach for operational risk and are making preparations related thereto.

**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 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.

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**Table of Contents*****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 Corporate Bank, Mizuho Bank, Mizuho Securities and Mizuho Trust & Banking 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 and off-balance-sheet instruments, as a result of deterioration in a counterparty's 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 risk and respond appropriately.

***Credit Risk Management Structure******Credit Risk Management of the Mizuho Group***

Our board of directors determines the Mizuho group's basic credit risk management policies. In addition, the portfolio management committee of Mizuho Financial Group discusses and coordinates basic credit risk policy and overall credit portfolio management and monitoring for the Mizuho group. The chief risk officer of Mizuho Financial Group is responsible for matters relating to credit risk management planning and operations. The Risk Management Division and the Credit Risk Management Division of Mizuho Financial Group 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. Each company's board of directors determines key matters pertaining to credit risk. Our principal banking subsidiaries have each established business policy committees to discuss and coordinate overall management of their individual credit portfolios and transaction policies towards obligors. The senior executive officer of each principal banking subsidiary responsible for risk management oversees matters relating to credit risk management planning and operations. The credit risk management division of each principal banking subsidiary is responsible for credit management and credit risk measuring and monitoring, and such division regularly presents reports regarding the risk management situation of such banking subsidiary to Mizuho Financial Group. Individual credit examination divisions approve individual transactions in accordance with the lines of authority.



## **Table of Contents**

set forth in the basic policies for credit risk management. To provide checks and balances, each of our principal banking subsidiaries has also established credit review divisions to function as internal auditors that are independent of the business divisions.

### *Individual Credit Management*

Our principal banking subsidiaries use a unified credit rating system and credit risk measurement tools to ascertain and monitor the status of their portfolios. They are also improving their credit decisions and post-transaction management functions by examining individual transactions from these viewpoints, providing internal audits and risk management guidance to individual business promotion offices. Mizuho Securities and other core group companies follow credit risk management procedures that suit the characteristics of their respective business sectors.

### *Credit business regulations*

The basic code of conduct for all of our officers and employees engaged in the credit business is set forth in our credit business regulations. 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 screening*

Prevention of new impaired loans through routine credit management is important in maintaining the quality of our overall loan assets. Credit decisions involve 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 screening. 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 rehabilitation.

*Collection and disposal of impaired loans*

With respect to collection and disposal of impaired loans, our specialist unit maintains central control and pursues corporate revitalization or collection efforts, as appropriate, toward taking the impaired loans off-balance. Specifically, we believe that supporting the revitalization efforts of corporations is an important role for financial institutions, and we support corporations undergoing revitalization by reviewing business plans, advising on revitalization methods and utilizing corporate revitalization 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 loan losses by measuring the expected average loss for a one-year risk horizon ( credit cost ) and the maximum loss within a certain confidence interval ( credit VaR ).

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 certain limits so that losses incurred through a hypothetical realization of the full credit VaR amount would be within the amount of risk capital and loan loss reserves.

*Risk Control Methods*

We recognize two types of risk arising from allowing too large a proportion of overall credit risk to be allocated in certain areas. One type is credit concentration risk, which stems from granting excessive credit to certain individual counterparties. The other type is chain-reaction default risk, which arises from granting excessive credit to certain corporate groups, industrial sectors and other groupings. We manage 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.

*Portfolios of Our Principal Banking Subsidiaries and Certain Other Core Group Companies*

Mizuho Bank's portfolio is diversified among relatively small accounts centered on individuals, domestic corporations including mainly small and medium-sized enterprises and middle-market corporations, public sector entities and other customers in Japan. While Mizuho Corporate Bank's credit portfolio consists primarily of loans to Japanese public companies and other major Japanese enterprises, it also includes a significant proportion of loans to overseas corporations, including foreign subsidiaries of Japanese corporations, that are diversified in

## **Table of Contents**

terms of the regions in which the borrowers are located. While retaining the principal features of each of the two banking subsidiaries' respective portfolios, we aim to reduce expected losses while simultaneously utilizing sophisticated financial tools based on which they make strategic acquisitions and sales of assets. While closely monitoring the potential for unexpected losses, they also aim to raise overall group capital efficiency, boost profitability and shareholder value, and enhance the sophistication of their credit risk management.

### **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 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:

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**Table of Contents*****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 overall market risk of the 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 and Mizuho Securities 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 group risk capital allocation framework, the above-mentioned subsidiaries 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.

## **Table of Contents**

### ***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.

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 constructed a system under which we will be able to respond smoothly in the event of emergency situations that affect our funding by establishing action plans.

#### ***Liquidity Risk Management at Our Principal Banking Subsidiaries and Other Core Group Companies***

The liquidity risk management structures of Mizuho Corporate Bank, 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.

### ***Our Response to Dislocation in Global Financial Markets***

The dislocation in global financial markets stemming from the U.S. subprime loan issues that began in the fiscal year ended March 31, 2008 worsened during the fiscal year ended March 31, 2009. Based on such market environment, we have (i) strengthened the cash management of foreign currencies, (ii) strengthened the management of maximum exposure limits for securitization and other products, (iii) strengthened the monitoring of trading of securitization and other products and (iv) conducted measurement of the amount of risk capital of securitization and other products based on stress testing.

**Table of Contents*****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 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, 2009, and the corresponding paired distribution of profits and losses:

We had one case where profits/losses exceeded value-at-risk during the period.

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 stemming from the U.S. subprime loan issues. 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, 2009<br/>(in billions of yen)</b> |      |
|--|--|------|
| Assumed maximum loss result calculated by stress testing (holding period: one month)   | ¥  | 37.2 |
| 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) | ¥  | 50.0 |

***Outlier Criteria***

As part of the new capital adequacy requirements under Basel II, 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.

**Table of Contents**

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 8.5% 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 reduction of interest rate risk related to the U.S. dollar for the fiscal year ended March 31, 2009.

| <b>Results of calculations under the outlier framework</b> | <b>Amount of<br/>loss</b>                       | <b>Broadly-defined<br/>capital</b> | <b>Loss ratio to<br/>capital</b> |
|--|---|------------------------------------|----------------------------------|
|  | <b>(in billions of yen, except percentages)</b> |                                    |                                  |
| As of March 31, 2007                                       | ¥ 626.1   | ¥ 8,841.3                          | 7.1%                             |
| As of March 31, 2008                                       | 679.3   | 7,708.3                            | 8.8                              |
| As of March 31, 2009                                       | 532.4   | 6,226.9                            | 8.5                              |
| Effect of yen interest rate                                | 416.0   |                                    |                                  |
| Effect of dollar interest rate                             | 67.8  |                                    |                                  |
| Effect of euro interest rate                               | 36.6  |                                    |                                  |

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.

**Value-at-Risk**

We use the value-at-risk (VaR) method, supplemented with stress testing, as our principal tool to measure market risk. The value-at-risk 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;

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, 2007, 2008 and 2009 and as of March 31, 2007, 2008 and 2009:

| Risk category    | Daily average | Fiscal year ended March 31, 2007 |                      | Minimum      | As of<br>March 31, 2007 |
|------------------|---------------|----------------------------------|----------------------|--------------|-------------------------|
|                  |               | Maximum                          | (in billions of yen) |              |                         |
| Interest rate    | ¥ 2.3         | ¥ 3.9                            | ¥ 1.4                | ¥ 1.5        |                         |
| Foreign exchange | 1.2           | 4.0                              | 0.5                  | 1.8          |                         |
| Equities         | 1.8           | 3.5                              | 0.7                  | 1.8          |                         |
| Commodities      | 0.2           | 0.4                              | 0.0                  | 0.3          |                         |
| <b>Total</b>     | <b>¥ 4.3</b>  | <b>¥ 6.5</b>                     | <b>¥ 3.2</b>         | <b>¥ 3.9</b> |                         |

| Risk category    | Daily average | Fiscal year ended March 31, 2008 |                      | Minimum      | As of<br>March 31, 2008 |
|------------------|---------------|----------------------------------|----------------------|--------------|-------------------------|
|                  |               | Maximum                          | (in billions of yen) |              |                         |
| Interest rate    | ¥ 2.3         | ¥ 3.8                            | ¥ 1.5                | ¥ 2.6        |                         |
| Foreign exchange | 2.0           | 6.4                              | 0.9                  | 4.4          |                         |
| Equities         | 1.6           | 2.8                              | 0.8                  | 1.3          |                         |
| Commodities      | 0.2           | 0.3                              | 0.1                  | 0.1          |                         |
| <b>Total</b>     | <b>¥ 4.4</b>  | <b>¥ 7.9</b>                     | <b>¥ 3.0</b>         | <b>¥ 6.7</b> |                         |

| Risk category    | Daily average | Fiscal year ended March 31, 2009 |                      | Minimum      | As of<br>March 31, 2009 |
|------------------|---------------|----------------------------------|----------------------|--------------|-------------------------|
|                  |               | Maximum                          | (in billions of yen) |              |                         |
| Interest rate    | ¥ 2.3         | ¥ 3.9                            | ¥ 1.6                | ¥ 2.2        |                         |
| Foreign exchange | 2.4           | 5.1                              | 1.0                  | 2.6          |                         |
| Equities         | 1.3           | 2.3                              | 0.3                  | 0.5          |                         |
| Commodities      | 0.2           | 0.3                              | 0.0                  | 0.0          |                         |
| <b>Total</b>     | <b>¥ 4.7</b>  | <b>¥ 7.7</b>                     | <b>¥ 3.3</b>         | <b>¥ 3.8</b> |                         |

The following graph shows VaR figures of our trading activities for the fiscal year ended March 31, 2009:



**Table of Contents**

The following table shows VaR figures of our trading activities for the fiscal years indicated:

|   | 2007     | Fiscal years ended March 31, |       | Change  |
|---|----------|------------------------------|-------|---------|
|   |          | 2008                         | 2009  |         |
| (in billions of yen, except number of cases)          |          |                              |       |         |
| As of fiscal year end                                 | ¥ 3.9    | ¥ 6.7                        | ¥ 3.8 | ¥ (2.9) |
| Maximum   | 6.5      | 7.9                          | 7.7   | (0.2)   |
| Minimum   | 3.2      | 3.0                          | 3.3   | 0.3     |
| Average   | 4.3      | 4.4                          | 4.7   | 0.3     |
| The number of cases where profits/losses exceeded VaR | no cases | no cases                     | 1     |         |

*Non-trading Activities*

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.

The graph below shows the VaR related to our banking activities excluding our strategic equity portfolio for the year ended March 31, 2009.

The following table shows the VaR figures relating to our banking activities for the fiscal years indicated:

|                       | 2007    | Fiscal years ended March 31, |         | Change   |
|-----------------------|---------|------------------------------|---------|----------|
|                       |         | 2008                         | 2009    |          |
| (in billions of yen)  |         |                              |         |          |
| As of fiscal year end | ¥ 213.2 | ¥ 258.6                      | ¥ 248.2 | ¥ (10.4) |
| Maximum               | 251.5   | 303.9                        | 335.9   | 32.0     |
| Minimum               | 103.1   | 160.5                        | 173.3   | 12.8     |
| Average               | 179.4   | 226.8                        | 251.5   | 24.7     |

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.

**Table of Contents**

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.

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. As shown in the table, we have reduced overall sensitivity to the risk of future increases in interest rates. Interest rate sensitivity (10 BPV) shows how much net present value varies when interest rates rise by 10 basis (0.1%), and it explains the impact of interest rate movements on net present value when short- and long-term interest rates behave differently.

|                        | 2007   | As of March 31,<br>2008<br>(in billions of yen) | 2009   | Change |
|------------------------|--------|---|--------|--------|
| Up to one year         | ¥ (6)  | ¥ (7)   | ¥ (9)  | ¥ (2)  |
| From one to five years | (21)   | (14)  | (25)   | (11)   |
| Over five years        | (20)   | (27)  | (18)   | 8      |
| Total                  | ¥ (48) | ¥ (48)  | ¥ (53) | ¥ (5)  |

*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 calculated by taking the greater of (i) VaR on the calculation date and (ii) the average 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.

The following table shows total market risk equivalent as of the dates indicated calculated using the standardized measurement method and internal models:

|  | 2008    | As of March 31,<br>2009<br>(in billions of yen) | Change   |
|--|---------|---|----------|
| Calculated using standardized measurement method | ¥ 112.9 | ¥ 64.1  | ¥ (48.8) |
| Calculated using internal models                 | 51.2    | 43.2  | (8.0)    |
| Total market risk equivalent                     | ¥ 164.2 | ¥ 107.3   | ¥ (56.8) |

Note:

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;

confidence interval: one-tailed 99.0%;

holding period of 10 days; and

historical observation period of one year.

**Table of Contents****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 Corporate Bank, Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities, Mizuho Investors Securities and Trust & Custody Services Bank each manage operational risk in an appropriate manner pursuant to risk management policies determined by Mizuho Financial Group.

Mizuho Financial Group, Mizuho Corporate Bank, Mizuho Bank, Mizuho Trust & Banking, Mizuho Securities, Mizuho Investors 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.

***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>   |

**Table of Contents**

|  | <b>Definition</b>  | <b>Principal Risk Management Methods</b>   |
|--|--|--|
| 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>  |
| 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> |
| <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.</p> |  |  |

## **Table of Contents**

### ***Certification of Information Security Management System***

Mizuho Financial Group obtained certifications for the Information Security Management Systems of all divisions of the company under both the Conformity Assessment Scheme, ISO/IEC27001: 2005, the international standard, and JIS Q 27001: 2006, the domestic standard. Mizuho Bank also obtained the same certifications for its Planning, promotion and sales supporting divisions of financial products and services for individuals, corporate and public sector customers of the head office. Mizuho Financial Group, as the holding company for the Mizuho group, is responsible for the planning, design and promotion of information security management of its group companies and has implemented various measures to enhance our management of information security, including protection of personal information. Mizuho Financial Group will encourage its other group companies to obtain similar certifications and will continue to make efforts to further strengthen information security management of the entire group.

### **Compliance**

As one of Japan's leading comprehensive financial groups, 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 Corporate Bank and Mizuho Bank each generally oversees compliance matters of the respective company, and such chief executive officers also head their respective compliance committees at which important matters concerning compliance are discussed. The three 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 three 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 such as Mizuho Trust & Banking and Mizuho Securities 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.

## **Table of Contents**

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.

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

Mizuho Corporate Bank and Mizuho Bank have also established internal audit committees that are independent of their other business operations.

Mizuho Corporate Bank and Mizuho Bank have established internal audit divisions and credit review divisions 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 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***

Mizuho Trust & Banking, Mizuho Securities and our 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**

Not applicable.



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**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, 2009. 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, 2009 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 Rules 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.

**Table of Contents**

Our management evaluated the effectiveness of our internal control over financial reporting as of March 31, 2009 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, 2009.

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, 2009, 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 has materially affected, or is 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 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, a corporate auditor, 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 Japanese-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 (E&Y), our independent registered public accounting firm, and its affiliates, for the fiscal years ended March 31, 2008 and 2009 are presented in the following table:

|                                   | Fiscal year ended March 31, |                |
|-----------------------------------|-----------------------------|----------------|
|                                   | 2008                        | 2009           |
|                                   | (in millions of yen)        |                |
| Audit fees <sup>(1)</sup>         | ¥ 5,730                     | ¥ 4,783        |
| Audit-related fees <sup>(2)</sup> | 656                         | 512            |
| Tax fees <sup>(3)</sup>           | 100                         | 74             |
| All other fees <sup>(4)</sup>     | 50                          | 22             |
| <b>Total</b>                      | <b>¥ 6,536</b>              | <b>¥ 5,391</b> |

Notes:

- (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.

**Table of Contents**

- (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.

*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 E&Y.

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.

**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, 2009:

|                                   | Total number of<br>shares purchased | Average price<br>paid per share | Total number of<br>shares purchased<br>as part of publicly<br>announced plans<br>or programs | Maximum<br>number of shares<br>that may yet be<br>purchased under<br>the plans or<br>programs |
|-----------------------------------|-------------------------------------|---------------------------------|--|---|
| April 1 to April 30, 2008         | 29,290                              | ¥ 421                           |  |   |
| May 1 to May 31, 2008             | 30,240                              | 525                             |  |   |
| June 1 to June 30, 2008           | 47,130                              | 561                             |  | 600,000,000   |
| July 1 to July 31, 2008           | 283,693,680                         | 529                             | 283,500,000  |   |
| August 1 to August 31, 2008       | 116,680                             | 488                             |  |   |
| September 1 to September 30, 2008 | 100,150                             | 452                             |  |   |
| October 1 to October 31, 2008     | 66,870                              | 391                             |  |   |
| November 1 to November 30, 2008   | 49,410                              | 247                             |  |   |
| December 1 to December 31, 2008   | 191,930                             | 242                             |  |   |
| January 1 to January 31, 2009     | 0                                   | 0                               |  |   |
| February 1 to February 28, 2009   | 3,207                               | 218                             |  |   |
| March 1 to March 31, 2009         | 7,446                               | 190                             |  |   |
| <b>Total</b>                      | <b>284,336,033</b>                  | <b>¥ 529</b>                    | <b>283,500,000</b>   | <b>600,000,000</b>  |

Notes:

- (1) The figures in this table and footnotes prior to January 4, 2009 have been adjusted to reflect the allotments of shares at the rate of 999 shares per 1 share, effective as of January 4, 2009.
- (2) A total of 836,033 shares were purchased other than through a publicly announced plan or program during the fiscal year ended March 31, 2009, due to our purchase of fractional shares or shares constituting less than one (1) unit from registered holders of fractional shares or shares constituting less than one (1) unit at the current market price of those shares.
- (3) On May 15, 2008, our board of directors resolved to acquire up to 600 million shares of our common stock for an aggregate purchase price of ¥150 billion during the period from June 10, 2008 to November 30, 2008. In accordance with such resolution, we acquired 283,500 thousand shares for an aggregate purchase price of ¥149,990,515,000 and announced the conclusion of such acquisition on July 24, 2008.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**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.



## **Table of Contents**

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 US 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 an audit committee composed entirely of independent directors. 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 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 that 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.

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 which 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 six members, three of which are outside directors, 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.

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. Based on the above resolution, the distribution of remuneration among directors is broadly delegated to our board of directors, which takes into consideration the advisory opinion by the compensation committee, and the distribution of remuneration among corporate auditors is determined by consultation among our corporate auditors.

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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**

| <b>Exhibit<br/>Number</b> | <b>Description of Exhibits</b>  |
|---------------------------|---|
| 1.1                       | Articles of Incorporation of Mizuho Financial Group, Inc., dated June 25, 2009 (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 27, 2006 (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 (English Translation)*  |
| 1.4                       | Share Handling Regulations of Mizuho Financial Group, Inc., dated January 5, 2009 (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).  |

\* 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 shareholders 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, 2007, 2008 and 2009. 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.

|   | 2007                                     |                              |               | 2008            |                              |               | 2009            |                              |               |
|---|--|------------------------------|---------------|-----------------|------------------------------|---------------|-----------------|------------------------------|---------------|
|   | 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 millions of yen, except percentages) |                              |               |                 |                              |               |                 |                              |               |
| <b>Assets:</b>  |  |                              |               |                 |                              |               |                 |                              |               |
| Interest-earning assets:  |  |                              |               |                 |                              |               |                 |                              |               |
| Interest-bearing deposits in other banks:   |  |                              |               |                 |                              |               |                 |                              |               |
| Domestic  | 585,726                                  | 29,729                       | 5.08%         | 779,287         | 24,792                       | 3.18%         | 1,903,047       | 12,034                       | 0.63%         |
| Foreign   | 1,231,120                                | 46,856                       | 3.81%         | 1,439,143       | 53,552                       | 3.72%         | 942,094         | 26,048                       | 2.76%         |
| Total   | 1,816,846                                | 76,585                       | 4.22%         | 2,218,430       | 78,344                       | 3.53%         | 2,845,141       | 38,082                       | 1.34%         |
| Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions: |  |                              |               |                 |                              |               |                 |                              |               |
| Domestic  | 7,965,490                                | 25,396                       | 0.32%         | 7,543,809       | 49,240                       | 0.65%         | 6,987,834       | 39,812                       | 0.57%         |
| Foreign   | 9,574,941                                | 477,841                      | 4.99%         | 11,259,822      | 534,762                      | 4.75%         | 8,739,254       | 169,091                      | 1.93%         |
| Total   | 17,540,431                               | 503,237                      | 2.87%         | 18,803,631      | 584,002                      | 3.11%         | 15,727,088      | 208,903                      | 1.33%         |
| Trading account assets:   |  |                              |               |                 |                              |               |                 |                              |               |
| Domestic  | 6,695,053                                | 19,877                       | 0.30%         | 7,388,942       | 34,140                       | 0.46%         | 5,972,190       | 37,475                       | 0.63%         |
| Foreign   | 3,865,653                                | 49,603                       | 1.28%         | 4,337,103       | 50,286                       | 1.16%         | 14,179,939      | 249,983                      | 1.76%         |
| Total   | 10,560,706                               | 69,480                       | 0.66%         | 11,726,045      | 84,426                       | 0.72%         | 20,152,129      | 287,458                      | 1.43%         |
| Investments:  |  |                              |               |                 |                              |               |                 |                              |               |
| Domestic  | 28,106,504                               | 234,150                      | 0.83%         | 27,900,453      | 282,028                      | 1.01%         | 26,471,682      | 264,249                      | 1.00%         |
| Foreign   | 8,882,618                                | 378,751                      | 4.26%         | 9,840,043       | 446,558                      | 4.54%         | 3,622,782       | 102,675                      | 2.83%         |
| Total   | 36,989,122                               | 612,901                      | 1.66%         | 37,740,496      | 728,586                      | 1.93%         | 30,094,464      | 366,924                      | 1.22%         |
| Loans (Note):   |  |                              |               |                 |                              |               |                 |                              |               |
| Domestic  | 58,401,018                               | 899,095                      | 1.54%         | 57,661,789      | 1,020,208                    | 1.77%         | 59,386,946      | 1,019,007                    | 1.72%         |
| Foreign   | 9,641,893                                | 478,009                      | 4.96%         | 10,860,713      | 614,694                      | 5.66%         | 10,669,774      | 463,817                      | 4.35%         |
| Total   | 68,042,911                               | 1,377,104                    | 2.02%         | 68,522,502      | 1,634,902                    | 2.39%         | 70,056,720      | 1,482,824                    | 2.12%         |
| Total interest-earning assets:  |  |                              |               |                 |                              |               |                 |                              |               |
| Domestic  | 101,753,791                              | 1,208,247                    | 1.19%         | 101,274,280     | 1,410,408                    | 1.39%         | 100,721,699     | 1,372,577                    | 1.36%         |
| Foreign   | 33,196,225                               | 1,431,060                    | 4.31%         | 37,736,824      | 1,699,852                    | 4.50%         | 38,153,843      | 1,011,614                    | 2.65%         |

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|                                  |             |           |       |             |           |       |             |           |       |
|----------------------------------|-------------|-----------|-------|-------------|-----------|-------|-------------|-----------|-------|
| Total                            | 134,950,016 | 2,639,307 | 1.96% | 139,011,104 | 3,110,260 | 2.24% | 138,875,542 | 2,384,191 | 1.72% |
| Noninterest-earning assets:      |             |           |       |             |           |       |             |           |       |
| Cash and due from banks          | 2,208,468   |           |       | 1,922,379   |           |       | 1,713,387   |           |       |
| Other noninterest-earning assets | 6,323,847   |           |       | 7,247,988   |           |       | 7,369,161   |           |       |
| Allowance for loan losses        | (1,248,843) |           |       | (1,088,628) |           |       | (903,700)   |           |       |
| Total noninterest-earning assets | 7,283,472   |           |       | 8,081,739   |           |       | 8,178,848   |           |       |
| Total average assets             | 142,233,488 |           |       | 147,092,843 |           |       | 147,054,390 |           |       |

Note: Average balances of loans include all nonaccrual loans. The amortized portion of net loan origination fees (costs) is included in interest income on loans.

**Table of Contents**

Within total average assets, the percentage attributable to foreign activities was 24.1%, 26.7% and 27.4%, respectively, for the fiscal years ended March 31, 2007, 2008 and 2009.

|  | Average<br>balance | 2007<br>Interest<br>expense | Average<br>rate | Average<br>balance | 2008<br>Interest<br>expense | Average<br>rate | Average<br>balance | 2009<br>Interest<br>expense | Average<br>rate |
|--|--------------------|-----------------------------|-----------------|--------------------|-----------------------------|-----------------|--------------------|-----------------------------|-----------------|
| (in millions of yen, except percentages)                                     |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| <b>Liabilities and shareholders equity:</b>                                  |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| Interest-bearing liabilities:  |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| Deposits:  |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| Domestic   | 62,072,831         | 234,520                     | 0.38%           | 64,295,733         | 337,497                     | 0.52%           | 67,047,253         | 287,861                     | 0.43%           |
| Foreign  | 8,675,000          | 349,091                     | 4.02%           | 9,349,287          | 416,683                     | 4.46%           | 7,249,920          | 199,609                     | 2.75%           |
| Total  | 70,747,831         | 583,611                     | 0.82%           | 73,645,020         | 754,180                     | 1.02%           | 74,297,173         | 487,470                     | 0.66%           |
| Debentures Domestic  | 5,629,233          | 34,083                      | 0.61%           | 3,965,305          | 23,746                      | 0.60%           | 2,754,818          | 17,594                      | 0.64%           |
| Short-term borrowings (Note):  |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| Domestic   | 19,220,281         | 81,708                      | 0.43%           | 19,043,323         | 158,289                     | 0.83%           | 21,299,236         | 150,616                     | 0.71%           |
| Foreign  | 12,651,419         | 620,465                     | 4.90%           | 15,538,508         | 737,405                     | 4.75%           | 11,870,832         | 224,801                     | 1.89%           |
| Total  | 31,871,700         | 702,173                     | 2.20%           | 34,581,831         | 895,694                     | 2.59%           | 33,170,068         | 375,417                     | 1.13%           |
| Trading account liabilities:   |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| Domestic   | 4,658,215          | 13,680                      | 0.29%           | 4,232,390          | 8,213                       | 0.19%           | 2,441,810          | 6,557                       | 0.27%           |
| Foreign  | 3,597,178          | 58,020                      | 1.61%           | 3,361,223          | 18,894                      | 0.56%           | 7,357,283          | 11,471                      | 0.16%           |
| Total  | 8,255,393          | 71,700                      | 0.87%           | 7,593,613          | 27,107                      | 0.36%           | 9,799,093          | 18,028                      | 0.18%           |
| Long-term debt:  |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| Domestic   | 5,796,640          | 161,332                     | 2.78%           | 7,548,752          | 187,500                     | 2.48%           | 8,009,673          | 177,589                     | 2.22%           |
| Foreign  | 455,893            | 18,490                      | 4.06%           | 784,674            | 23,295                      | 2.97%           | 888,695            | 25,917                      | 2.92%           |
| Total  | 6,252,533          | 179,822                     | 2.88%           | 8,333,426          | 210,795                     | 2.53%           | 8,898,368          | 203,506                     | 2.29%           |
| Total interest-bearing liabilities:  |                    |                             |                 |                    |                             |                 |                    |                             |                 |
| Domestic   | 97,377,200         | 525,323                     | 0.54%           | 99,085,503         | 715,245                     | 0.72%           | 101,552,790        | 640,217                     | 0.63%           |
| Foreign  | 25,379,490         | 1,046,066                   | 4.12%           | 29,033,692         | 1,196,277                   | 4.12%           | 27,366,730         | 461,798                     | 1.69%           |
| Total  | 122,756,690        | 1,571,389                   | 1.28%           | 128,119,195        | 1,911,522                   | 1.49%           | 128,919,520        | 1,102,015                   | 0.85%           |
| Noninterest-bearing liabilities  | 15,390,390         |                             |                 | 14,960,520         |                             |                 | 15,912,582         |                             |                 |
| Shareholders equity  | 4,086,408          |                             |                 | 4,013,128          |                             |                 | 2,222,288          |                             |                 |
| Total average liabilities and shareholders equity                            | 142,233,488        |                             |                 | 147,092,843        |                             |                 | 147,054,390        |                             |                 |
| Net interest income and average interest rate spread                         |                    | 1,067,918                   | 0.68%           |                    | 1,198,738                   | 0.75%           |                    | 1,282,176                   | 0.87%           |
| Net interest income as a percentage of average total interest-earning assets |                    |                             | 0.79%           |                    |                             | 0.86%           |                    |                             | 0.92%           |

Note: 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.

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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 19.0%, 21.2% and 22.3%, respectively, for the fiscal years ended March 31, 2007, 2008 and 2009.

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, 2008 compared to the fiscal year ended March 31, 2007 and the fiscal year ended March 31, 2009 compared to the fiscal year ended March 31, 2008. 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, 2008<br>versus<br>fiscal year ended March 31, 2007 |                 |                                       | Fiscal year ended March 31, 2009<br>versus<br>fiscal year ended March 31, 2008 |                  |                  |
|---|--|-----------------|---------------------------------------|--|------------------|------------------|
|   | Increase (decrease)<br>due to changes in                                       |                 | Net<br>change<br>(in millions of yen) | Increase (decrease)<br>due to changes in                                       |                  | Net<br>change    |
|   | Volume   | Yield           |                                       | Volume   | Yield            |                  |
| <b>Interest and dividend income:</b>  |  |                 |                                       |  |                  |                  |
| Interest-bearing deposits in other banks:   |  |                 |                                       |  |                  |                  |
| Domestic  | 6,158  | (11,095)        | (4,937)                               | 7,106  | (19,864)         | (12,758)         |
| Foreign   | 7,741  | (1,045)         | 6,696                                 | (15,770)   | (11,734)         | (27,504)         |
| <b>Total</b>  | <b>13,899</b>  | <b>(12,140)</b> | <b>1,759</b>                          | <b>(8,664)</b>   | <b>(31,598)</b>  | <b>(40,262)</b>  |
| Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions: |  |                 |                                       |  |                  |                  |
| Domestic  | (1,344)  | 25,188          | 23,844                                | (3,459)  | (5,969)          | (9,428)          |
| Foreign   | 80,020   | (23,099)        | 56,921                                | (100,258)  | (265,413)        | (365,671)        |
| <b>Total</b>  | <b>78,676</b>  | <b>2,089</b>    | <b>80,765</b>                         | <b>(103,717)</b>   | <b>(271,382)</b> | <b>(375,099)</b> |
| Trading account assets:   |  |                 |                                       |  |                  |                  |
| Domestic  | 2,240  | 12,023          | 14,263                                | (6,545)  | 9,880            | 3,335            |
| Foreign   | 5,466  | (4,783)         | 683                                   | 162,439  | 37,258           | 199,697          |
| <b>Total</b>  | <b>7,706</b>   | <b>7,240</b>    | <b>14,946</b>                         | <b>155,894</b>   | <b>47,138</b>    | <b>203,032</b>   |
| Investments:  |  |                 |                                       |  |                  |                  |
| Domestic  | (1,717)  | 49,595          | 47,878                                | (14,299)   | (3,480)          | (17,779)         |
| Foreign   | 42,469   | 25,338          | 67,807                                | (215,699)  | (128,184)        | (343,883)        |
| <b>Total</b>  | <b>40,752</b>  | <b>74,933</b>   | <b>115,685</b>                        | <b>(229,998)</b>   | <b>(131,664)</b> | <b>(361,662)</b> |
| Loans:  |  |                 |                                       |  |                  |                  |
| Domestic  | (11,381)   | 132,494         | 121,113                               | 29,590   | (30,791)         | (1,201)          |
| Foreign   | 64,461   | 72,224          | 136,685                               | (10,630)   | (140,247)        | (150,877)        |
| <b>Total</b>  | <b>53,080</b>  | <b>204,718</b>  | <b>257,798</b>                        | <b>18,960</b>  | <b>(171,038)</b> | <b>(152,078)</b> |
| Total interest and dividend income:   |  |                 |                                       |  |                  |                  |
| Domestic  | (6,044)  | 208,205         | 202,161                               | 12,393   | (50,224)         | (37,831)         |
| Foreign   | 200,157  | 68,635          | 268,792                               | (179,918)  | (508,320)        | (688,238)        |
| <b>Total</b>  | <b>194,113</b>   | <b>276,840</b>  | <b>470,953</b>                        | <b>(167,525)</b>   | <b>(558,544)</b> | <b>(726,069)</b> |





**Table of Contents**

|                                     | Fiscal year ended March 31, 2008<br>versus<br>fiscal year ended March 31, 2007 |                 |                                       | Fiscal year ended March 31, 2009<br>versus<br>fiscal year ended March 31, 2008 |                  |                  |
|-------------------------------------|--|-----------------|---------------------------------------|--|------------------|------------------|
|                                     | Increase (decrease)<br>due to changes in<br>Volume                             | Rate            | Net<br>change<br>(in millions of yen) | Increase (decrease)<br>due to changes in<br>Volume                             | Rate             | Net<br>change    |
| <b>Interest expense:</b>            |  |                 |                                       |  |                  |                  |
| <b>Deposits:</b>                    |  |                 |                                       |  |                  |                  |
| Domestic                            | 8,674  | 94,303          | 102,977                               | 11,831   | (61,467)         | (49,636)         |
| Foreign                             | 28,358   | 39,234          | 67,592                                | (80,333)   | (136,741)        | (217,074)        |
| <b>Total</b>                        | <b>37,032</b>  | <b>133,537</b>  | <b>170,569</b>                        | <b>(68,502)</b>  | <b>(198,208)</b> | <b>(266,710)</b> |
| <b>Debentures Domestic</b>          |  |                 |                                       |  |                  |                  |
|                                     | (9,968)  | (369)           | (10,337)                              | (7,250)  | 1,098            | (6,152)          |
| <b>Short-term borrowings:</b>       |  |                 |                                       |  |                  |                  |
| Domestic                            | (752)  | 77,333          | 76,581                                | 15,960   | (23,633)         | (7,673)          |
| Foreign                             | 137,012  | (20,072)        | 116,940                               | (144,557)  | (368,047)        | (512,604)        |
| <b>Total</b>                        | <b>136,260</b>   | <b>57,261</b>   | <b>193,521</b>                        | <b>(128,597)</b>   | <b>(391,680)</b> | <b>(520,277)</b> |
| <b>Trading account liabilities:</b> |  |                 |                                       |  |                  |                  |
| Domestic                            | (1,160)  | (4,307)         | (5,467)                               | (3,474)  | 1,818            | (1,656)          |
| Foreign                             | (3,579)  | (35,547)        | (39,126)                              | 6,230  | (13,653)         | (7,423)          |
| <b>Total</b>                        | <b>(4,739)</b>   | <b>(39,854)</b> | <b>(44,593)</b>                       | <b>2,756</b>   | <b>(11,835)</b>  | <b>(9,079)</b>   |
| <b>Long-term debt:</b>              |  |                 |                                       |  |                  |                  |
| Domestic                            | 43,520   | (17,352)        | 26,168                                | 10,222   | (20,133)         | (9,911)          |
| Foreign                             | 9,761  | (4,956)         | 4,805                                 | 3,033  | (411)            | 2,622            |
| <b>Total</b>                        | <b>53,281</b>  | <b>(22,308)</b> | <b>30,973</b>                         | <b>13,255</b>  | <b>(20,544)</b>  | <b>(7,289)</b>   |
| <b>Total interest expense:</b>      |  |                 |                                       |  |                  |                  |
| Domestic                            | 40,314   | 149,608         | 189,922                               | 27,289   | (102,317)        | (75,028)         |
| Foreign                             | 171,552  | (21,341)        | 150,211                               | (215,627)  | (518,852)        | (734,479)        |
| <b>Total</b>                        | <b>211,866</b>   | <b>128,267</b>  | <b>340,133</b>                        | <b>(188,338)</b>   | <b>(621,169)</b> | <b>(809,507)</b> |
| <b>Net interest income:</b>         |  |                 |                                       |  |                  |                  |
| Domestic                            | (46,358)   | 58,597          | 12,239                                | (14,896)   | 52,093           | 37,197           |
| Foreign                             | 28,605   | 89,976          | 118,581                               | 35,709   | 10,532           | 46,241           |
| <b>Total</b>                        | <b>(17,753)</b>  | <b>148,573</b>  | <b>130,820</b>                        | <b>20,813</b>  | <b>62,625</b>    | <b>83,438</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, 2007, 2008 and 2009:

|  | 2007              |                   |                               | 2008              |                   |                               | 2009              |                   |                               |
|--|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------------------|
|  | 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 millions of yen)                             |                   |                   |                               |                   |                   |                               |                   |                   |                               |
| Available-for-sale securities: <sup>(1)</sup>    |                   |                   |                               |                   |                   |                               |                   |                   |                               |
| Domestic:  |                   |                   |                               |                   |                   |                               |                   |                   |                               |
| Japanese government bonds                        | 14,524,884        | 14,516,016        | (8,868)                       | 16,216,080        | 16,212,421        | (3,659)                       | 18,450,323        | 18,458,118        | 7,795                         |
| Agency mortgage-backed securities <sup>(2)</sup> | 261,629           | 258,645           | (2,984)                       | 251,028           | 251,519           | 491                           | 160,169           | 156,665           | (3,504)                       |
| Corporate bonds and other debt securities        | 5,392,064         | 5,371,722         | (20,342)                      | 5,566,096         | 5,573,470         | 7,374                         | 4,734,775         | 4,717,274         | (17,501)                      |
| Equity securities (marketable)                   | 2,514,198         | 6,169,088         | 3,654,890                     | 2,501,616         | 4,391,998         | 1,890,382                     | 2,221,238         | 2,853,907         | 632,669                       |
| <b>Total domestic</b>                            | <b>22,692,775</b> | <b>26,315,471</b> | <b>3,622,696</b>              | <b>24,534,820</b> | <b>26,429,408</b> | <b>1,894,588</b>              | <b>25,566,505</b> | <b>26,185,964</b> | <b>619,459</b>                |
| Foreign:   |                   |                   |                               |                   |                   |                               |                   |                   |                               |
| U.S. Treasury bonds                              | 2,044,045         | 2,051,847         | 7,802                         | 2,571,051         | 2,549,932         | (21,119)                      | 189,491           | 193,261           | 3,770                         |
| Other foreign gov t bonds                        | 2,866,136         | 2,996,479         | 130,343                       | 1,768,307         | 1,867,778         | 99,471                        | 181,871           | 182,004           | 133                           |
| Agency mortgage-backed securities <sup>(3)</sup> | 2,181,798         | 2,228,921         | 47,123                        | 1,311,319         | 1,269,227         | (42,092)                      | 48,108            | 49,154            | 1,046                         |
| Corporate bonds and other debt securities        | 2,196,570         | 2,183,109         | (13,461)                      | 2,160,272         | 2,134,779         | (25,493)                      | 946,045           | 928,191           | (17,854)                      |
| Equity securities (marketable)                   | 76,861            | 94,840            | 17,979                        | 117,904           | 120,514           | 2,610                         | 16,016            | 16,160            | 144                           |
| <b>Total foreign</b>                             | <b>9,365,410</b>  | <b>9,555,196</b>  | <b>189,786</b>                | <b>7,928,853</b>  | <b>7,942,230</b>  | <b>13,377</b>                 | <b>1,381,531</b>  | <b>1,368,770</b>  | <b>(12,761)</b>               |
| <b>Total</b>                                     | <b>32,058,185</b> | <b>35,870,667</b> | <b>3,812,482</b>              | <b>32,463,673</b> | <b>34,371,638</b> | <b>1,907,965</b>              | <b>26,948,036</b> | <b>27,554,734</b> | <b>606,698</b>                |
| Held-to-maturity securities:                     |                   |                   |                               |                   |                   |                               |                   |                   |                               |
| Domestic:  |                   |                   |                               |                   |                   |                               |                   |                   |                               |
| Japanese government bonds                        | 969,069           | 967,192           | (1,877)                       | 489,978           | 490,078           | 100                           | 50,039            | 50,140            | 101                           |
| Corporate bonds and other debt securities        | 49,971            | 49,797            | (174)                         | 48,546            | 48,550            | 4                             | 11,189            | 11,193            | 4                             |
| <b>Total domestic</b>                            | <b>1,019,040</b>  | <b>1,016,989</b>  | <b>(2,051)</b>                | <b>538,524</b>    | <b>538,628</b>    | <b>104</b>                    | <b>61,228</b>     | <b>61,333</b>     | <b>105</b>                    |
| Foreign:   |                   |                   |                               |                   |                   |                               |                   |                   |                               |
| U.S. Treasury bonds                              | 318,579           | 312,394           | (6,185)                       | 240,391           | 245,144           | 4,753                         | 117,906           | 119,372           | 1,466                         |
| <b>Total foreign</b>                             | <b>318,579</b>    | <b>312,394</b>    | <b>(6,185)</b>                | <b>240,391</b>    | <b>245,144</b>    | <b>4,753</b>                  | <b>117,906</b>    | <b>119,372</b>    | <b>1,466</b>                  |
| <b>Total</b>                                     | <b>1,337,619</b>  | <b>1,329,383</b>  | <b>(8,236)</b>                | <b>778,915</b>    | <b>783,772</b>    | <b>4,857</b>                  | <b>179,134</b>    | <b>180,705</b>    | <b>1,571</b>                  |

Notes:

- (1) During the fiscal year ended March 31 2008, the MHFG Group stratified its investment portfolio into additional categories to provide more clarity regarding the types of securities held. Certain amounts in the prior periods have been reclassified to conform to the current period's presentation.
- (2) All of domestic agency mortgage-backed securities are mortgage-backed securities issued by Japan Housing Finance Agency, a Japanese government-sponsored enterprise.

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- (3) Foreign agency mortgage-backed securities primarily consist of Government National Mortgage Association or Ginnie Mae securities, which are guaranteed by the United States government.

A-6

**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, 2009. 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 millions of yen, except percentages)  |                  |       |                                   |       |   |       |                 |       |            |       |
| Available-for-sale securities:            |                  |       |                                   |       |   |       |                 |       |            |       |
| Domestic:                                 |                  |       |                                   |       |   |       |                 |       |            |       |
| Japanese government bonds                 | 7,394,169        | 0.41% | 8,189,101                         | 0.62% | 1,609,061                                   | 1.15% | 1,265,787       | 1.48% | 18,458,118 | 0.64% |
| Agency mortgage-backed securities         |                  | %     |                                   | %     |   | %     | 156,665         | 1.95% | 156,665    | 1.95% |
| Corporate bonds and other debt securities | 462,543          | 0.95% | 2,271,875                         | 1.27% | 788,201                                     | 1.25% | 1,194,655       | 1.38% | 4,717,274  | 1.26% |
| Total domestic                            | 7,856,712        | 0.44% | 10,460,976                        | 0.76% | 2,397,262                                   | 1.19% | 2,617,107       | 1.46% | 23,332,057 | 0.78% |
| Foreign:                                  |                  |       |                                   |       |   |       |                 |       |            |       |
| U.S. Treasury bonds                       | 117,811          | 1.24% | 75,433                            | 2.50% | 13  | 1.79% | 4               | 1.92% | 193,261    | 1.72% |
| Other foreign gov t bonds                 | 157,239          | 0.97% | 24,354                            | 2.77% | 411   | 8.08% |                 | %     | 182,004    | 1.23% |
| Agency mortgage-backed securities         | 1                | 6.50% | 2,533                             | 6.55% | 50  | 6.00% | 46,570          | 5.50% | 49,154     | 5.55% |
| Corporate bonds and other debt securities | 246,061          | 2.90% | 465,370                           | 2.01% | 70,218                                      | 1.50% | 146,542         | 1.19% | 928,191    | 2.08% |
| Total foreign                             | 521,112          | 1.94% | 567,690                           | 2.12% | 70,692                                      | 1.54% | 193,116         | 2.24% | 1,352,610  | 2.04% |
| Total                                     | 8,377,824        | 0.54% | 11,028,666                        | 0.84% | 2,467,954                                   | 1.20% | 2,810,223       | 1.52% | 24,684,667 | 0.85% |
| Held-to-maturity securities:              |                  |       |                                   |       |   |       |                 |       |            |       |
| Domestic:                                 |                  |       |                                   |       |   |       |                 |       |            |       |
| Japanese government bonds                 | 50,039           | 0.52% |                                   | %     |   | %     |                 | %     | 50,039     | 0.52% |
| Corporate bonds and other debt securities | 11,189           | 1.55% |                                   | %     |   | %     |                 | %     | 11,189     | 1.55% |
| Total domestic                            | 61,228           | 0.71% |                                   | %     |   | %     |                 | %     | 61,228     | 0.71% |
| Foreign:                                  |                  |       |                                   |       |   |       |                 |       |            |       |
| U.S. Treasury bonds                       | 117,906          | 3.60% |                                   | %     |   | %     |                 | %     | 117,906    | 3.60% |
| Total foreign                             | 117,906          | 3.60% |                                   | %     |   | %     |                 | %     | 117,906    | 3.60% |
| Total                                     | 179,134          | 2.61% |                                   | %     |   | %     |                 | %     | 179,134    | 2.61% |

**Table of Contents**

Other than U.S. Treasury bonds, U.S. government agency securities which are included within foreign agency mortgage-backed securities in the above table, and Japanese government bonds, the MHFG Group held the following securities of individual issuers with respect to which their aggregate book value exceeded 10% of the Group's shareholders' equity at March 31, 2009:

|  | Equity<br>Securities   | Book value<br>Debt<br>Securities<br>(in millions of yen) | In<br>aggregate <sup>(1)</sup> |
|--|------------------------|--|--------------------------------|
| JFE Holdings, Inc.                     | 33,483                 | 131,453  | 164,936                        |
| Nippon Steel Corporation               | 149,086 <sup>(2)</sup> |  | 149,086                        |
| Orient Corporation                     | 134,833                |  | 134,833                        |
| Deposit Insurance Corporation of Japan |                        | 133,874  | 133,874                        |
| Canon Inc.                             | 118,214                |  | 118,214                        |
| East Japan Railway Company             | 102,665                | 9,035  | 111,700                        |
| Kyobashi Holding TMK                   |                        | 98,345   | 98,345                         |
| The Government of the United Kingdom   |                        | 86,431   | 86,431                         |

## Notes:

(1) The aggregate book value approximates the aggregate fair value.

(2) Amount includes equity securities issued by a finance company of Nippon Steel Corporation.

In addition to Available-for-sale securities and Held-to-maturity securities, the MHFG Group's Investments also include Other investments. See Note 4 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, 2005, 2006, 2007, 2008 and 2009.

|  | 2005                 | 2006       | 2007       | 2008       | 2009       |
|--|----------------------|------------|------------|------------|------------|
|  | (in millions of yen) |            |            |            |            |
| Domestic: <sup>(1)</sup>                         |                      |            |            |            |            |
| Manufacturing                                    | 7,943,154            | 7,792,723  | 7,662,036  | 7,806,714  | 8,915,085  |
| Construction                                     | 1,745,172            | 1,563,511  | 1,502,442  | 1,429,596  | 1,456,298  |
| Real estate                                      | 6,616,466            | 7,046,668  | 6,647,086  | 6,489,603  | 6,215,710  |
| Services   | 6,904,944            | 6,308,198  | 6,120,059  | 5,566,161  | 5,378,425  |
| Wholesale and retail                             | 7,337,985            | 6,929,994  | 6,356,583  | 6,100,129  | 6,006,392  |
| Transportation                                   | 2,854,582            | 2,789,525  | 2,594,601  | 2,516,266  | 2,593,178  |
| Banks and other financial institutions           | 6,201,142            | 6,540,940  | 4,286,617  | 4,355,610  | 5,037,117  |
| Government and public institutions               | 3,456,814            | 4,574,072  | 6,099,359  | 5,807,510  | 8,655,149  |
| Other industries <sup>(2)</sup>                  | 4,703,022            | 5,184,264  | 5,451,861  | 5,061,023  | 4,645,720  |
| Individuals:                                     |                      |            |            |            |            |
| Mortgage loans                                   | 10,536,877           | 10,655,069 | 11,025,079 | 11,122,393 | 11,382,136 |
| Other  | 1,384,540            | 1,317,167  | 1,338,493  | 1,204,350  | 1,161,047  |
| Total domestic                                   | 59,684,698           | 60,702,131 | 59,084,216 | 57,459,355 | 61,446,257 |
| Foreign:   |                      |            |            |            |            |
| Commercial and industrial                        | 5,033,023            | 6,104,658  | 7,963,577  | 8,815,166  | 8,680,337  |
| Banks and other financial institutions           | 671,678              | 1,437,166  | 1,675,503  | 1,544,938  | 2,223,733  |
| Government and public institutions               | 161,330              | 330,987    | 366,292    | 414,688    | 300,524    |
| Other <sup>(2)</sup>                             | 77,568               | 205,411    | 184,898    | 93,852     | 94,263     |
| Total foreign                                    | 5,943,599            | 8,078,222  | 10,190,270 | 10,868,644 | 11,298,857 |
| Total  | 65,628,297           | 68,780,353 | 69,274,486 | 68,327,999 | 72,745,114 |
| Less: Unearned income and deferred loan fees net | 58,961               | 69,392     | 91,619     | 106,192    | 88,019     |
| Total loans before allowance for loan losses     | 65,569,336           | 68,710,961 | 69,182,867 | 68,221,807 | 72,657,095 |

## Notes:

(1) Certain amounts in the prior periods have been reclassified to conform to the current period's presentation.

(2) 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, 2009:

|  | One year<br>or less | Maturity                                |                     | Total      |
|--|---------------------|---|---------------------|------------|
|  |                     | After one year<br>through<br>five years | After<br>five years |            |
|  |                     | (in millions of yen)                    |                     |            |
| Domestic:                              |                     |   |                     |            |
| Manufacturing                          | 5,052,175           | 3,128,422                               | 734,488             | 8,915,085  |
| Construction                           | 780,744             | 584,085                                 | 91,469              | 1,456,298  |
| Real estate                            | 2,267,622           | 3,088,629                               | 859,459             | 6,215,710  |
| Services                               | 2,247,971           | 2,434,985                               | 695,469             | 5,378,425  |
| Wholesale and retail                   | 3,934,432           | 1,784,189                               | 287,771             | 6,006,392  |
| Transportation                         | 866,903             | 1,201,287                               | 524,988             | 2,593,178  |
| Banks and other financial institutions | 2,591,346           | 1,786,413                               | 659,358             | 5,037,117  |
| Government and public institutions     | 7,833,127           | 537,812                                 | 284,210             | 8,655,149  |
| Other industries                       | 3,414,634           | 890,962                                 | 340,124             | 4,645,720  |
| Individuals                            | 1,444,192           | 2,513,937                               | 8,585,054           | 12,543,183 |
| Total domestic                         | 30,433,146          | 17,950,721                              | 13,062,390          | 61,446,257 |
| Foreign:                               |                     |   |                     |            |
| Total foreign                          | 3,842,265           | 5,377,005                               | 2,079,587           | 11,298,857 |
| Total                                  | 34,275,411          | 23,327,726                              | 15,141,977          | 72,745,114 |

Of the above loans due after one year, loans which had floating rates and fixed rates at March 31, 2009 were as follows:

|                | (in millions of yen) |
|----------------|----------------------|
| Floating rates | 26,496,455           |
| Fixed rates    | 11,973,248           |
| Total          | 38,469,703           |

**Table of Contents***Impaired loans*

The MHFG Group considers both loans that are subject to Statement of Financial Accounting Standards ( SFAS ) No.114, Accounting by Creditors for Impairment of a Loan an amendment of FASB statement No.5 and 15 ( SFAS No.114 ) and small balance, homogenous loans to be impaired when 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. Among other things, restructured loans under SFAS No.15, Accounting by Debtors and Creditors for Troubled Debt Restructuring ( SFAS No.15 ) and loans that are 90 days or more delinquent are generally considered to be impaired. All of the MHFG Group's impaired loans are designated as nonaccrual loans. The following table shows the distribution of impaired loans at March 31, 2005, 2006, 2007, 2008 and 2009 by domicile and industry of borrower:

|  | 2005                 | 2006             | 2007             | 2008             | 2009             |
|--|----------------------|------------------|------------------|------------------|------------------|
|  | (in millions of yen) |                  |                  |                  |                  |
| <b>Domestic:</b>                       |                      |                  |                  |                  |                  |
| Manufacturing                          | 133,109              | 106,094          | 96,759           | 160,819          | 212,990          |
| Construction                           | 98,314               | 53,213           | 71,577           | 88,081           | 86,627           |
| Real estate                            | 316,843              | 188,474          | 118,985          | 106,326          | 308,917          |
| Services                               | 292,016              | 140,044          | 167,599          | 199,954          | 212,675          |
| Wholesale and retail                   | 410,529              | 202,758          | 216,744          | 243,325          | 159,901          |
| Transportation                         | 220,812              | 315,784          | 371,283          | 114,978          | 103,936          |
| Banks and other financial institutions | 8,445                | 4,876            | 292,753          | 178,122          | 26,429           |
| Other industries                       | 50,531               | 8,686            | 8,619            | 11,354           | 40,513           |
| Individuals                            | 231,990              | 139,678          | 137,226          | 146,018          | 165,348          |
| <b>Total domestic</b>                  | <b>1,762,589</b>     | <b>1,159,607</b> | <b>1,481,545</b> | <b>1,248,977</b> | <b>1,317,336</b> |
| <b>Foreign:</b>                        |                      |                  |                  |                  |                  |
| <b>Total foreign</b>                   | <b>80,724</b>        | <b>69,810</b>    | <b>47,321</b>    | <b>46,497</b>    | <b>114,712</b>   |
| <b>Total impaired loans</b>            | <b>1,843,313</b>     | <b>1,229,417</b> | <b>1,528,866</b> | <b>1,295,474</b> | <b>1,432,048</b> |

Had interest on nonaccrual loans been accrued at the original contractual terms, gross interest income on domestic nonaccrual loans outstanding during the fiscal year ended March 31, 2009 would have been ¥43,556 million, of which ¥28,982 million was included in interest income on loans in the consolidated statements of income. Gross interest income which would have been accrued at the original contractual terms on foreign nonaccrual loans outstanding during the fiscal year ended March 31, 2009 was ¥11,399 million, of which ¥8,841 million was included in interest income on loans in the consolidated statements of income.

*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, 2007:

|                | Public institutions                      | Banks     | Others    | Total     | % of total assets | Undrawn commitments |
|----------------|--|-----------|-----------|-----------|-------------------|---------------------|
|                | (in millions of yen, except percentages) |           |           |           |                   |                     |
| United States  | 4,496,886                                | 1,963,200 | 2,201,361 | 8,661,447 | 5.88%             | 2,684,410           |
| Germany        | 1,584,373                                | 466,137   | 158,347   | 2,208,857 | 1.50%             | 314,344             |
| France         | 950,785                                  | 276,119   | 170,625   | 1,397,529 | 0.95%             | 411,378             |
| United Kingdom | 60,295                                   | 591,619   | 661,217   | 1,313,131 | 0.89%             | 529,409             |



|             |        |         |         |           |       |         |
|-------------|--------|---------|---------|-----------|-------|---------|
| Netherlands | 40,383 | 633,870 | 454,945 | 1,129,198 | 0.77% | 278,137 |
|-------------|--------|---------|---------|-----------|-------|---------|

A-11

**Table of Contents**

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, 2008:

|   | <b>Public<br/>institutions</b> | <b>Banks</b> | <b>Others</b> | <b>Total</b> | <b>% of total<br/>assets</b> | <b>Undrawn<br/>commitments</b> |
|---|--------------------------------|--------------|---------------|--------------|------------------------------|--------------------------------|
| <b>(in millions of yen, except percentages)</b> |                                |              |               |              |                              |                                |
| United States                                   | 3,092,512                      | 490,114      | 2,769,969     | 6,352,595    | 4.20%                        | 2,139,270                      |
| Germany   | 3,171,297                      | 223,152      | 193,820       | 3,588,269    | 2.37%                        | 248,536                        |
| United Kingdom                                  | 100,020                        | 323,108      | 755,114       | 1,178,242    | 0.78%                        | 490,319                        |
| France  | 703,575                        | 338,003      | 123,094       | 1,164,672    | 0.77%                        | 351,271                        |

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, 2009:

|   | <b>Public<br/>institutions</b> | <b>Banks</b> | <b>Others</b> | <b>Total</b> | <b>% of total<br/>assets</b> | <b>Undrawn<br/>commitments</b> |
|---|--------------------------------|--------------|---------------|--------------|------------------------------|--------------------------------|
| <b>(in millions of yen, except percentages)</b> |                                |              |               |              |                              |                                |
| United States                                   | 1,416,602                      | 1,204,835    | 1,601,777     | 4,223,214    | 2.72%                        | 1,836,558                      |
| Germany   | 1,923,293                      | 364,145      | 217,055       | 2,504,493    | 1.61%                        | 203,202                        |
| France  | 223,649                        | 798,895      | 232,693       | 1,255,237    | 0.81%                        | 259,898                        |
| United Kingdom                                  | 16,984                         | 367,991      | 820,017       | 1,204,992    | 0.78%                        | 346,082                        |

**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, 2005, 2006, 2007, 2008 and 2009:

|   | 2005                                     | 2006      | 2007    | 2008     | 2009     |
|---|--|-----------|---------|----------|----------|
|   | (in millions of yen, except percentages) |           |         |          |          |
| Allowance for loan losses at beginning of fiscal year | 1,936,167                                | 1,207,155 | 812,321 | 946,147  | 649,803  |
| Provision (credit) for loan losses                    | 55,035                                   | (157,666) | 182,115 | (57,766) | 567,396  |
| <b>Charge-offs:</b>                                   |  |           |         |          |          |
| <b>Domestic:</b>                                      |  |           |         |          |          |
| Manufacturing   | 64,580                                   | 38,325    | 11,119  | 31,546   | 38,696   |
| Construction  | 20,424                                   | 11,073    | 2,672   | 8,272    | 23,874   |
| Real estate   | 312,526                                  | 85,264    | 4,722   | 3,729    | 92,940   |
| Services  | 118,836                                  | 28,661    | 18,037  | 88,897   | 18,566   |
| Wholesale and retail                                  | 221,326                                  | 44,763    | 25,737  | 40,681   | 56,969   |
| Transportation  | 20,028                                   | 5,463     | 319     | 3,796    | 3,567    |
| Banks and other financial institutions                | 10,403                                   | 553       | 6,028   | 53,207   | 19,438   |
| Other industries                                      | 12,592                                   | 12,254    | 5,413   | 12,903   | 8,897    |
| Individuals   | 88,036                                   | 63,702    | 18,010  | 17,389   | 24,007   |
| Total domestic  | 868,751                                  | 290,058   | 92,057  | 260,420  | 286,954  |
| Total foreign   | 7,336                                    | 15,671    | 18,555  | 10,822   | 57,107   |
| Total charge-offs                                     | 876,087                                  | 305,729   | 110,612 | 271,242  | 344,061  |
| <b>Recoveries:</b>                                    |  |           |         |          |          |
| <b>Domestic:</b>                                      |  |           |         |          |          |
| Manufacturing   | 5,394                                    | 3,589     | 3,335   | 2,313    | 3,301    |
| Construction  | 9,431                                    | 6,464     | 2,360   | 909      | 1,255    |
| Real estate   | 22,010                                   | 20,992    | 3,222   | 13,780   | 2,421    |
| Services  | 8,478                                    | 10,241    | 12,405  | 7,405    | 2,149    |
| Wholesale and retail                                  | 12,202                                   | 10,622    | 4,666   | 7,349    | 4,328    |
| Transportation  | 1,556                                    | 49        | 185     | 153      | 407      |
| Banks and other financial institutions                | 2,871                                    | 1,023     | 225     | 3,582    | 128      |
| Other industries                                      | 3,480                                    | 1,896     | 2,447   | 1,415    | 1,886    |
| Individuals   | 9,498                                    | 6,361     | 3,377   | 2,760    | 3,244    |
| Total domestic  | 74,920                                   | 61,237    | 32,222  | 39,666   | 19,119   |
| Total foreign   | 14,820                                   | 12,654    | 25,799  | 7,709    | 9,762    |
| Total recoveries                                      | 89,740                                   | 73,891    | 58,021  | 47,375   | 28,881   |
| Net charge-offs                                       | 786,347                                  | 231,838   | 52,591  | 223,867  | 315,180  |
| Others (Note)   | 2,300                                    | (5,330)   | 4,302   | (14,711) | (32,233) |
| Balance at end of fiscal year                         | 1,207,155                                | 812,321   | 946,147 | 649,803  | 869,786  |
| Ratio of net charge-offs to average loans outstanding | 1.19%                                    | 0.35%     | 0.08%   | 0.33%    | 0.45%    |

Note: Others include primarily foreign exchange translation.

A-13

**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, 2005, 2006, 2007, 2008 and 2009:

|  | 2005      |  | 2006    |  | 2007    |  | 2008    |  | 2009    |  |
|--|-----------|--|---------|--|---------|--|---------|--|---------|--|
|  | 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 millions of yen, except percentages) |           |  |         |  |         |  |         |  |         |  |
| Domestic:                                |           |  |         |  |         |  |         |  |         |  |
| Manufacturing                            | 88,365    | 12.10%                                     | 62,218  | 11.33%                                     | 61,001  | 11.06%                                     | 74,884  | 11.43%                                     | 123,780 | 12.26%                                     |
| Construction                             | 64,203    | 2.66%                                      | 28,040  | 2.27%                                      | 30,436  | 2.17%                                      | 31,414  | 2.09%                                      | 33,716  | 2.00%                                      |
| Real estate                              | 152,085   | 10.08%                                     | 74,063  | 10.24%                                     | 57,202  | 9.60%                                      | 49,249  | 9.50%                                      | 122,935 | 8.54%                                      |
| Services                                 | 172,316   | 10.52%                                     | 91,499  | 9.17%                                      | 106,538 | 8.83%                                      | 89,434  | 8.15%                                      | 110,971 | 7.39%                                      |
| Wholesale and retail                     | 254,487   | 11.18%                                     | 143,580 | 10.08%                                     | 115,816 | 9.18%                                      | 117,282 | 8.93%                                      | 105,986 | 8.26%                                      |
| Transportation                           | 69,649    | 4.35%                                      | 114,837 | 4.06%                                      | 142,073 | 3.75%                                      | 40,820  | 3.68%                                      | 45,225  | 3.56%                                      |
| Banks and other financial institutions   | 115,619   | 9.45%                                      | 85,360  | 9.51%                                      | 218,957 | 6.19%                                      | 74,232  | 6.37%                                      | 27,407  | 6.92%                                      |
| Other industries (Note)                  | 27,838    | 12.43%                                     | 9,363   | 14.19%                                     | 12,942  | 16.66%                                     | 9,952   | 15.90%                                     | 35,424  | 18.29%                                     |
| Individuals                              | 190,079   | 18.17%                                     | 138,528 | 17.41%                                     | 151,713 | 17.85%                                     | 118,977 | 18.04%                                     | 121,212 | 17.25%                                     |
| Mortgage loans                           | 116,042   | 16.06%                                     | 107,014 | 15.49%                                     | 114,556 | 15.92%                                     | 85,715  | 16.28%                                     | 89,047  | 15.65%                                     |
| Other                                    | 74,037    | 2.11%                                      | 31,514  | 1.92%                                      | 37,157  | 1.93%                                      | 33,262  | 1.76%                                      | 32,165  | 1.60%                                      |
| Total domestic                           | 1,134,641 | 90.94%                                     | 747,488 | 88.26%                                     | 896,678 | 85.29%                                     | 606,244 | 84.09%                                     | 726,656 | 84.47%                                     |
| Total foreign                            | 72,514    | 9.06%                                      | 64,833  | 11.74%                                     | 49,469  | 14.71%                                     | 43,559  | 15.91%                                     | 143,130 | 15.53%                                     |
| Total allowance for loan losses          | 1,207,155 | 100.00%                                    | 812,321 | 100.00%                                    | 946,147 | 100.00%                                    | 649,803 | 100.00%                                    | 869,786 | 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, 2007, 2008 and 2009:

|  | 2007              |              | 2008              |              | 2009              |              |
|--|-------------------|--------------|-------------------|--------------|-------------------|--------------|
|  | Average amount    | Average rate | Average amount    | Average rate | Average amount    | Average rate |
| (in millions of yen, except percentages)                                     |                   |              |                   |              |                   |              |
| <b>Domestic offices:</b>   |                   |              |                   |              |                   |              |
| Noninterest-bearing demand deposits  | 11,562,000        | %            | 9,679,670         | %            | 9,594,676         | %            |
| Interest-bearing demand deposits   | 26,706,460        | 0.20%        | 27,477,845        | 0.31%        | 27,531,721        | 0.17%        |
| Deposits at notice (Note)  | 635,558           | 0.08%        | 599,924           | 0.20%        | 572,490           | 0.15%        |
| Time deposits  | 25,859,005        | 0.60%        | 27,476,772        | 0.71%        | 28,995,136        | 0.60%        |
| Certificates of deposit  | 8,871,808         | 0.28%        | 8,670,242         | 0.65%        | 9,947,906         | 0.65%        |
| <b>Foreign offices, principally from banks located in foreign countries:</b> |                   |              |                   |              |                   |              |
| Noninterest-bearing demand deposits  | 363,386           | %            | 360,275           | %            | 428,777           | %            |
| Interest-bearing deposits, principally time deposits                         | 7,096,152         | 3.75%        | 8,051,392         | 4.17%        | 6,520,997         | 2.68%        |
| Certificates of deposit  | 1,578,848         | 5.26%        | 1,368,845         | 5.93%        | 728,923           | 3.44%        |
| <b>Total</b>   | <b>82,673,217</b> | <b>0.71%</b> | <b>83,684,965</b> | <b>0.90%</b> | <b>84,320,626</b> | <b>0.58%</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, 2007, 2008 and 2009 were ¥905,214 million, ¥1,131,912 million and ¥627,294 million, respectively.

At March 31, 2009, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$101 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2009) or more as well as the balance 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<br>(in millions of yen) | Total             |
|--|-------------------|---|-------------------|
| <b>Domestic offices:</b>                   |                   |   |                   |
| Due in three months or less                | 9,848,447         | 8,295,580                                       | 18,144,027        |
| Due after three months through six months  | 4,112,183         | 156,270   | 4,268,453         |
| Due after six months through twelve months | 3,425,816         | 63,650  | 3,489,466         |
| Due after twelve months                    | 1,656,337         | 4,200   | 1,660,537         |
| <b>Total</b>                               | <b>19,042,783</b> | <b>8,519,700</b>                                | <b>27,562,483</b> |
| <b>Foreign offices</b>                     | <b>6,267,038</b>  | <b>839,748</b>                                  | <b>7,106,786</b>  |
| <b>Total</b>                               | <b>25,309,821</b> | <b>9,359,448</b>                                | <b>34,669,269</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, 2007, 2008 and 2009:

|  | 2007                                     | 2008       | 2009       |
|--|--|------------|------------|
|  | (in millions of yen, except percentages) |            |            |
| <b>Due to trust accounts:</b>  |  |            |            |
| Average balance outstanding during the fiscal year   | 1,205,615                                | 1,210,106  | 1,057,566  |
| Maximum balance outstanding at any month-end during the fiscal year  | 1,278,373                                | 1,265,679  | 1,229,685  |
| Balance at end of fiscal year  | 1,135,359                                | 1,119,947  | 986,148    |
| Weighted average interest rate during the fiscal year  | 0.49%                                    | 0.73%      | 0.64%      |
| Weighted average interest rate on balance at end of fiscal year  | 0.67%                                    | 0.70%      | 0.53%      |
| <b>Call money and funds purchased, and payables under repurchase agreements and securities lending transactions:</b> |  |            |            |
| Average balance outstanding during the fiscal year   | 25,626,096                               | 28,537,793 | 25,855,201 |
| Maximum balance outstanding at any month-end during the fiscal year  | 28,682,820                               | 32,299,976 | 28,255,107 |
| Balance at end of fiscal year  | 25,846,647                               | 25,299,859 | 19,936,017 |
| Weighted average interest rate during the fiscal year  | 2.57%                                    | 2.87%      | 1.18%      |
| Weighted average interest rate on balance at end of fiscal year  | 2.45%                                    | 2.46%      | 0.38%      |
| <b>Commercial paper and other short-term borrowings:</b>   |  |            |            |
| Average balance outstanding during the fiscal year   | 5,039,989                                | 4,833,932  | 6,257,301  |
| Maximum balance outstanding at any month-end during the fiscal year  | 5,570,739                                | 7,048,189  | 9,561,479  |
| Balance at end of fiscal year  | 5,217,057                                | 5,373,729  | 8,715,458  |
| Weighted average interest rate during the fiscal year  | 0.74%                                    | 1.38%      | 1.01%      |
| Weighted average interest rate on balance at end of fiscal year  | 1.02%                                    | 0.83%      | 0.41%      |

**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, 2008 and 2009</u>  | F-4         |
| <u>Consolidated Statements of Income for the fiscal years ended March 31, 2007, 2008 and 2009</u>               | F-6         |
| <u>Consolidated Statements of Comprehensive Income for the fiscal years ended March 31, 2007, 2008 and 2009</u> | F-7         |
| <u>Consolidated Statements of Shareholders' Equity for the fiscal years ended March 31, 2007, 2008 and 2009</u> | F-8         |
| <u>Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2007, 2008 and 2009</u>           | F-9         |
| <u>Notes to Consolidated Financial Statements</u>   | F-11        |



**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, 2009 and 2008, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009. 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, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, 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, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 13, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

August 13, 2009

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**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, 2009, 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, 2009, 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, 2009 and 2008, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009 and our report dated August 13, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

August 13, 2009

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****MARCH 31, 2008 AND 2009**

|   | 2008                 | 2009               |
|---|----------------------|--------------------|
|   | (in millions of yen) |                    |
| <b>Assets:</b>  |                      |                    |
| Cash and due from banks (Note 9)  | 2,085,847            | 2,732,912          |
| Interest-bearing deposits in other banks (Note 9)   | 1,549,746            | 3,128,135          |
| Call loans and funds sold   | 257,741              | 144,505            |
| Receivables under resale agreements   | 7,235,200            | 6,276,539          |
| Receivables under securities borrowing transactions   | 9,069,138            | 5,819,418          |
| Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥3,545,201 million in 2008 and ¥2,910,109 million in 2009) (Notes 3, 9 and 28) | 20,552,404           | 31,006,311         |
| Investments (Notes 4, 9 and 28):  |                      |                    |
| Available-for-sale securities (including assets pledged that secured parties are permitted to sell or repledge of ¥8,097,839 million in 2008 and ¥3,646,442 million in 2009)              | 34,371,638           | 27,554,734         |
| Held-to-maturity securities   | 778,915              | 179,134            |
| Other investments   | 1,005,195            | 1,011,838          |
| Loans (Notes 5, 6, 9 and 28)  | 68,221,807           | 72,657,095         |
| Allowance for loan losses   | (649,803)            | (869,786)          |
| Loans, net of allowance   | 67,572,004           | 71,787,309         |
| Premises and equipment net (Note 7)   | 852,393              | 899,748            |
| Due from customers on acceptances   | 62,255               | 54,208             |
| Accrued income  | 380,592              | 296,208            |
| Goodwill (Note 8)   | 15,016               | 15,016             |
| Deferred tax assets (Note 20)   | 923,572              | 791,462            |
| Other assets (Notes 5, 9, 14, 21 and 28)  | 4,606,100            | 3,385,554          |
| <b>Total assets</b>   | <b>151,317,756</b>   | <b>155,083,031</b> |

See the accompanying Notes to the Consolidated Financial Statements.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Continued)****MARCH 31, 2008 AND 2009**

|   | 2008                 | 2009               |
|---|----------------------|--------------------|
|   | (in millions of yen) |                    |
| <b>Liabilities and shareholders equity:</b>   |                      |                    |
| Deposits (Notes 9 and 10):  |                      |                    |
| Domestic:   |                      |                    |
| Noninterest-bearing deposits  | 10,846,443           | 11,843,441         |
| Interest-bearing deposits   | 66,329,605           | 67,114,628         |
| Foreign:  |                      |                    |
| Noninterest-bearing deposits  | 412,869              | 470,757            |
| Interest-bearing deposits   | 8,840,148            | 7,646,901          |
| Debentures (Note 11)  | 3,159,443            | 2,300,460          |
| Due to trust accounts (Note 12)   | 1,119,947            | 986,148            |
| Call money and funds purchased  | 6,693,712            | 6,449,830          |
| Payables under repurchase agreements  | 11,511,020           | 9,183,363          |
| Payables under securities lending transactions  | 7,095,127            | 4,302,824          |
| Commercial paper  | 560,966              | 315,819            |
| Other short-term borrowings   | 4,812,763            | 8,399,639          |
| Trading account liabilities (Notes 3 and 28)  | 14,120,440           | 21,507,485         |
| Bank acceptances outstanding  | 62,255               | 54,208             |
| Income taxes payable (Note 20)  | 28,800               | 22,239             |
| Deferred tax liabilities (Note 20)  | 11,200               | 7,443              |
| Accrued expenses  | 294,190              | 216,206            |
| Long-term debt (including liabilities accounted for at fair value of ¥178,233 million in 2008, and ¥267,539 million in 2009) (Notes 13 and 28)  | 7,618,910            | 8,017,770          |
| Other liabilities (Notes 14, 21, 24 and 28)   | 4,231,761            | 5,206,690          |
| <b>Total liabilities</b>  | <b>147,749,599</b>   | <b>154,045,851</b> |
| Commitments and contingencies (Note 24)   |                      |                    |
| Minority interest in consolidated subsidiaries (Note 25)  | 299,357              | 191,133            |
| Shareholders equity:  |                      |                    |
| Preferred stock (Note 15)   | 980,430              | 948,641            |
| Common stock no par value, authorized 24,392,259 shares in 2008, and 24,115,759,000 shares in 2009, and issued 11,396,255 shares in 2008, and 11,178,940,660 shares in 2009 (Note 16) | 3,437,420            | 3,386,792          |
| Accumulated deficit   | (2,066,604)          | (3,293,692)        |
| Accumulated other comprehensive income (loss), net of tax   | 920,062              | (189,476)          |
| Less: Treasury stock, at cost Common stock 4,585 shares in 2008, and 11,335,903 shares in 2009  | (2,508)              | (6,218)            |
| <b>Total shareholders equity</b>  | <b>3,268,800</b>     | <b>846,047</b>     |
| <b>Total liabilities, minority interest and shareholders equity</b>   | <b>151,317,756</b>   | <b>155,083,031</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, 2007, 2008 and 2009**

|   | 2007      | 2008<br>(in millions of yen) | 2009      |
|---|-----------|------------------------------|-----------|
| <b>Interest and dividend income:</b>                                      |           |                              |           |
| Loans, including fees (Note 5)  | 1,377,104 | 1,634,902                    | 1,482,824 |
| Investments:  |           |                              |           |
| Interest  | 518,968   | 637,455                      | 269,529   |
| Dividends   | 93,933    | 91,131                       | 97,395    |
| Trading account assets  | 69,480    | 84,426                       | 287,458   |
| Call loans and funds sold   | 19,107    | 13,568                       | 8,937     |
| Receivables under resale agreements and securities borrowing transactions | 484,130   | 570,434                      | 199,966   |
| Deposits  | 76,585    | 78,344                       | 38,082    |
| Total interest and dividend income  | 2,639,307 | 3,110,260                    | 2,384,191 |
| <b>Interest expense:</b>  |           |                              |           |
| Deposits  | 583,611   | 754,180                      | 487,470   |
| Debentures  | 34,083    | 23,746                       | 17,594    |
| Trading account liabilities   | 71,700    | 27,107                       | 18,028    |
| Call money and funds purchased  | 31,072    | 59,829                       | 48,259    |
| Payables under repurchase agreements and securities lending transactions  | 627,880   | 760,367                      | 257,338   |
| Other short-term borrowings   | 43,221    | 75,498                       | 69,820    |
| Long-term debt  | 179,822   | 210,795                      | 203,506   |
| Total interest expense  | 1,571,389 | 1,911,522                    | 1,102,015 |
| Net interest income   | 1,067,918 | 1,198,738                    | 1,282,176 |
| Provision (credit) for loan losses (Notes 5 and 6)                        | 182,115   | (57,766)                     | 567,396   |
| Net interest income after provision (credit) for loan losses              | 885,803   | 1,256,504                    | 714,780   |
| <b>Noninterest income:</b>  |           |                              |           |
| Fees and commissions (Note 27)  | 682,999   | 633,064                      | 560,539   |
| Foreign exchange gains (losses) net (Note 3)                              | (51,304)  | 296,732                      | 23,769    |
| Trading account gains net (Note 3)  | 389,890   | 135,955                      | 122,018   |
| Investment gains (losses) net (Note 4)                                    | (185,972) | (191,314)                    | (462,207) |
| Gains on disposal of premises and equipment                               | 64,612    | 37,264                       | 23,359    |
| Other noninterest income (Notes 21 and 30)                                | 295,723   | 183,242                      | 184,749   |
| Total noninterest income  | 1,195,948 | 1,094,943                    | 452,227   |
| <b>Noninterest expenses:</b>  |           |                              |           |
| Salaries and employee benefits (Note 21)                                  | 416,676   | 436,100                      | 495,943   |
| General and administrative expenses                                       | 481,008   | 508,749                      | 499,441   |
| Impairment of goodwill (Note 8)   |           | 50,258                       |           |
| Occupancy expenses  | 172,480   | 196,735                      | 177,646   |
| Fees and commission expenses  | 111,624   | 111,172                      | 105,744   |
| Provision (credit) for losses on off-balance-sheet instruments (Note 24)  | (37,821)  | 5,090                        | 83,628    |
| Minority interest in consolidated subsidiaries (Note 25)                  | 27,791    | (53,656)                     | (61,555)  |

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|   |           |           |                 |
|---|-----------|-----------|-----------------|
| Other noninterest expenses (Note 5)         | 122,890   | 196,205   | 162,699         |
| Total noninterest expenses                  | 1,294,648 | 1,450,653 | 1,463,546       |
| Income (loss) before income tax expense     | 787,103   | 900,794   | (296,539)       |
| Income tax expense (Note 20)                | 163,221   | 672,176   | 761,908         |
| Net income (loss)                           | 623,882   | 228,618   | (1,058,447)     |
|   |           |           | <b>(in yen)</b> |
| <b>Earnings per common share (Note 19):</b> |           |           |                 |
| Basic net income (loss) per common share    | 51.73     | 18.17     | (95.96)         |
| Diluted net income (loss) per common share  | 48.71     | 16.77     | (95.96)         |

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, 2007, 2008 AND 2009**

|  | Gains (losses)<br>before income tax<br>expense (benefit) | Income tax<br>(expense) benefit<br>(in millions of yen) | Gains (Losses)<br>net of income tax<br>expense (benefit) |
|--|--|---|--|
| <b>Fiscal year ended March 31, 2007</b>                                      |  |   |  |
| Net income   |  |   | 623,882  |
| Other comprehensive income (loss):   |  |   |  |
| Unrealized net gains (losses) on available-for-sale securities (Note 20):    |  |   |  |
| Unrealized holding gains (losses)  | 332,942  | (135,545)   | 197,397  |
| Less: reclassification adjustments for losses (gains) included in net income | 34,987   | (14,181)  | 20,806   |
| <b>Total</b>   | <b>367,929</b>   | <b>(149,726)</b>  | <b>218,203</b>   |
| Foreign currency translation adjustments:                                    |  |   |  |
| Foreign currency translation adjustments                                     | 25,680   |   | 25,680   |
| Less: reclassification adjustments for losses (gains) included in net income |  |   |  |
| <b>Total</b>   | <b>25,680</b>  |   | <b>25,680</b>  |
| Minimum pension liability adjustments (Note 20)                              | 432  | (175)   | 257  |
| <b>Total other comprehensive income (loss)</b>                               | <b>394,041</b>   | <b>(149,901)</b>  | <b>244,140</b>   |
| <b>Total comprehensive income</b>  |  |   | <b>868,022</b>   |
| <b>Fiscal year ended March 31, 2008</b>                                      |  |   |  |
| Net income   |  |   | 228,618  |
| Other comprehensive income (loss):   |  |   |  |
| Unrealized net gains (losses) on available-for-sale securities (Note 20):    |  |   |  |
| Unrealized holding gains (losses)  | (1,450,168)  | 586,524   | (863,644)  |
| Less: reclassification adjustments for losses (gains) included in net income | (416,952)  | 169,434   | (247,518)  |
| <b>Total</b>   | <b>(1,867,120)</b>                                       | <b>755,958</b>  | <b>(1,111,162)</b>                                       |
| Foreign currency translation adjustments:                                    |  |   |  |
| Foreign currency translation adjustments                                     | (13,722)   |   | (13,722)   |
| Less: reclassification adjustments for losses (gains) included in net income |  |   |  |
| <b>Total</b>   | <b>(13,722)</b>  |   | <b>(13,722)</b>  |
| Pension liability adjustments (Notes 20 and 21):                             |  |   |  |
| Unrealized gains (losses) on SFAS No.158                                     | (400,154)  | 161,178   | (238,976)  |
| Less: reclassification adjustments for losses (gains) included in net income | (6,552)  | 2,647   | (3,905)  |
| <b>Total</b>   | <b>(406,706)</b>   | <b>163,825</b>  | <b>(242,881)</b>   |
| <b>Total other comprehensive income (loss)</b>                               | <b>(2,287,548)</b>                                       | <b>919,783</b>  | <b>(1,367,765)</b>                                       |

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|  |             |         |             |
|--|-------------|---------|-------------|
| Total comprehensive income (loss)  |             |         | (1,139,147) |
| <b>Fiscal year ended March 31, 2009</b>                                      |             |         |             |
| Net income (loss)  |             |         | (1,058,447) |
| Other comprehensive income (loss):   |             |         |             |
| Unrealized net gains (losses) on available-for-sale securities (Note 20):    |             |         |             |
| Unrealized holding gains (losses)  | (1,169,297) | 471,183 | (698,114)   |
| Less: reclassification adjustments for losses (gains) included in net income | (68,011)    | 28,970  | (39,041)    |
| Total  | (1,237,308) | 500,153 | (737,155)   |
| Foreign currency translation adjustments:                                    |             |         |             |
| Foreign currency translation adjustments                                     | (95,450)    |         | (95,450)    |
| Less: reclassification adjustments for losses (gains) included in net income |             |         |             |
| Total  | (95,450)    |         | (95,450)    |
| Pension liability adjustments (Notes 20 and 21):                             |             |         |             |
| Unrealized gains (losses) on SFAS No.158                                     | (329,699)   | 66,067  | (263,632)   |
| Less: reclassification adjustments for losses (gains) included in net income | 6,682       | (2,714) | 3,968       |
| Total  | (323,017)   | 63,353  | (259,664)   |
| Total other comprehensive income (loss)                                      | (1,655,775) | 563,506 | (1,092,269) |
| Total comprehensive income (loss)  |             |         | (2,150,716) |

See the accompanying Notes to the Consolidated Financial Statements.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY****FOR THE FISCAL YEARS ENDED MARCH 31, 2007, 2008 AND 2009**

|   | 2007        | 2008<br>(in millions of yen) | 2009        |
|---|-------------|------------------------------|-------------|
| <b>Preferred stock (Note 15):</b>   |             |                              |             |
| Balance at beginning of fiscal year   | 1,580,430   | 980,430                      | 980,430     |
| Change during year  | (600,000)   |                              | (31,789)    |
| Balance at end of fiscal year   | 980,430     | 980,430                      | 948,641     |
| <b>Common stock (Note 16):</b>  |             |                              |             |
| Balance at beginning of fiscal year   | 3,547,726   | 3,532,492                    | 3,437,420   |
| Cancellation of common stock  | (15,266)    | (95,055)                     | (83,729)    |
| Gains on sales of treasury stock  | 32          |                              | 124         |
| Issuance of new shares of common stock by conversion of preferred stock           |             |                              | 31,789      |
| Stock-based compensation (Note 22)  |             |                              | 1,188       |
| Other   |             | (17)                         |             |
| Balance at end of fiscal year   | 3,532,492   | 3,437,420                    | 3,386,792   |
| <b>Accumulated deficit:</b>   |             |                              |             |
| Balance at beginning of fiscal year, previously reported                          | (2,647,768) | (2,105,719)                  | (2,066,604) |
| Cumulative effect of change in accounting principles, net of tax (Notes 2 and 28) | 1,514       | (2,597)                      | 27,837      |
| Balance at beginning of fiscal year, adjusted                                     | (2,646,254) | (2,108,316)                  | (2,038,767) |
| Net income (loss)   | 623,882     | 228,618                      | (1,058,447) |
| Dividends declared  | (79,850)    | (101,230)                    | (133,898)   |
| Cancellation of preferred stock   | (3,497)     |                              |             |
| Cancellation of common stock  |             | (85,134)                     | (62,580)    |
| Other   |             | (542)                        |             |
| Balance at end of fiscal year   | (2,105,719) | (2,066,604)                  | (3,293,692) |
| <b>Accumulated other comprehensive income (loss), net of tax:</b>                 |             |                              |             |
| Unrealized net gains on available-for-sale securities (Note 4):                   |             |                              |             |
| Balance at beginning of fiscal year, previously reported                          | 1,996,172   | 2,214,375                    | 1,103,213   |
| Cumulative effect of change in accounting principle (SFAS No.159) (Note 28)       |             |                              | (17,269)    |
| Balance at beginning of fiscal year, adjusted                                     | 1,996,172   | 2,214,375                    | 1,085,944   |
| Change during year  | 218,203     | (1,111,162)                  | (737,155)   |
| Balance at end of fiscal year   | 2,214,375   | 1,103,213                    | 348,789     |
| Foreign currency translation adjustments:   |             |                              |             |
| Balance at beginning of fiscal year   | (83,083)    | (57,403)                     | (71,125)    |
| Change during year  | 25,680      | (13,722)                     | (95,450)    |
| Balance at end of fiscal year   | (57,403)    | (71,125)                     | (166,575)   |
| Minimum pension liability adjustments:  |             |                              |             |
| Balance at beginning of fiscal year   | (949)       |                              |             |
| Change during year  | 257         |                              |             |
| Adjustments to initially apply SFAS No.158  | 692         |                              |             |
| Balance at end of fiscal year   |             |                              |             |

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|   |                 |                  |                  |
|---|-----------------|------------------|------------------|
| <b>Pension liability adjustments (Note 21):</b> |                 |                  |                  |
| Balance at beginning of fiscal year             |                 | 130,855          | (112,026)        |
| Adjustments to initially apply SFAS No.158      | 130,855         |                  |                  |
| Change during year                              |                 | (242,881)        | (259,664)        |
| <b>Balance at end of fiscal year</b>            | <b>130,855</b>  | <b>(112,026)</b> | <b>(371,690)</b> |
| Balance at end of fiscal year                   | 2,287,827       | 920,062          | (189,476)        |
| <b>Treasury stock, at cost:</b>                 |                 |                  |                  |
| Balance at beginning of fiscal year             | (46,814)        | (32,330)         | (2,508)          |
| Purchases of treasury stock                     | (604,331)       | (150,464)        | (150,359)        |
| Sales of treasury stock                         | 51              | 100              | 280              |
| Cancellation of treasury stock                  | 618,764         | 180,189          | 146,309          |
| Other   |                 | (3)              | 60               |
| <b>Balance at end of fiscal year</b>            | <b>(32,330)</b> | <b>(2,508)</b>   | <b>(6,218)</b>   |
| Total shareholders' equity                      | 4,662,700       | 3,268,800        | 846,047          |

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, 2007, 2008 AND 2009**

|  | 2007 <sup>(Note)</sup> | 2008         | 2009         |
|--|------------------------|--------------|--------------|
|  | (in millions of yen)   |              |              |
| <b>Cash flows from operating activities:</b>   |                        |              |              |
| Net income (loss)  | 623,882                | 228,618      | (1,058,447)  |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:                         |                        |              |              |
| Depreciation and amortization  | 140,313                | 169,925      | 146,191      |
| Provision (credit) for loan losses   | 182,115                | (57,766)     | 567,396      |
| Investment losses net  | 185,972                | 191,314      | 462,207      |
| Foreign exchange losses (gains) net  | 14,236                 | (77,285)     | (9,379)      |
| Deferred income tax expense  | 112,920                | 626,993      | 711,122      |
| Net change in trading account assets   | (1,390,731)            | (7,361,861)  | (94,841)     |
| Net change in trading account liabilities  | 675,331                | 3,121,154    | 2,466,501    |
| Net change in loans held for sale  | (213,374)              | (508,544)    | 118,061      |
| Net change in accrued income   | (96,777)               | 42,176       | 61,503       |
| Net change in accrued expenses   | 59,603                 | (3,685)      | (64,062)     |
| Other net  | 17,351                 | 50,813       | 191,170      |
| Net cash provided by (used in) operating activities  | 310,841                | (3,578,148)  | 3,497,422    |
| <b>Cash flows from investing activities:</b>   |                        |              |              |
| Proceeds from sales of available-for-sale securities   | 34,491,806             | 67,552,771   | 47,038,991   |
| Proceeds from maturities of available-for-sale securities  | 28,138,385             | 17,172,457   | 18,466,507   |
| Purchases of available-for-sale securities   | (60,485,825)           | (85,919,342) | (65,128,275) |
| Proceeds from maturities of held-to-maturity securities  | 201,365                | 511,008      | 594,915      |
| Proceeds from sales of other investments   | 266,003                | 278,151      | 33,522       |
| Purchases of other investments   | (196,911)              | (306,014)    | (103,651)    |
| Proceeds from sales of loans   | 201,639                | 225,456      | 326,781      |
| Net change in loans  | (271,298)              | (1,063,414)  | (5,980,581)  |
| Net change in interest-bearing deposits in other banks   | 645,437                | (469,747)    | (1,597,417)  |
| Net change in call loans and funds sold, and receivables under resale agreements and securities borrowing transactions     | (2,562,649)            | 419,782      | 3,296,830    |
| Proceeds from sales of premises and equipment  | 72,415                 | 37,895       | 7,068        |
| Purchases of premises and equipment  | (188,191)              | (215,259)    | (221,070)    |
| Net cash provided by (used in) investing activities  | 312,176                | (1,776,256)  | (3,266,380)  |
| <b>Cash flows from financing activities:</b>   |                        |              |              |
| Net change in deposits   | 514,431                | 3,955,538    | 1,916,425    |
| Net change in debentures   | (1,864,194)            | (1,564,759)  | (858,984)    |
| Net change in call money and funds purchased, and payables under repurchase agreements and securities lending transactions | 1,626,322              | 1,227,192    | (4,090,352)  |
| Net change in due to trust accounts  | (219,531)              | (15,412)     | (133,799)    |
| Net change in commercial paper and other short-term borrowings   | (2,071,272)            | (190,847)    | 3,406,013    |
| Proceeds from issuance of long-term debt   | 2,296,461              | 2,114,094    | 1,824,193    |
| Repayment of long-term debt  | (643,282)              | (914,274)    | (1,323,482)  |
| Proceeds from minority interest  | 38,153                 | 49,805       | 14,776       |
| Payment to minority interest   |                        | (12,603)     | (8,563)      |

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|  |             |           |           |
|--|-------------|-----------|-----------|
| Proceeds from sales of treasury stock                      | 83          | 99        | 179       |
| Purchases of treasury stock                                | (604,331)   | (150,464) | (150,359) |
| Dividends paid   | (79,793)    | (101,115) | (133,394) |
| Dividends paid to minority interest                        | (8,143)     | (12,659)  | (16,147)  |
| Net cash provided by (used in) financing activities        | (1,015,096) | 4,384,595 | 446,506   |
| Effect of exchange rate changes on cash and due from banks | 8,267       | (20,204)  | (30,483)  |
| Net increase (decrease) in cash and due from banks         | (383,812)   | (990,013) | 647,065   |
| Cash and due from banks at beginning of fiscal year        | 3,459,672   | 3,075,860 | 2,085,847 |
| Cash and due from banks at end of fiscal year              | 3,075,860   | 2,085,847 | 2,732,912 |

See the accompanying Notes to the Consolidated Financial Statements.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE FISCAL YEARS ENDED MARCH 31, 2007, 2008 AND 2009**

|  | 2007 <sup>(Note)</sup> | 2008      | 2009      |
|--|------------------------|-----------|-----------|
|  | (in millions of yen)   |           |           |
| <b>Supplemental disclosure of cash flow information:</b> |                        |           |           |
| Interest paid  | 1,468,041              | 1,905,955 | 1,222,552 |
| Income taxes paid (refunded), net                        | 51,246                 | (47,426)  | (35,705)  |
| Noncash investing activities:                            |                        |           |           |
| Transfer from loans into other investments               |                        | 92,409    |           |
| Transfer from loans held for sale into loans             |                        |           | 378,038   |
| Investment in capital leases                             | 6,996                  | 3,805     | 2,439     |

Note: Certain amounts for the fiscal year ended March 31, 2007 have been reclassified to conform to the current period'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 and the type of customers. Mizuho Bank, Ltd. ( MHBK ), a retail-oriented banking subsidiary, offers financial services mainly to individual customers, small and medium enterprises ( SMEs ), middle-market corporations and local governmental entities in Japan. Mizuho Corporate Bank, Ltd. ( MHCB ), a wholesale banking subsidiary, offers various financial services to large Japanese corporations, financial institutions, public sector entities and foreign corporations. Mizuho Trust & Banking Co., Ltd. ( MHTB ), a trust bank subsidiary, offers mainly trust-related products and consulting services. Other major subsidiaries consist of Mizuho Securities Co., Ltd. ( MHSC ), Trust & Custody Service Bank, Ltd. ( TCSB ), Mizuho Investors Securities Co., Ltd. ( MHIS ), Mizuho Capital Co., Ltd., and Mizuho Business Financial Center Co., Ltd. See Note 30 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. The consolidated financial statements also include the accounts of the variable interest entities ( VIEs ) for which MHFG or its subsidiaries have been determined to be the primary beneficiary under Financial Accounting Standards Board ( FASB ) Interpretation ( FIN ) No.46 (revised December 2003), Consolidation of Variable Interest Entities, an interpretation of ARB No.51 ( FIN No.46R ). 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.

*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.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 Statement of Financial Accounting Standards ( SFAS ) No.140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ( SFAS No.140 ).

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 9 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.

*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 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.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***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. Available-for-sale securities also include retained subordinated beneficial interests in a securitization transaction that can contractually be repaid or otherwise settled in such a way that the holder would not recover substantially all of its recorded investments.

Declines in the fair value of Held-to-maturity and Available-for-sale securities below their amortized cost, that are deemed to be other-than-temporary, are reported in Investment gains (losses) net. In addition, other-than-temporary declines in beneficial interests purchased or retained in a securitization transaction which are classified as available-for-sale debt securities are recognized if there has been an adverse change in the cash flows as of the balance sheet date. 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. During the fiscal year ended March 31, 2007, for debt securities, the MHFG Group adopted the interest method and the first-in first-out cost of investment instead of the straight-line method and the average cost of investment that the Group previously used. The impact of these changes was insignificant.

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, commodity, foreign currency, equity 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 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 SFAS No.133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS No.133). 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 and included in Trading account assets or Trading account liabilities. Derivatives that do not qualify for hedge accounting under SFAS No.133 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.



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**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 SFAS No.133 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 the Foreign exchange gains (losses) net. Other elements of the fair value changes, including interest rate, equity and credit related components, are recognized in Trading account gains net.

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 economics 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. In refinancing or restructuring a loan other than in a troubled debt restructuring in accordance with SFAS No.15, Accounting by Debtors and Creditors for Troubled Debt Restructurings ( SFAS No.15 ), if the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan, or more than minor modifications as defined by the FASB Emerging Issues Task Force ( EITF ) Issue No.01-7, Creditors Accounting for a Modification or Exchange of Debt Instruments ( EITF Issue No.01-7 ) are made, any unamortized net obligation fees or costs related to the original loan are recognized in interest income when the new loan is granted; otherwise, the unamortized net fees or costs from the original loan are carried forward as a part of the net investment in the new loan. 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.

Loans are designated as nonaccrual when management determines them to be impaired based on all the relevant facts and circumstances. When a loan is placed on nonaccrual status, interest accrual and amortization of net origination fees are suspended and the 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 principal payments are current and future payments are reasonably assured.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Fees received in connection with a modification of the terms of a restructured loan that meet the definition of troubled debt restructurings in accordance with SFAS No.15, are applied as a reduction of the recorded investment in the loan. All related costs, including direct loan origination costs, are charged to expense as incurred.

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 SFAS No.140. Otherwise, the transfer is accounted for as a collateralized borrowing. Gains or losses on securitization depend in part on the carrying amount of the loans, allocated between the loans derecognized and the retained interests based on their relative fair values at the date of the transfer. Interests in loans sold through securitization may be retained by the Group in the form of subordinated beneficial interests. The MHFG Group estimates fair value of these subordinated beneficial interests based on the present value of future expected cash flows, using management's best estimates of the key assumptions, such as default rates, discount rates, and prepayment rates, and records them as available-for-sale debt securities.

*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 which management judges to be uncollectible, based on detailed loan reviews and a credit quality assessment, is charged off against the allowance for loan losses. 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, analyses 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 SFAS No.114, Accounting by Creditors for Impairment of a Loan (an amendment of FASB Statements No.5 and 15 (SFAS No.114)) and SFAS No.5, Accounting for Contingencies (SFAS No.5). The MHFG Group measures the impairment of a loan, based on the present value of expected future cash flows discounted at the loan's initial effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent, when it is probable that the MHFG Group will be unable to collect all amounts due according to the contractual terms of the loan agreement. Certain impaired loans are aggregated for the purpose of measuring impairment and a formula allowance utilizing historical loss factors is applied. The formula allowance is also 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

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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. 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.

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.

*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               | 3 to 50      |
| Equipment and furniture | 2 to 20      |
| Leasehold improvements  | 3 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.

*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.

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**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*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 years. Impairment of internal use software is assessed and recognized periodically when triggering events occur.

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the MHFG Group's share of net identifiable assets acquired at the date of acquisition in a business combination. The Group accounts for goodwill in accordance with SFAS No.142, Goodwill and Other Intangible Assets ( SFAS No.142 ). 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.

*Pension and other employee benefits*

MHFG and certain subsidiaries including MHBK, MHCN, and MHTB sponsor severance 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.

*Debentures and long-term debt*

Premiums, discounts and issuance costs of debentures and long-term debt are amortized based on a method that approximates the interest method over the terms of the debentures and 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 fees 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 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 SFAS No.157, Fair Value Measurements ( SFAS No.157 ), which the Group adopted effective April 1, 2008, the Group classifies its financial assets and liabilities into the fair value hierarchy (Level 1, 2, and 3). See Note 28 Fair value for the detailed definition of each level.



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**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 28 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.

Trust fees are recognized on an accrual basis and are usually based on the volume of assets under custody or management. Performance-related fees associated with certain trust products are recognized on an accrual basis. Fees on funds transfer and collection services are generally recognized as revenue when the related services are performed. Revenues from investment banking services are recorded at the time the underlying transactions are substantially completed and there are no other contingencies associated with the fees. Fees from trade-related financing services are recognized over the period of the financing.

Fees and commissions are presented on a gross basis.

*Income taxes*

Income taxes are accounted for in accordance with SFAS No.109, Accounting for Income Taxes, as amended (SFAS No.109). 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 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 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 19 Earnings per common share for the computation of basic and diluted earnings per common share.

**2. Recently issued accounting pronouncements***Recently adopted accounting pronouncements*

In January 2003, the EITF reached a consensus on Issue No.03-2, Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities (EITF Issue No.03-2), which was ratified by the FASB in February 2003. EITF Issue No.03-2 addresses accounting for a transfer to the Japanese government of the substitutional portion of an employee pension fund and requires employers to account for the entire separation process of the substitutional portion from an entire plan upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. It also requires that the difference between the fair value of the obligation and the assets required to be transferred to the government, if any, should be accounted for as a subsidy from the government, separately from gain or loss on settlement of the substitutional portion of the obligation, upon completion of the transfer. See Note 21 Pension and other employee benefit plans for a further discussion of the impact of EITF Issue No.03-2.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In May 2005, the FASB issued SFAS No.154, *Accounting Changes and Error Corrections* a replacement of APB Opinion No.20 and FASB Statement No.3 ( SFAS No.154 ), which replaces APB Opinion No.20, *Accounting Changes* ( APB Opinion No.20 ), and SFAS No.3, *Reporting Accounting Changes in Interim Financial Statements* ( SFAS No.3 ), and requires all voluntary changes in accounting principle, as well as the changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions, be accounted for as retrospective application to prior periods' financial statements, unless it is impracticable. SFAS No.154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of the SFAS No.154 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In June 2005, the EITF reached a consensus on Issue No.04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ( EITF Issue No.04-5 ). EITF Issue No.04-5 provides guidance to general partners in limited partnerships in determining if they control the limited partnerships. The guidance indicates the factors to be considered in determining if the general partner has control of the limited partnership include: rebuttable presumption of control, ability of limited partners to liquidate the limited partnership or remove the general partner without cause, limited partners' substantive participating rights, and limited partners' protective rights. EITF Issue No.04-5 is applicable to all new partnerships formed and for existing partnerships for which the partnership agreements are modified after June 29, 2005. For all other existing partnerships, EITF Issue No.04-5 is applicable for the first reporting period for fiscal years beginning after December 15, 2005. The MHFG Group early adopted EITF Issue No.04-5, and the adoption did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In November 2005, the FASB issued FASB Staff Position ( FSP ) No.FAS115-1 and FAS124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* ( FSP No.FAS115-1 and FAS124-1 ), which nullifies guidance on determining whether an impairment is other-than-temporary included in EITF Issue No.03-1 *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* ( EITF Issue No.03-1 ), and effectively retains the guidance in this area before EITF Issue No.03-1. The FSP does, however, generally carry forward EITF Issue No.03-1's impairment guidance relating to cost method investments and disclosures. The FSP is effective in the first reporting period beginning after December 15, 2005. The adoption of the FSP did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In February 2006, the FASB issued SFAS No.155, *Accounting for Certain Hybrid Financial Instruments* an amendment of FASB Statements No.133 and 140 ( SFAS No.155 ), which eliminates the exemption from applying the bifurcation requirements of SFAS No.133 to beneficial interests in securitized financial assets. SFAS No.155 permits an enterprise to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement event, on an instrument-by-instrument basis, with respect to a hybrid financial instrument that contains an embedded derivative that would otherwise be bifurcated. SFAS No.155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The MHFG Group elected to early adopt SFAS No.155 as of April 1, 2006 and applied SFAS No.155 fair value measurement to certain structured notes issued. The impact of adoption was a decrease to the beginning balance of Accumulated deficit as of April 1, 2006 of ¥1,514 million after-tax, which included gross unrealized gains of ¥1,552 million after-tax and gross unrealized losses of ¥38 million after-tax. The adoption of SFAS No.155 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In March 2006, the FASB issued SFAS No.156, *Accounting for Servicing of Financial Assets* an amendment of FASB Statement No.140 ( SFAS No.156 ), which requires all separately recognized servicing assets and



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

liabilities be initially measured at fair value, if practical. SFAS No.156 permits, but does not require, an enterprise to elect to remeasure servicing assets and liabilities at fair value in subsequent periods. SFAS No.156 is effective for fiscal years beginning after September 15, 2006. The adoption of SFAS No.156 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In April 2006, the FASB issued FSP No.FIN46(R)-6, Determining the Variability to Be Considered in Applying FASB Interpretation No.46(R) ( FSP No.FIN46(R)-6 ), which addresses how an enterprise should determine the variability to be considered in applying FIN No.46R. FSP No.FIN46(R)-6 requires that the variability to be considered in applying FIN No.46R be based on an analysis of the design of the entity, which entails an analysis of the nature of risks in the entity and determination of the purpose(s) for which the entity has been created and the variability that the entity creates. An enterprise is required to apply FSP No.FIN46(R)-6 prospectively to all entities (including newly created entities) with which that enterprise first becomes involved and to all entities previously required to be analyzed under FIN No.46R when a reconsideration event, as defined by FIN No.46R, has occurred beginning the first day of the first reporting period beginning after June 15, 2006. The MHFG Group has early adopted the FSP, and the adoption did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In June 2006, the FASB ratified the EITF consensus on Issue No.06-2, Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No.43 ( EITF Issue No.06-2 ). EITF Issue No.06-2 addresses accounting for compensated absences that require the completion of a minimum service period and do not increase with additional years of service. EITF Issue No.06-2 is effective for fiscal years beginning after December 15, 2006. The adoption of EITF Issue No.06-2 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In July 2006, the FASB issued FIN No.48, Accounting for Uncertainty in Income Taxes ( FIN No.48 ), which creates a single model to address uncertainty in all tax positions subject to SFAS No.109. FIN No.48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN No.48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The MHFG Group adopted FIN No.48 as of April 1, 2007 that resulted in an increase to the beginning balance of Accumulated deficit of ¥2,597 million. For further discussion regarding the impact of FIN No.48, see Note 20 Income taxes .

In September 2006, the U.S. Securities and Exchange Commission ( SEC ) staff issued Staff Accounting Bulletin ( SAB ) No.108, Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements ( SAB No.108 ). SAB No.108 provides guidance on quantifying and evaluating the materiality of unrecorded misstatements. It requires the use of both the iron curtain and rollover approaches in quantifying and evaluating the materiality of a misstatement. Under the iron curtain approach, the error is quantified as the cumulative amount by which the current year balance sheet is misstated. The rollover approach quantifies the error as the amount by which the current year income statement is misstated. If either approach results in a material misstatement, financial statement adjustments are required. SAB No.108 is effective for financial statements issued for fiscal years ended after November 15, 2006. The adoption of SAB No.108 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In September 2006, the FASB issued SFAS No.157 which clarifies the definition of fair value and the method used to measure fair value and expands the disclosure requirements about fair value measurements. SFAS No.157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity and (2) the reporting

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances. SFAS No.157 nullifies certain guidance provided for in EITF Issue No.02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* (EITF Issue No.02-3), and the related provisions of SFAS No.133. SFAS No.157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FSP No.FAS157-1, *Application of FASB Statement No.157 to FASB Statement No.13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (FSP No.FAS157-1) and FSP No.FAS157-2, *Effective Date of FASB Statement No.157* (FSP No.FAS157-2), which partially delay the effective date of SFAS No.157 for one year for certain nonfinancial assets and liabilities and remove certain leasing transactions from its scope. In October 2008, the FASB issued FSP No. FAS157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP No.FAS157-3), which clarifies the application of SFAS No.157 in markets that are not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The impact of adoption of SFAS No.157 was a decrease of ¥1,464 million to the beginning balance of Accumulated deficit as of April 1, 2008. See Note 28 *Fair value* for further discussion of the impact of SFAS No.157.

In September 2006, the FASB issued SFAS No.158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No.87, 88, 106, and 132(R) (SFAS No.158), which requires entities to recognize a net liability or asset to report the funded status of their defined benefit plans and other post retirement benefit plans in its consolidated statement of financial position. SFAS No.158 clarifies that defined benefit assets and obligations should be measured as of the date of the entity's fiscal year-end statement of financial position. SFAS No.158 also provides additional disclosure requirements for information related to certain effects on net periodic benefit cost for the next fiscal year that arise from the delayed recognition of gains and losses, prior service costs and credits, and transition asset or obligation. SFAS No.158 is effective as of the end of the fiscal years ended after December 15, 2006. See Note 21 *Pension and other employee benefit plans* for the impact of adopting SFAS No.158.

In February 2007, the FASB issued SFAS No.159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No.115* (SFAS No.159). SFAS No.159 allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities and certain other items at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. SFAS No.159 is effective for fiscal years beginning after November 15, 2007. The financial assets or liabilities for which the MHFG Group elected the fair value option as of April 1, 2008 are primarily foreign currency denominated available-for-sale securities and certain hybrid financial instruments that contain embedded derivatives that had not been previously elected or eligible for fair value treatment under SFAS No.155. The impact of adoption of SFAS No.159 was a decrease of ¥26,373 million to the beginning balance of Accumulated deficit as of April 1, 2008. See Note 28 *Fair value* for further discussion of the impact of SFAS No.159.

In April 2007, the FASB issued FSP No.FIN39-1, *Amendment of FASB Interpretation No.39* (FSP No.FIN39-1). FSP No.FIN39-1 amends FIN No.39, *Offsetting of Amounts Related to Certain Contracts* an interpretation of APB Opinion No.10 and FASB Statement No.105 (FIN No.39), to permit a reporting entity to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. The adoption of FSP No.FIN39-1 did not have an impact on the MHFG Group's consolidated results of operations or financial condition, as the Group did not adopt such offsets.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In May 2008, the FASB issued SFAS No.162, *The Hierarchy of Generally Accepted Accounting Principles* ( SFAS No.162 ). SFAS No.162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. GAAP. SFAS No.162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411 *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The SEC approved the amendments on September 16, 2008. The adoption of SFAS No.162 did not have a material impact on the MHFG Group's consolidated results of operations or financial condition.

In September 2008, the FASB issued FSP No.FAS133-1 and FIN45-4, *Disclosures about Credit Derivatives and Certain Guarantees - An Amendment of FASB Statement No.133 and FASB Interpretation No.45; and Clarification of the Effective Date of FASB Statement No.161* ( FSP No.FAS133-1 and FIN45-4 ). FSP No.FAS133-1 and FIN45-4 requires enhanced disclosures about credit derivatives and certain guarantees to address the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of credit derivatives and certain guarantees. FSP No.FAS133-1 and FIN45-4 is effective for reporting periods ending after November 15, 2008. FSP No.FAS133-1 and FIN45-4 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 2008, the FASB issued FSP No.FAS140-4 and FIN46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* ( FSP No.FAS140-4 and FIN46(R)-8 ). FSP No.FAS140-4 and FIN46(R)-8 amends SFAS No.140 to require public entities to provide additional disclosures about transfers of financial assets and, also, amends FIN No.46R to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. In addition, FSP No.FAS140-4 and FIN46(R)-8 requires disclosures by a public enterprise that is (a) a sponsor of a qualifying special-purpose entity ( SPE ) that holds a variable interest in the qualifying SPE but was not the transferor of financial assets to the qualifying SPE and (b) a servicer of a qualifying SPE that holds a significant variable interest in the qualifying SPE but was not the transferor of financial assets to the qualifying SPE. FSP No.FAS140-4 and FIN46(R)-8 is effective for the first reporting period ending after December 15, 2008. FSP No.FAS140-4 and FIN46(R)-8 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 January 2009, the FASB issued FSP No.EITF99-20-1, *Amendments to the Impairment Guidance of EITF Issue No.99-20* ( FSP No.EITF99-20-1 ). FSP No.EITF99-20-1 amends the impairment guidance in EITF Issue No.99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets* ( EITF Issue No.99-20 ), to achieve more consistent determination of whether an other-than-temporary impairment has occurred. FSP No.EITF99-20-1 also retains and emphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in SFAS No.115, *Accounting for Certain Investments in Debt and Equity Securities* ( SFAS No.115 ), and other related guidance. FSP No.EITF99-20-1 is effective for reporting periods ending after December 15, 2008. The adoption of the FSP 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 June 2007, the American Institute of Certified Public Accountants ( AICPA ) issued Statement of Position ( SOP ) No.07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies*

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

( SOP No.07-1 ). SOP No.07-1 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide Investment Companies ( the Guide ). Prior to the issuance of SOP No.07-1, in May 2007, the FASB issued FSP No.FIN46(R)-7

Application of FASB Interpretation No.46(R) to Investment Companies ( FSP No.FIN46(R)-7 ), which addresses the application of FIN No.46R by an entity that accounts for its investments in accordance with the Guide. FSP No.FIN46(R)-7 extends the scope exception for investment companies in FIN No.46R to unregistered investment companies as defined by SOP No.07-1. SOP No.07-1 was expected to be effective for fiscal years beginning on or after December 15, 2007, with earlier application encouraged, and FSP No.FIN46(R)-7 was expected to follow the adoption of SOP No.07-1. However, in February 2008, the FASB issued FSP No.SOP07-1-1, Effective Date of AICPA Statement of Position 07-1 ( FSP No.SOP07-1-1 ) to delay the effective date of SOP No.07-1 indefinitely in order to address implementation issues. The MHFG Group does not expect that the current form of the SOP will have a material impact on its consolidated results of operations or financial condition.

In December 2007, the FASB issued SFAS No.141 (revised 2007), Business Combinations ( SFAS No.141R ). SFAS No.141R establishes principles and requirements for how the acquirer (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in the acquiree, (2) recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No.141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited. In April 2009, the FASB issued FSP No.FAS141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ( FSP No.FAS141(R)-1 ), which provides the guidance for initial recognition and measurement of all assets acquired and liabilities assumed in a business combination that arise from contingencies as well as subsequent measurement and accounting of such assets and liabilities. Relating to the merger transaction applying SFAS No.141R discussed in Note 33 Subsequent events , the MHFG Group expects to recognize an increase in pretax income of approximately ¥107 billion during the fiscal year ending March 31, 2010.

In December 2007, the FASB issued SFAS No.160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No.51 ( SFAS No.160 ). SFAS No.160 amends Accounting Research Bulletins No.51, Consolidated Financial Statements to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No.160 requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. SFAS No.160 is effective for fiscal years beginning on or after December 15, 2008. Early adoption is prohibited. The MHFG Group is currently evaluating the potential impact that the adoption of SFAS No.160 will have on its consolidated results of operations and financial condition.

In February 2008, the FASB issued FSP No.FAS140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions ( FSP No.FAS140-3 ). FSP No.FAS140-3 provides that if an initial transfer of a financial asset and a repurchase financing that is entered into contemporaneously with, or in contemplation of, the initial transfer meet certain conditions, the initial transfer shall be accounted for separately from the repurchase financing. Otherwise, the initial transfer and repurchase financing should be evaluated as a linked transaction, which shall be accounted for based on the economics of the combined transactions. FSP No.FAS140-3 is effective for fiscal years beginning after November 15, 2008. Early adoption is prohibited. The MHFG Group does not expect that the adoption of FSP No.FAS140-3 will have a material impact on its consolidated results of operations or financial condition.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In March 2008, the FASB issued SFAS No.161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No.133 ( SFAS No.161 ). SFAS No.161 requires enhanced disclosures about derivative instruments and hedged items that are accounted for under SFAS No.133 and its related interpretations. SFAS No.161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. SFAS No.161 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 2008, the EITF reached a consensus on Issue No.07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* ( EITF Issue No.07-5 ). EITF Issue No.07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. EITF Issue No.07-5 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The MHFG Group does not expect that the adoption of EITF Issue No.07-5 will have a material impact on its consolidated results of operations or financial condition.

In November 2008, the EITF reached a consensus on Issue No.08-6, *Equity Method Investment Accounting Considerations* ( EITF Issue No.08-6 ). EITF Issue No.08-6 clarifies the accounting for (1) initial measurement, (2) decrease in investment value and (3) change in level of ownership or degree of influence related to equity method investments. EITF Issue No.08-6 is effective for reporting periods beginning after December 15, 2008. The MHFG Group does not expect that the adoption of EITF Issue No.08-6 will have a material impact on its consolidated results of operations or financial condition.

In December 2008, the FASB issued FSP No.FAS132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* ( FSP No.FAS132(R)-1 ). FSP No.FAS132(R)-1 requires additional disclosures about plan assets of a defined benefit pension or other postretirement plan, including investment strategies, fair value of major categories of plan assets and valuation techniques used to measure the fair value of plan assets. FSP No.FAS132(R)-1 is effective for fiscal years ending after December 15, 2009, with early adoption permitted. FSP No.FAS132(R)-1 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 April 2009, the FASB issued FSP No.FAS107-1 and APB28-1, *Interim Disclosures about Fair Value of Financial Instruments* ( FSP No.FAS107-1 and APB28-1 ). FSP No.FAS107-1 and APB28-1 requires disclosures about the fair value of financial instruments for interim financial reporting periods of publicly traded companies as well as in annual financial statements. The FSP also amends Accounting Principles Board ( APB ) Opinion No.28, *Interim Financial Reporting* , to require those disclosures in summarized financial information at interim reporting periods. The FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted. The FSP 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 April 2009, the FASB issued FSP No.FAS157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FSP No.FAS157-4 ). FSP No.FAS157-4 provides additional guidance for estimating fair value in accordance with SFAS No.157, when the volume and level of activity for the asset or liability have significantly decreased. FSP No.FAS157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP No.FAS157-4 requires detailed disclosures for debt and equity securities. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted. The MHFG Group does not expect that the adoption of the FSP will have a material impact on its consolidated results of operations or financial condition.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In April 2009, the FASB issued FSP No.FAS115-2 and FAS124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* ( FSP No.FAS115-2 and FAS124-2 ), which amends the other-than-temporary impairment model for debt securities. FSP No.FAS115-2 and FAS124-2 requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. In addition, FSP No.FAS115-2 and FAS124-2 expands existing disclosures and requires new disclosures about other-than-temporary impairments. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted. The MHFG Group is currently evaluating the potential impact that the adoption of the FSP will have on its consolidated results of operations and financial condition.

In May 2009, the FASB issued SFAS No.165, *Subsequent Events* ( SFAS No.165 ). SFAS No.165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No.165 is effective for interim or annual financial periods ending after June 15, 2009. The MHFG Group does not expect that the adoption of SFAS No.165 will have a material impact on its consolidated results of operations or financial condition.

In June 2009, the FASB announced that the FASB Accounting Standards Codification ( Codification ) would be officially launched on July 1, 2009. The Codification reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics, and does not change U.S. GAAP.

In June 2009, the FASB issued SFAS No.166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No.140 ( SFAS No.166 ). SFAS No.166 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. SFAS No.166 also eliminates the concept of qualifying SPE and changes the requirements for derecognizing financial assets. SFAS No.166 is effective as of the beginning of an enterprise s first fiscal year that begins after November 15, 2009. Early adoption is prohibited. The MHFG Group is currently evaluating the potential impact that the adoption of SFAS No.166 will have on its consolidated results of operations and financial condition.

In June 2009, the FASB issued SFAS No.167, *Amendments to FASB Interpretation No.46(R)* ( SFAS No.167 ). SFAS No.167 provides a new guidance 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. SFAS No.167 is effective as of the beginning of an enterprise s first fiscal year that begins after November 15, 2009. Early adoption is prohibited. The MHFG Group is currently evaluating the potential impact that the adoption of SFAS No.167 will have on its consolidated results of operations and financial condition.

In June 2009, the FASB issued SFAS No.168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* a replacement of FASB Statement No.162 ( SFAS No.168 ). SFAS No.168 replaces SFAS No.162 and establishes the Codification as the single source of authoritative U.S. GAAP recognized by the FASB to be applied in the preparation of financial statements of nongovernmental entities. SFAS No.168 is effective for interim and annual reporting periods ending after September 15, 2009. As SFAS No.168 and the Codification do not change U.S. GAAP, the adoption of SFAS No.168 will have no impact on the MHFG Group s consolidated results of operations or financial condition.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Trading account assets and trading account liabilities**

The following table presents the components of Trading account assets and Trading account liabilities at their fair value at March 31, 2008 and 2009:

|   | 2008                 | 2009              |
|---|----------------------|-------------------|
|   | (in millions of yen) |                   |
| <b>Trading account assets:</b>                      |                      |                   |
| <b>Trading securities:</b>                          |                      |                   |
| Japanese government and corporate debt securities   | 8,089,599            | 6,006,896         |
| Japanese equity securities                          | 464,131              | 74,368            |
| Foreign government bonds and other securities       | 2,039,699            | 5,408,636         |
| <b>Total</b>  | <b>10,593,429</b>    | <b>11,489,900</b> |
| <b>Derivative assets:</b>                           |                      |                   |
| Interest rate contracts                             | 6,277,427            | 15,314,499        |
| Foreign exchange contracts                          | 2,963,667            | 3,206,098         |
| Equity-related contracts                            | 153,955              | 215,486           |
| Credit-related contracts                            | 297,332              | 548,980           |
| Other contracts, mainly commodity-related contracts | 266,594              | 231,348           |
| <b>Total</b>  | <b>9,958,975</b>     | <b>19,516,411</b> |
| <b>Total</b>  | <b>20,552,404</b>    | <b>31,006,311</b> |
| <b>Trading account liabilities:</b>                 |                      |                   |
| Trading securities sold, not yet purchased          | 4,704,852            | 2,886,889         |
| <b>Derivative liabilities:</b>                      |                      |                   |
| Interest rate contracts                             | 5,733,591            | 14,626,146        |
| Foreign exchange contracts                          | 2,837,749            | 3,102,176         |
| Equity-related contracts                            | 169,670              | 228,586           |
| Credit-related contracts                            | 358,703              | 461,089           |
| Other contracts, mainly commodity-related contracts | 315,875              | 202,599           |
| <b>Total</b>  | <b>9,415,588</b>     | <b>18,620,596</b> |
| <b>Total</b>  | <b>14,120,440</b>    | <b>21,507,485</b> |

See Note 28 Fair value for the methodologies and assumptions used to estimate fair values.

The MHFG Group performs trading activities through market-making, sales, and arbitrage. Net trading gains (losses) for the fiscal years ended March 31, 2007, 2008 and 2009 are comprised of the following:

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|  | 2007                 | 2008      | 2009      |
|--|----------------------|-----------|-----------|
|  | (in millions of yen) |           |           |
| Trading account gains (losses) net:                |                      |           |           |
| Trading securities, excluding derivative contracts | 144,740              | (269,702) | (160,804) |
| Derivative contracts                               | 245,150              | 405,657   | 282,822   |
| Total  | 389,890              | 135,955   | 122,018   |
| Foreign exchange gains (losses) net                | (51,304)             | 296,732   | 23,769    |
| Net trading gains                                  | 338,586              | 432,687   | 145,787   |

F-26



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Investments**

The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale and held-to-maturity securities at March 31, 2008 and 2009 are as follows:

|   | 2008           |                        |                         | 2009           |                        |                         | Fair value |            |
|---|----------------|------------------------|-------------------------|----------------|------------------------|-------------------------|------------|------------|
|   | Amortized cost | Gross unrealized gains | Gross unrealized losses | Amortized cost | Gross unrealized gains | Gross unrealized losses |            |            |
| Available-for-sale securities: <sup>(1)</sup>     |                |                        |                         |                |                        |                         |            |            |
| Debt securities:                                  |                |                        |                         |                |                        |                         |            |            |
| Japanese government bonds                         | 16,216,080     | 18,424                 | 22,083                  | 16,212,421     | 18,450,323             | 36,243                  | 28,448     | 18,458,118 |
| Japanese local gov t bonds                        | 70,772         | 968                    | 211                     | 71,529         | 69,485                 | 731                     | 219        | 69,997     |
| U.S. Treasury bonds                               | 2,571,051      | 9,496                  | 30,615                  | 2,549,932      | 189,491                | 3,770                   |            | 193,261    |
| Other foreign gov t bonds                         | 1,768,307      | 110,813                | 11,342                  | 1,867,778      | 181,871                | 911                     | 778        | 182,004    |
| Agency mortgage-backed securities <sup>(2)</sup>  | 1,562,347      | 2,079                  | 43,680                  | 1,520,746      | 208,277                | 1,089                   | 3,547      | 205,819    |
| Japanese corporate bonds                          | 2,419,072      | 2,585                  | 3,570                   | 2,418,087      | 2,125,965              | 9,887                   | 4,534      | 2,131,318  |
| Japanese other debt securities                    | 3,076,252      | 19,037                 | 11,435                  | 3,083,854      | 2,539,325              | 9,476                   | 32,842     | 2,515,959  |
| Foreign corporate bonds and other debt securities | 2,160,272      | 10,798                 | 36,291                  | 2,134,779      | 946,045                | 15,895                  | 33,749     | 928,191    |
| Equity securities (marketable)                    | 2,619,520      | 1,966,890              | 73,898                  | 4,512,512      | 2,237,254              | 801,431                 | 168,618    | 2,870,067  |
| Total   | 32,463,673     | 2,141,090              | 233,125                 | 34,371,638     | 26,948,036             | 879,433                 | 272,735    | 27,554,734 |
| Held-to-maturity securities:                      |                |                        |                         |                |                        |                         |            |            |
| Debt securities:                                  |                |                        |                         |                |                        |                         |            |            |
| Japanese government bonds                         | 489,978        | 176                    | 76                      | 490,078        | 50,039                 | 101                     |            | 50,140     |
| Japanese local gov t bonds                        | 48,546         | 17                     | 13                      | 48,550         | 11,189                 | 4                       |            | 11,193     |
| U.S. Treasury bonds                               | 240,391        | 4,753                  |                         | 245,144        | 117,906                | 1,466                   |            | 119,372    |
| Total   | 778,915        | 4,946                  | 89                      | 783,772        | 179,134                | 1,571                   |            | 180,705    |

## Notes:

- (1) On April 1, 2008, the MHFG Group elected the fair value option under SFAS No.159 for foreign currency denominated available-for-sale securities. See Note 28 Fair value for further information regarding those securities.
- (2) 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 ¥1,269,227 million and ¥251,519 million, respectively, at March 31, 2008, and ¥49,154 million and ¥156,665 million, respectively, at March 31, 2009. 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.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amortized cost and fair value of available-for-sale and held-to-maturity debt securities at March 31, 2009 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                | 8,370,646                          | 8,377,824         | 179,134                          | 180,705        |
| Due after one year through five years  | 11,041,106                         | 11,028,666        |                                  |                |
| Due after five years through ten years | 2,497,010                          | 2,467,954         |                                  |                |
| Due after ten years                    | 2,802,020                          | 2,810,223         |                                  |                |
| <b>Total</b>                           | <b>24,710,782</b>                  | <b>24,684,667</b> | <b>179,134</b>                   | <b>180,705</b> |

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, 2008 and 2009:

|   | 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>2008</b>                                       | (in millions of yen) |                         |                   |                         |                   |                         |
| Available-for-sale securities: <sup>(1)</sup>     |                      |                         |                   |                         |                   |                         |
| Debt securities:                                  |                      |                         |                   |                         |                   |                         |
| Japanese government bonds                         | 7,623,532            | 22,083                  | 25                |                         | 7,623,557         | 22,083                  |
| Japanese local gov t bonds                        | 5,959                | 26                      | 24,153            | 185                     | 30,112            | 211                     |
| U.S. Treasury bonds                               | 709,673              | 29,748                  | 15,717            | 867                     | 725,390           | 30,615                  |
| Other foreign gov t bonds                         | 549,322              | 8,520                   | 25,054            | 2,822                   | 574,376           | 11,342                  |
| Agency mortgage-backed securities <sup>(2)</sup>  | 599,820              | 42,708                  | 119,831           | 972                     | 719,651           | 43,680                  |
| Japanese corporate bonds                          | 360,813              | 1,086                   | 1,293,798         | 2,484                   | 1,654,611         | 3,570                   |
| Japanese other debt securities                    | 938,706              | 5,062                   | 920,546           | 6,373                   | 1,859,252         | 11,435                  |
| Foreign corporate bonds and other debt securities | 584,453              | 24,027                  | 112,542           | 12,264                  | 696,995           | 36,291                  |
| Equity securities (marketable)                    | 365,719              | 73,726                  | 293               | 172                     | 366,012           | 73,898                  |
| <b>Total</b>                                      | <b>11,737,997</b>    | <b>206,986</b>          | <b>2,511,959</b>  | <b>26,139</b>           | <b>14,249,956</b> | <b>233,125</b>          |
| Held-to-maturity securities:                      |                      |                         |                   |                         |                   |                         |
| Debt securities:                                  |                      |                         |                   |                         |                   |                         |
| Japanese government bonds                         |                      |                         | 100,023           | 76                      | 100,023           | 76                      |
| Japanese local gov t bonds                        |                      |                         | 28,925            | 13                      | 28,925            | 13                      |
| <b>Total</b>                                      |                      |                         | <b>128,948</b>    | <b>89</b>               | <b>128,948</b>    | <b>89</b>               |



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| 2009  | Less than 12 months |                         | 12 months or more |                         | Total      |                         |
|---|---------------------|-------------------------|-------------------|-------------------------|------------|-------------------------|
|   | Fair Value          | Gross unrealized losses | Fair Value        | Gross unrealized losses | Fair Value | Gross unrealized losses |
| Available-for-sale securities: <sup>(1)</sup>     |                     |                         |                   |                         |            |                         |
| Debt securities:                                  |                     |                         |                   |                         |            |                         |
| Japanese government bonds                         | 5,362,022           | 28,448                  |                   |                         | 5,362,022  | 28,448                  |
| Japanese local gov t bonds                        | 20,535              | 121                     | 16,668            | 98                      | 37,203     | 219                     |
| U.S. Treasury bonds                               | 13                  |                         | 4                 |                         | 17         |                         |
| Other foreign gov t bonds                         | 43,755              | 778                     |                   |                         | 43,755     | 778                     |
| Agency mortgage-backed securities <sup>(2)</sup>  | 89,357              | 1,484                   | 58,186            | 2,063                   | 147,543    | 3,547                   |
| Japanese corporate bonds                          | 1,307,149           | 1,274                   | 84,835            | 3,260                   | 1,391,984  | 4,534                   |
| Japanese other debt securities                    | 436,133             | 3,282                   | 1,223,322         | 29,560                  | 1,659,455  | 32,842                  |
| Foreign corporate bonds and other debt securities | 47,982              | 699                     | 364,824           | 33,050                  | 412,806    | 33,749                  |
| Equity securities (marketable)                    | 835,997             | 168,598                 | 45                | 20                      | 836,042    | 168,618                 |
| Total   | 8,142,943           | 204,684                 | 1,747,884         | 68,051                  | 9,890,827  | 272,735                 |
| Held-to-maturity securities:                      |                     |                         |                   |                         |            |                         |
| Debt securities:                                  |                     |                         |                   |                         |            |                         |
| Japanese government bonds                         |                     |                         |                   |                         |            |                         |
| Japanese local gov t bonds                        |                     |                         |                   |                         |            |                         |
| Total   |                     |                         |                   |                         |            |                         |

## Notes:

- (1) On April 1, 2008, the MHFG Group elected the fair value option under SFAS No.159 for foreign currency denominated available-for-sale securities. See Note 28 "Fair value" for further information regarding those securities.
- (2) 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 ¥599,701 million and ¥119,950 million, respectively, at March 31, 2008. There were no U.S. agency securities in a loss position at March 31, 2009, primarily due to the transfer to trading securities caused by applying the fair value option as noted above. 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 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. If it is determined that the impairment is other-than-temporary, the investment is written down to fair value, and a loss is recognized immediately through earnings.

The MHFG Group has determined that the unrealized losses on investments in a continuous loss position for 12 months or more at March 31, 2009, are not other-than-temporary, because such losses have resulted primarily from reduced liquidity, not due to credit deterioration, and the MHFG Group has the ability and intent to hold them for a period of time sufficient to recover gross unrealized losses.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the fiscal years ended March 31, 2007, 2008 and 2009, losses resulting from write-downs for other-than-temporary impairment on available-for-sale securities were ¥212,583 million, ¥661,088 million and ¥462,909 million, respectively. No impairment losses were recorded on held-to-maturity securities for those fiscal years.

For the fiscal years ended March 31, 2007, 2008 and 2009, proceeds from sales of available-for-sale securities were ¥34,492 billion, ¥67,553 billion and ¥47,039 billion, respectively. Gross realized gains on those sales were ¥294,821 million, ¥597,361 million and ¥212,500 million, respectively, and gross realized losses on those sales were ¥51,654 million, ¥142,455 million and ¥120,324 million, respectively, for the fiscal years ended March 31, 2007, 2008 and 2009.

***Other investments***

The following table summarizes the composition of other investments:

|   | 2008                 | 2009      |
|---|----------------------|-----------|
|   | (in millions of yen) |           |
| Equity method investments                             | 234,961              | 284,635   |
| Investments held by consolidated investment companies | 77,096               | 88,159    |
| Other equity interests                                | 693,138              | 639,044   |
| Total other investments                               | 1,005,195            | 1,011,838 |

***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 ¥35,292 million and ¥49,694 million, at March 31, 2008 and 2009, respectively. The aggregated market values of those marketable equity securities were ¥50,558 million and ¥50,132 million, respectively.

***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 SFAS No.115, 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, 2008 and 2009 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)****5. Loans**

The table below presents loans outstanding by domicile and industry of borrower at March 31, 2008 and 2009:

|  | 2008                 | 2009       |
|--|----------------------|------------|
|  | (in millions of yen) |            |
| Domestic:  |                      |            |
| Manufacturing                                    | 7,806,714            | 8,915,085  |
| Construction                                     | 1,429,596            | 1,456,298  |
| Real estate                                      | 6,489,603            | 6,215,710  |
| Services   | 5,566,161            | 5,378,425  |
| Wholesale and retail                             | 6,100,129            | 6,006,392  |
| Transportation                                   | 2,516,266            | 2,593,178  |
| Banks and other financial institutions           | 4,355,610            | 5,037,117  |
| Government and public institutions               | 5,807,510            | 8,655,149  |
| Other industries (Note)                          | 5,061,023            | 4,645,720  |
| Individuals:                                     |                      |            |
| Mortgage loans                                   | 11,122,393           | 11,382,136 |
| Other  | 1,204,350            | 1,161,047  |
| Total domestic                                   | 57,459,355           | 61,446,257 |
| Foreign:   |                      |            |
| Commercial and industrial                        | 8,815,166            | 8,680,337  |
| Banks and other financial institutions           | 1,544,938            | 2,223,733  |
| Government and public institutions               | 414,688              | 300,524    |
| Other (Note)                                     | 93,852               | 94,263     |
| Total foreign                                    | 10,868,644           | 11,298,857 |
| Total  | 68,327,999           | 72,745,114 |
| Less: Unearned income and deferred loan fees net | 106,192              | 88,019     |
| Total loans before allowance for loan losses     | 68,221,807           | 72,657,095 |

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 ¥766 million, ¥64,771 million and ¥49,822 million, of which valuation losses related to loans held for sale accounted for at the lower of cost or fair value were nil, ¥59,766 million and ¥37,922 million for the fiscal years ended March 31, 2007, 2008 and 2009, respectively.

The MHFG Group reclassified certain loans held for sale within Other assets to Loans at their lower of cost or fair value during the fiscal year ended March 31, 2009. See consolidated statements of cash flows for the amount reclassified.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Impaired loans*

The MHFG Group considers both loans that are subject to SFAS No.114 and small balance, homogenous loans to be impaired when 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. Among other things, restructured loans under SFAS No.15 and loans that are 90 days or more delinquent are generally considered to be impaired. All of the MHFG Group's impaired loans are designated as nonaccrual loans. A summary of the recorded balances of impaired loans and the related allowance for loan losses at March 31, 2008 and 2009 is shown below:

|  | 2008                                 |   | 2009                                 |   |
|--|--------------------------------------|---|--------------------------------------|---|
|  | Recorded<br>impaired loan<br>balance | Allowance for<br>loan losses on<br>impaired loans<br>(in millions of yen) | Recorded<br>impaired loan<br>balance | Allowance for<br>loan losses on<br>impaired loans |
| Impaired loans requiring an allowance for loan losses            | 1,089,728                            | 349,183   | 1,147,771                            | 440,340   |
| Impaired loans not requiring an allowance for loan losses (Note) | 205,746                              |   | 284,277                              |   |
| <b>Total</b>   | <b>1,295,474</b>                     | <b>349,183</b>  | <b>1,432,048</b>                     | <b>440,340</b>                                    |

Note: These impaired loans do not require an allowance for loan losses because the MHFG Group has sufficient collateral to cover probable loan losses.

The average recorded balance of impaired loans was ¥1,119 billion and ¥1,153 billion for the fiscal years ended March 31, 2008 and 2009, respectively.

Gross interest income on nonaccrual loans which were included in Interest income on loans for the fiscal years ended March 31, 2007, 2008 and 2009 were ¥30 billion, ¥33 billion and ¥38 billion, respectively.

**6. Allowance for loan losses**

Changes in Allowance for loan losses for the fiscal years ended March 31, 2007, 2008 and 2009 are shown below:

|                                     | 2007                 | 2008           | 2009           |
|-------------------------------------|----------------------|----------------|----------------|
|                                     | (in millions of yen) |                |                |
| Balance at beginning of fiscal year | 812,321              | 946,147        | 649,803        |
| Provision (credit) for loan losses  | 182,115              | (57,766)       | 567,396        |
| Charge-offs                         | 110,612              | 271,242        | 344,061        |
| Less: Recoveries                    | 58,021               | 47,375         | 28,881         |
| <b>Net charge-offs</b>              | <b>52,591</b>        | <b>223,867</b> | <b>315,180</b> |
| Others (Note)                       | 4,302                | (14,711)       | (32,233)       |



|                               |         |         |         |
|-------------------------------|---------|---------|---------|
| Balance at end of fiscal year | 946,147 | 649,803 | 869,786 |
|-------------------------------|---------|---------|---------|

Note: Others include primarily foreign exchange translation.

The MHFG Group recorded provision for loan losses for the fiscal year ended March 31, 2007 due mainly to the downgrade in the credit rating of a large non-bank financial company borrower. The Group recorded a credit for loan losses for the fiscal year ended March 31, 2008 due mainly to upgrades in the internal credit ratings of some

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

large borrowers, whose operating results and financial position improved. The credit was offset by provisions for loan losses relating to the declining trend in the financial condition of SMEs that have relatively weak business bases, as well as downgrades to lower internal credit ratings of some large borrowers that experienced financial difficulties during the fiscal year.

The amount of charge-offs decreased in the fiscal year ended March 31, 2007 as disposals of impaired loans decreased and the general economic conditions in Japan continued to gradually improve. The amount of charge-offs increased in the fiscal year ended March 31, 2008 due mainly to a debt-for-equity swap involving a loan to a large non-bank financial company and an increase in disposals of impaired loans of SMEs and the borrowers that experienced financial difficulties, as discussed above.

Both the amount of provision for loan losses and charge-offs were significantly increased in the fiscal year ended March 31, 2009 due mainly to the sharp downturn of the global economy.

**7. Premises and equipment**

Premises and equipment at March 31, 2008 and 2009 consist of the following:

|   | 2008                 | 2009             |
|---|----------------------|------------------|
|   | (in millions of yen) |                  |
| Land  | 156,942              | 177,311          |
| Buildings                                       | 584,774              | 598,411          |
| Equipment and furniture                         | 455,229              | 457,419          |
| Leasehold improvements                          | 122,051              | 110,432          |
| Construction in progress                        | 7,045                | 19,932           |
| Software  | 514,588              | 545,078          |
| <b>Total</b>                                    | <b>1,840,629</b>     | <b>1,908,583</b> |
| Less: Accumulated depreciation and amortization | 988,236              | 1,008,835        |
| <b>Premises and equipment net</b>               | <b>852,393</b>       | <b>899,748</b>   |

Depreciation and amortization expense for premises and equipment for the fiscal years ended March 31, 2007, 2008 and 2009 was ¥140,313 million, ¥169,925 million and ¥146,191 million, respectively.

Premises and equipment under capital leases, which is primarily comprised of data processing equipment, amounted to ¥48,260 million and ¥49,420 million at March 31, 2008 and 2009, respectively. Accumulated depreciation and amortization on such premises and equipment at March 31, 2008 and 2009 amounted to ¥35,013 million and ¥39,387 million, respectively.

The MHFG Group recognized impairment losses of ¥9,299 million on premises and equipment for the fiscal year ended March 31, 2009, of which ¥7,703 million was recorded in General and administrative expenses and ¥1,596 million was recorded in Occupancy expenses. Such losses included ¥9,211 million of impairment losses on software and related server equipment recognized in the Global Retail Group due to the discontinuance of development of a next generation mainframe computer system of certain domestic consolidated subsidiary.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. Goodwill**

The changes in Goodwill during the fiscal years ended March 31, 2008 and 2009 were as follows:

|                                     | Global<br>Corporate<br>Group | Global<br>Retail<br>Group | Total  |
|-------------------------------------|------------------------------|---------------------------|--------|
|                                     | (in millions of yen)         |                           |        |
| <b>2008</b>                         |                              |                           |        |
| Balance at beginning of fiscal year |                              | 39,559                    | 39,559 |
| Goodwill acquired                   | 25,715                       |                           | 25,715 |
| Impairment losses recognized        | 25,715                       | 24,543                    | 50,258 |
| Balance at end of fiscal year       |                              | 15,016                    | 15,016 |
| <b>2009</b>                         |                              |                           |        |
| Balance at beginning of fiscal year |                              | 15,016                    | 15,016 |
| Goodwill acquired                   |                              |                           |        |
| Impairment losses recognized        |                              |                           |        |
| Balance at end of fiscal year       |                              | 15,016                    | 15,016 |

Goodwill in the Global Retail Group is entirely related to the MHIS operating segment. Due to an adverse change in the business climate during the fiscal year ended March 31, 2008, it was determined that the carrying amount of the segment exceeded its fair value, which was calculated based on the quoted market price of MHIS's common stock, as of March 31, 2008, the date of the annual impairment test. Therefore, a goodwill impairment loss of ¥24,543 million was recognized in the Global Retail Group during the fiscal year ended March 31, 2008.

Goodwill in the Global Corporate Group was acquired through MHCBS's subscriptions of the third-party allocations by its subsidiary, MHSC, in December 2007 and January 2008. (Refer to Note 25 Minority interest in consolidated subsidiaries.) Since the estimation of future cash flows of the MHSC operating segment was revised downward reflecting the overall economic outlook of MHSC, it was determined that the carrying amount of the segment exceeded its fair value as of March 31, 2008, the date of the annual impairment test. Therefore, a goodwill impairment loss of ¥25,715 million was recognized in the Global Corporate Group during the fiscal year ended March 31, 2008.

There were no impairment losses nor new acquisitions during the fiscal year ended March 31, 2009.

**9. 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, 2008 and 2009:

|  | 2008                 | 2009       |
|--|----------------------|------------|
|  | (in millions of yen) |            |
| Interest-bearing deposits in other banks | 25,428               | 44,745     |
| Trading account assets                   | 6,447,148            | 5,424,813  |
| Available-for-sale securities            | 15,039,802           | 10,957,411 |
| Loans                                    | 6,938,723            | 12,837,509 |
| Other assets                             | 1,241,471            | 1,343,532  |
| Total                                    | 29,692,572           | 30,608,010 |



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The associated liabilities collateralized by the above assets at March 31, 2009 are summarized below:

|  | <b>2009</b><br><b>(in millions of yen)</b> |
|--|--|
| Deposits                                       | 643,196                                    |
| Call money and funds purchased                 | 2,020,400                                  |
| Payables under repurchase agreements           | 2,983,331                                  |
| Payables under securities lending transactions | 3,765,475                                  |
| Other short-term borrowings                    | 3,790,993                                  |
| Long-term debt                                 | 4,252,014                                  |
| <b>Total</b>                                   | <b>17,455,409</b>                          |

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, 2008 and 2009, the reserve funds maintained by the MHFG Group, which were included in Cash and due from banks and Interest-bearing deposits in other banks, were ¥1,146 billion and ¥4,225 billion, respectively.

At March 31, 2008 and 2009, the MHFG Group had received collateral that can be sold or repledged, with a fair value of ¥16,973 billion and ¥12,910 billion, respectively, of which ¥10,940 billion and ¥10,139 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.

**10. Deposits**

The balances of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$101 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2009) or more as well as the balance of those deposits issued by foreign offices in amounts of US\$100,000 or more at March 31, 2008 and 2009 are as follows:

|                          | <b>2008</b>                 | <b>2009</b>       |
|--------------------------|-----------------------------|-------------------|
|                          | <b>(in millions of yen)</b> |                   |
| <b>Domestic offices:</b> |                             |                   |
| Time deposits            | 18,699,719                  | 19,042,783        |
| Certificates of deposit  | 8,993,040                   | 8,519,700         |
| <b>Total</b>             | <b>27,692,759</b>           | <b>27,562,483</b> |
| <b>Foreign offices:</b>  |                             |                   |
| Time deposits            | 6,806,250                   | 6,267,038         |
| Certificates of deposit  | 1,078,242                   | 839,748           |
| <b>Total</b>             | <b>7,884,492</b>            | <b>7,106,786</b>  |

The aggregate amount of demand deposits in overdraft status that have been reclassified as loan balances at March 31, 2008 and 2009 was ¥745 billion and ¥693 billion, respectively.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The balance and remaining maturities of time deposits and certificates of deposit issued by domestic and foreign offices at March 31, 2009 are shown in the following table:

|  | Time<br>deposits  | Certificates of<br>deposit<br>(in millions of yen) | Total             |
|--|-------------------|--|-------------------|
| <b>Domestic offices:</b>                 |                   |  |                   |
| Due in one year or less                  | 24,749,087        | 8,515,500  | 33,264,587        |
| Due after one year through two years     | 1,975,347         | 4,200  | 1,979,547         |
| Due after two years through three years  | 1,399,410         |  | 1,399,410         |
| Due after three years through four years | 235,826           |  | 235,826           |
| Due after four years through five years  | 276,953           |  | 276,953           |
| Due after five years                     | 114,274           |  | 114,274           |
| <b>Total</b>                             | <b>28,750,897</b> | <b>8,519,700</b>                                   | <b>37,270,597</b> |
| <b>Foreign offices:</b>                  |                   |  |                   |
| Due in one year or less                  | 6,306,938         | 839,779  | 7,146,717         |
| Due after one year through two years     | 4,081             |  | 4,081             |
| Due after two years through three years  | 6,243             |  | 6,243             |
| Due after three years through four years | 23                |  | 23                |
| Due after four years through five years  | 13,986            |  | 13,986            |
| Due after five years                     |                   |  |                   |
| <b>Total</b>                             | <b>6,331,271</b>  | <b>839,779</b>                                     | <b>7,171,050</b>  |
| <b>Total</b>                             | <b>35,082,168</b> | <b>9,359,479</b>                                   | <b>44,441,647</b> |

**11. Debentures**

MHCB and MHBK issue debentures denominated in Japanese yen with fixed interest rate to institutional and private investors as a source of funding for their operational needs. The following table presents interest rates and maturity of debentures:

|                             | Interest rates<br>(%) | Maturity            | 2008<br>(in millions of yen) | 2009<br>(in millions of yen) |
|-----------------------------|-----------------------|---------------------|------------------------------|------------------------------|
| Five-year coupon debentures | 0.10-1.2              | Apr. 2009-Apr. 2014 | 3,159,443                    | 2,300,460                    |

Note: Interest rates and maturity shown are as of March 31, 2009.

**12. Due to trust accounts**

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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.

F-36



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. Long-term debt**

Long-term debt with original maturities of more than one year at March 31, 2008 and 2009 is comprised of the following:

|                                   | 2008                 | 2009             |
|-----------------------------------|----------------------|------------------|
|                                   | (in millions of yen) |                  |
| Obligations under capital leases  | 22,999               | 18,684           |
| Loan participation borrowings     | 408,121              | 265,091          |
| Senior borrowings and bonds       | 2,630,600            | 2,871,216        |
| Subordinated borrowings and bonds | 4,557,190            | 4,862,779        |
| <b>Total</b>                      | <b>7,618,910</b>     | <b>8,017,770</b> |

Note: Certain amounts in the prior period have been summarized into the current period's presentation.

The following table presents interest rates and maturities of senior borrowings and bonds, and subordinated borrowings and bonds:

|   | Interest rates <sup>(2)</sup><br>(%) | Maturity <sup>(3)</sup> | 2008                 | 2009             |
|---|--------------------------------------|-------------------------|----------------------|------------------|
|   |                                      |                         | (in millions of yen) |                  |
| <b>Senior borrowings and bonds:</b>           |                                      |                         |                      |                  |
| fixed rate denominated in Japanese yen        | 0-20.0                               | Apr. 2009-Oct. 2038     | 1,504,602            | 1,964,082        |
| fixed rate denominated in U.S. dollars        | 0-7.49                               | May. 2009-Sep. 2038     | 6,491                | 5,324            |
| fixed rate denominated in Euro                |                                      |                         | 2,595                |                  |
| fixed rate denominated in other currencies    | 6.16-7.37                            | Jun. 2011-Jan. 2012     | 55,190               | 30,642           |
| floating rate denominated in Japanese yen     | 0-20.0                               | Apr. 2009-Dec. 2039     | 1,018,244            | 857,685          |
| floating rate denominated in U.S. dollars     | 0-5.479                              | Apr. 2009-Jul. 2047     | 42,643               | 12,802           |
| floating rate denominated in Euro             | 3.11                                 | Jul. 2009               | 787                  | 646              |
| floating rate denominated in other currencies | 0                                    | Nov. 2012               | 48                   | 35               |
| <b>Total</b>                                  |                                      |                         | <b>2,630,600</b>     | <b>2,871,216</b> |
| <b>Subordinated borrowings and bonds:</b>     |                                      |                         |                      |                  |
| fixed rate denominated in Japanese yen        | 0.96-4.74                            | Apr. 2009-Perpetual     | 2,494,776            | 3,257,319        |
| fixed rate denominated in U.S. dollars        | 5.89-14.91                           | Apr. 2010-Jan. 2024     | 729,747              | 512,139          |
| fixed rate denominated in Euro                | 4.85-4.98                            | Apr. 2009-Jun. 2011     | 198,832              | 163,196          |
| floating rate denominated in Japanese yen     | 0.472-4.463                          | Apr. 2009-Perpetual     | 1,046,700            | 847,500          |
| floating rate denominated in U.S. dollars     | 1.228-2.168                          | Jul. 2009-Jan. 2013     | 76,853               | 74,186           |
| floating rate denominated in Euro             | 1.79-1.869                           | Sep. 2010               | 10,282               | 8,439            |
| <b>Total</b>                                  |                                      |                         | <b>4,557,190</b>     | <b>4,862,779</b> |
| <b>Total</b>                                  |                                      |                         | <b>7,187,790</b>     | <b>7,733,995</b> |

Notes:

- (1) Certain amounts in the prior period have been summarized into the current period's presentation.
- (2) The interest rates shown are the range of contractual rates in effect at March 31, 2009.
- (3) Maturity information shown is the range of maturities at March 31, 2009.
- (4) None of the long-term debt issues listed above is convertible to common stock.
- (5) 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, 2009:

|                               | (in millions of yen) |
|-------------------------------|----------------------|
| Fiscal years ending March 31: |                      |
| 2010                          | 827,543              |
| 2011                          | 479,821              |
| 2012                          | 1,130,925            |
| 2013                          | 1,045,848            |
| 2014                          | 704,557              |
| 2015 and thereafter           | 3,829,076            |
| Total                         | 8,017,770            |

**14. Other assets and liabilities**

The following table sets forth the details of other assets and liabilities at March 31, 2008 and 2009:

|   | 2008 (Note)          | 2009      |
|---|----------------------|-----------|
|   | (in millions of yen) |           |
| Other assets:   |                      |           |
| Collateral provided for derivative transactions                                     | 1,172,979            | 1,237,247 |
| Accounts receivable from brokers, dealers and customers for securities transactions | 1,626,662            | 1,067,925 |
| Financial Stabilization Funds   | 295,333              | 306,511   |
| Miscellaneous receivables   | 229,094              | 146,424   |
| Security deposits   | 125,147              | 110,940   |
| Loans held for sale   | 666,644              | 80,500    |
| Prepaid pension cost  | 48,798               | 8         |
| Other   | 441,443              | 435,999   |
| Total   | 4,606,100            | 3,385,554 |
| Other liabilities:  |                      |           |
| Accounts payable to brokers, dealers and customers for securities transactions      | 1,512,818            | 2,362,118 |
| Collateral accepted for derivative transactions                                     | 743,493              | 813,666   |
| Factoring amounts owed to customers   | 356,520              | 334,589   |
| Miscellaneous payables  | 289,772              | 274,630   |
| Accrued pension liability   | 22,171               | 251,124   |
| Matured debentures  | 248,606              | 208,225   |
| Unearned income   | 137,901              | 147,304   |
| Other   | 920,480              | 815,034   |
| Total   | 4,231,761            | 5,206,690 |

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Note: Certain amounts in the prior period have been reclassified to conform to the current period's presentation.  
*Financial Stabilization Funds*

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

F-38

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

economy. The returns from the investment of the Funds are first to be used to make up for a part of the losses 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 are 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 is being accreted over the expected period to maturity using the interest method. The carrying amount of the deposits as of March 31, 2008 and 2009 was ¥295,333 million and ¥306,511 million, respectively.

*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.

*Matured debentures*

Matured debentures represent the principal balance of debentures that have reached maturity but have not yet been repaid to customers.

**15. Preferred stock**

On January 4, 2009, MHFG abolished the fractional share system and adopted the unit share system concurrently with the allotment of shares or fractions of a share without consideration. The allotment was made at the rate of 999 shares per one share and 9.99 shares per every 0.01 of a share. Therefore, as a result of the allotment, the number of shares has increased a thousandfold.

The composition of preferred stock at March 31, 2007, 2008 and 2009 is as follows:

| 2007 | Class of stock                               | Aggregate amount<br>(in millions of yen) | Number of shares |         |             | Liquidation<br>value per share<br>(yen) | Convertible<br>or not |
|------|--|--|------------------|---------|-------------|---|-----------------------|
|      |  |  | Authorized       | Issued  | In treasury |   |                       |
|      | Eleventh series class XI preferred stock     | 943,740                                  | 1,398,500        | 943,740 |             | 1,000,000                               | Yes                   |
|      | Class XII preferred stock                    |  | 1,500,000        |         |             |   |                       |
|      | Thirteenth series class XIII preferred stock | 36,690                                   | 1,500,000        | 36,690  |             | 1,000,000                               | No                    |
|      | Total  | 980,430                                  | 4,398,500        | 980,430 |             |   |                       |

| 2008 | Class of stock                               | Aggregate amount<br>(in millions of yen) | Number of shares |         |             | Liquidation<br>value per share<br>(yen) | Convertible<br>or not |
|------|--|--|------------------|---------|-------------|---|-----------------------|
|      |  |  | Authorized       | Issued  | In treasury |   |                       |
|      | Eleventh series class XI preferred stock     | 943,740                                  | 1,398,500        | 943,740 |             | 1,000,000                               | Yes                   |
|      | Class XII preferred stock                    |  | 1,500,000        |         |             |   |                       |
|      | Thirteenth series class XIII preferred stock | 36,690                                   | 1,500,000        | 36,690  |             | 1,000,000                               | No                    |
|      | Total  | 980,430                                  | 4,398,500        | 980,430 |             |   |                       |



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| 2009 | Class of stock                                     | Aggregate amount<br>(in millions of yen) | Number of shares |             | In<br>treasury | Liquidation<br>value per share<br>(yen) | Convertible<br>or not |
|------|--|--|------------------|-------------|----------------|---|-----------------------|
|      |  |  | Authorized       | Issued      |                |   |                       |
|      | Eleventh series class XI preferred stock<br>(Note) | 914,752                                  | 1,369,512,000    | 914,752,000 | 2,801,000      | 1,000                                   | Yes                   |
|      | Class XII preferred stock                          |  | 1,500,000,000    |             |                |   |                       |
|      | Thirteenth series class XIII preferred<br>stock    | 36,690                                   | 1,500,000,000    | 36,690,000  |                | 1,000                                   | No                    |
|      | Total  | 951,442                                  | 4,369,512,000    | 951,442,000 | 2,801,000      |   |                       |

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 at March 31, 2009.

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 <sup>(1)</sup> | Conversion ratio <sup>(2)</sup>  |
|--|----------------------------------|--|
| Eleventh series class XI preferred stock | July 1, 2008 to June 30, 2016    | ¥1,000/(conversion price), where the conversion price after adjustment is ¥303.50 on or after August 6, 2009; to be reset on July 1 of each year between 2010 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 Reset Date, provided that the conversion price shall not be less than ¥303.50. |

Notes:

- (1) If the date to determine the shareholders entitled to exercise their voting rights at a general meeting of the shareholders of MHFG (the Record Date) is prescribed, the period from and including the date immediately following such Record Date to and including the date on which such general meeting is concluded shall be excluded.





**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (2) 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.

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 ¥303.50. |

The changes in the number of shares and the aggregate amount of preferred stock during the fiscal years ended March 31, 2007, 2008, and 2009 were as follows:

| Class of stock   | Issued at<br>March 31,<br>2006 | Cancelled | Issued at<br>March 31,<br>2007 | Net<br>change<br>(number of shares) | Issued at<br>March 31,<br>2008 | Cancelled | Allotment   | Issued at<br>March 31,<br>2009 |
|--|--------------------------------|-----------|--------------------------------|-------------------------------------|--------------------------------|-----------|-------------|--------------------------------|
| Preferred stock held by the Resolution and Collection Corporation: |                                |           |                                |                                     |                                |           |             |                                |
| Fourth series class IV preferred stock                             | 150,000                        | (150,000) |                                |                                     |                                |           |             |                                |
| Sixth series class VI preferred stock                              | 150,000                        | (150,000) |                                |                                     |                                |           |             |                                |
| Total  | 300,000                        | (300,000) |                                |                                     |                                |           |             |                                |
| Preferred stock held by other shareholders:                        |                                |           |                                |                                     |                                |           |             |                                |
| Eleventh series class XI preferred stock <sup>(2)</sup>            | 943,740                        |           | 943,740                        | 943,740                             | (28,988)                       |           | 913,837,248 | 914,752,000                    |
| Thirteenth series class XIII preferred stock                       | 36,690                         |           | 36,690                         | 36,690                              |                                |           | 36,653,310  | 36,690,000                     |
| Total  | 980,430                        |           | 980,430                        | 980,430                             | (28,988)                       |           | 950,490,558 | 951,442,000                    |
| Total preferred stock  | 1,280,430                      | (300,000) | 980,430                        | 980,430                             | (28,988)                       |           | 950,490,558 | 951,442,000                    |

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| Class of stock   | Aggregate amount at | Cancelled <sup>(1)</sup> | Aggregate amount at | Net change | Aggregate amount at | Cancelled | Aggregate amount at |
|--|---------------------|--------------------------|---------------------|------------|---------------------|-----------|---------------------|
|  | March 31, 2006      |                          | March 31, 2007      |            | March 31, 2008      |           | March 31, 2009      |
| Preferred stock held by the Resolution and Collection Corporation: |                     |                          |                     |            |                     |           |                     |
| Fourth series class IV preferred stock                             | 300,000             | (300,000)                |                     |            |                     |           |                     |
| Sixth series class VI preferred stock                              | 300,000             | (300,000)                |                     |            |                     |           |                     |
| Total  | 600,000             | (600,000)                |                     |            |                     |           |                     |
| Preferred stock held by other shareholders:                        |                     |                          |                     |            |                     |           |                     |
| Eleventh series class XI preferred stock <sup>(2)</sup>            | 943,740             |                          | 943,740             |            | 943,740             | (28,988)  | 914,752             |
| Thirteenth series class XIII preferred stock                       | 36,690              |                          | 36,690              |            | 36,690              |           | 36,690              |
| Total  | 980,430             |                          | 980,430             |            | 980,430             | (28,988)  | 951,442             |
| Total preferred stock  | 1,580,430           | (600,000)                | 980,430             |            | 980,430             | (28,988)  | 951,442             |

## Notes:

- (1) Upon cancellation of preferred stock held by the Resolution and Collection Corporation, different series of preferred stock which were repurchased on the same date were treated as one issue when comparing the repurchase price and the book value, because the cancelled stock was held by one holder. The aggregate book value of the cancelled stock is charged to preferred stock and the aggregate excess amount of purchase price over book value is charged to accumulated deficit.
- (2) 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.

**16. Common stock**

On January 4, 2009, MHFG abolished the fractional share system and adopted the unit share system concurrently with the allotment of shares or fractions of a share without consideration. The allotment was made at the rate of 999 shares per one share and 9.99 shares per every 0.01 of a share. Therefore, as a result of the allotment, the number of shares has increased a thousandfold.

The changes in the number of issued shares of common stock during the fiscal years ended March 31, 2007, 2008, and 2009 were as follows:

|  | 2007       | 2008<br>(shares) | 2009           |
|--|------------|------------------|----------------|
| Balance at beginning of fiscal year  | 12,003,995 | 11,872,195       | 11,396,255     |
| Issuance of new shares of common stock by conversion of Eleventh series class XI preferred stock |            |                  | 59,186         |
| Cancellation of common stock   | (131,800)  | (475,940)        | (276,500)      |
| Allotment of common stock  |            |                  | 11,167,761,719 |
| Balance at end of fiscal year  | 11,872,195 | 11,396,255       | 11,178,940,660 |



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. 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, 2009, MHFG's capital stock, capital surplus, and retained earnings were ¥1,540,965 million, ¥385,242 million, and ¥1,687,622 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, 2009 was ¥389,592 million, of which ¥385,242 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, 2009, was ¥1,677,022 million, based on the amount recorded in MHFG's general books of account under Japanese GAAP. Under the Banking Law and related 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 4.0% Tier 1 capital for capital adequacy purposes. See Note 18 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, 2007, 2008, and 2009 were as follows:

| 2007<br>Class of stock                       | Cash dividends        |                                      |
|--|-----------------------|--------------------------------------|
|  | Per share<br>(in yen) | In aggregate<br>(in millions of yen) |
| Fourth series class IV preferred stock       | 47,600                | 7,140                                |
| Sixth series class VI preferred stock        | 42,000                | 6,300                                |
| Eleventh series class XI preferred stock     | 20,000                | 18,875                               |
| Thirteenth series class XIII preferred stock | 30,000                | 1,101                                |
| Common stock (Note)                          | 4,000                 | 46,434                               |
| Total  |                       | 79,850                               |

| 2008<br>Class of stock                       | Cash dividends        |                                      |
|--|-----------------------|--------------------------------------|
|  | Per share<br>(in yen) | In aggregate<br>(in millions of yen) |
| Eleventh series class XI preferred stock     | 20,000                | 18,875                               |
| Thirteenth series class XIII preferred stock | 30,000                | 1,101                                |
| Common stock (Note)                          | 7,000                 | 81,254                               |
| Total  |                       | 101,230                              |



Table of Contents

## MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| 2009<br>Class of stock                       | Cash dividends        |                                      |
|--|-----------------------|--------------------------------------|
|  | Per share<br>(in yen) | In aggregate<br>(in millions of yen) |
| Eleventh series class XI preferred stock     | 20,000                | 18,875                               |
| Thirteenth series class XIII preferred stock | 30,000                | 1,101                                |
| Common stock (Note)                          | 10,000                | 113,922                              |
| Total  |                       | 133,898                              |

Note: Dividends paid on treasury stock are excluded.

**18. Regulatory matters***Regulatory capital requirements*

MHFG, MHC B, MHBK, and MHTB are subject to regulatory capital requirements administered by the Financial Services Agency ( FSA ) 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 the MHFG Group 's consolidated financial statements.

The capital adequacy guidelines applicable to Japanese banks and bank holding companies with international operations supervised by the FSA 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 FSA 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.

Under the first pillar, the capital ratio is calculated by dividing regulatory capital by risk-weighted assets. With respect to the calculation of risk-weighted assets, the MHFG Group adopted the advanced internal ratings-based approach ( AIRB approach ) instead of the foundation internal ratings-based approach ( FIRB approach ) from the fiscal year ended March 31, 2009. Under the AIRB 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 ( PD ) and loss given default ( LGD ). PD and LGD are derived by MHFG '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 MHFG Group selected the standardized approach for the calculation of operational risk capital charge, which calculates operational risk by dividing its activities into eight business lines and multiplying gross income of each of those business lines by the applicable factor assigned to each of the business line.

With regard to risk-based capital, these guidelines are consistent with the original BIS framework (Basel I) in requiring a target minimum standard capital adequacy ratio of 8%, at least half of which must consist of core capital, on both a consolidated and non-consolidated basis for banks with international operations, such as MHC B and MHTB, or on a consolidated basis for bank holding companies with international operations, such as MHFG.

Risk-based capital, calculated from financial statements prepared under Japanese GAAP, is classified into the following three tiers: core capital (Tier 1 capital); supplementary capital (Tier 2 capital); and junior supplementary capital (Tier 3 capital). Tier 1 capital generally consists of shareholders ' equity less any recorded

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

goodwill and consolidation adjustment accounts. Tier 2 capital generally consists of: general loan-loss reserves; 45% of each of the unrealized gains on valuation of certain securities classified as "other securities" under Japanese GAAP which is similar to available-for-sale securities under U.S. GAAP, and the unrealized appreciation in the value of land; the balance of subordinated perpetual debt; and the balance of subordinated term debt with an original maturity of over five years and preferred term shares up to 50% of Tier 1 capital. Tier 2 capital may be included in a bank's risk-based capital up to the amount equivalent to Tier 1 capital, less Tier 3 capital if market risk is taken into account in the capital adequacy ratio calculation. Tier 3 capital consists of the balance of subordinated term debt with original maturity of at least two years. Tier 3 capital may be included in total risk-based capital subject to certain conditions, depending on the measure for market risk and the amount of Tier 1 capital.

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.

Japanese banks with only domestic operations, such as MHBK, 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%, at least half of which must consist of Tier 1 capital, on both a consolidated and non-consolidated basis.

If the capital adequacy ratio of a financial institution falls below the required level, the FSA 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 the MHFG Group's financial statements.

**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, 2008 (under the FIRB approach) and 2009 (under the AIRB approach) calculated in accordance with Japanese GAAP and guidelines established by the Ministry of Finance and the FSA are set forth in the following table:

|  | 2008      |       | 2009      |       |
|--|-----------|-------|-----------|-------|
|  | Amount    | Ratio | Amount    | Ratio |
| (in millions of yen, except percentages) |           |       |           |       |
| <b>Consolidated:</b>                     |           |       |           |       |
| <b>MHFG:</b>                             |           |       |           |       |
| <b>Tier 1 capital:</b>                   |           |       |           |       |
| Required                                 | 2,634,915 | 4.00  | 2,359,357 | 4.00  |
| Actual                                   | 4,880,189 | 7.40  | 3,766,364 | 6.38  |
| <b>Total risk-based capital:</b>         |           |       |           |       |
| Required                                 | 5,269,829 | 8.00  | 4,718,715 | 8.00  |
| Actual                                   | 7,708,342 | 11.70 | 6,226,996 | 10.55 |
| <b>MHCB:</b>                             |           |       |           |       |
| <b>Tier 1 capital:</b>                   |           |       |           |       |
| Required                                 | 1,405,893 | 4.00  | 1,271,636 | 4.00  |
| Actual                                   | 2,982,469 | 8.48  | 2,697,855 | 8.48  |
| <b>Total risk-based capital:</b>         |           |       |           |       |
| Required                                 | 2,811,786 | 8.00  | 2,543,272 | 8.00  |
| Actual                                   | 4,278,850 | 12.17 | 3,781,869 | 11.89 |
| <b>MHBK:</b>                             |           |       |           |       |
| <b>Tier 1 capital:</b>                   |           |       |           |       |
| Required                                 | 557,777   | 2.00  | 509,567   | 2.00  |
| Actual                                   | 2,032,402 | 7.28  | 1,696,967 | 6.66  |
| <b>Total risk-based capital:</b>         |           |       |           |       |
| Required                                 | 1,115,553 | 4.00  | 1,019,135 | 4.00  |
| Actual                                   | 3,339,632 | 11.97 | 3,002,758 | 11.78 |
| <b>MHTB:</b>                             |           |       |           |       |
| <b>Tier 1 capital:</b>                   |           |       |           |       |
| Required                                 | 147,495   | 4.00  | 122,597   | 4.00  |
| Actual                                   | 374,852   | 10.16 | 251,846   | 8.21  |
| <b>Total risk-based capital:</b>         |           |       |           |       |
| Required                                 | 294,990   | 8.00  | 245,195   | 8.00  |
| Actual                                   | 585,222   | 15.87 | 410,464   | 13.39 |
| <b>Non-consolidated:</b>                 |           |       |           |       |
| <b>MHCB:</b>                             |           |       |           |       |
| <b>Tier 1 capital:</b>                   |           |       |           |       |
| Required                                 | 1,260,588 | 4.00  | 1,229,695 | 4.00  |
| Actual                                   | 2,505,915 | 7.95  | 1,862,691 | 6.05  |
| <b>Total risk-based capital:</b>         |           |       |           |       |
| Required                                 | 2,521,176 | 8.00  | 2,459,390 | 8.00  |
| Actual                                   | 4,411,114 | 13.99 | 3,613,398 | 11.75 |
| <b>MHBK:</b>                             |           |       |           |       |
| <b>Tier 1 capital:</b>                   |           |       |           |       |
| Required                                 | 538,716   | 2.00  | 495,130   | 2.00  |
| Actual                                   | 1,887,196 | 7.00  | 1,645,426 | 6.64  |
| <b>Total risk-based capital:</b>         |           |       |           |       |



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|                           |           |       |           |       |
|---------------------------|-----------|-------|-----------|-------|
| Required                  | 1,077,433 | 4.00  | 990,261   | 4.00  |
| Actual                    | 3,153,858 | 11.70 | 2,916,328 | 11.78 |
| MHTB:                     |           |       |           |       |
| Tier 1 capital:           |           |       |           |       |
| Required                  | 146,087   | 4.00  | 120,889   | 4.00  |
| Actual                    | 366,007   | 10.02 | 248,490   | 8.22  |
| Total risk-based capital: |           |       |           |       |
| Required                  | 292,174   | 8.00  | 241,779   | 8.00  |
| Actual                    | 575,928   | 15.76 | 405,432   | 13.41 |

F-46

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

MHFG's securities subsidiaries in Japan are also subject to the capital adequacy rules of the FSA under the Financial Instrument and Exchange Law. This rule requires securities firms to 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 which 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 100% or less may lead to a temporary suspension of all or part of the business operations and cancellation of the license to act as a securities broker and dealer.

Management believes, as of March 31, 2009, that MHFG, MHCB, MHBK, MHTB, and their securities subsidiaries in Japan are in compliance with all capital adequacy requirements to which they are subject.

**19. 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.

On January 4, 2009, MHFG abolished the fractional share system and adopted the unit share system concurrently with the allotment of shares or fractions of a share without consideration. The allotment was made at the rate of 999 shares per one share and 9.99 shares per every 0.01 of a share. Therefore, as a result of the allotment, the number of shares has increased a thousandfold. The computations of basic and diluted earnings per common share are adjusted retroactively under SFAS No.128 Earnings per Share ( SFAS No.128 ).

The following table sets forth the computation of basic and diluted earnings per common share for the fiscal years ended March 31, 2007, 2008 and 2009:

|   | 2007                     | 2008<br>(in millions of yen)  | 2009        |
|---|--------------------------|-------------------------------|-------------|
| Net income (loss):  |                          |                               |             |
| Net income (loss)   | 623,882                  | 228,618                       | (1,058,447) |
| Less: Net income (loss) attributable to preferred shareholders                  | 23,474                   | 19,975                        | 19,340      |
| Net income (loss) attributable to common shareholders                           | 600,408                  | 208,643                       | (1,077,787) |
| Effect of dilutive securities:  |                          |                               |             |
| Convertible preferred stock   | 18,875                   | 18,875                        | (2)         |
| Net income (loss) attributable to common shareholders after assumed conversions | 619,283                  | 227,518                       | (1,077,787) |
|   | 2007                     | 2008<br>(thousands of shares) | 2009        |
| Shares:   |                          |                               |             |
| Weighted average common shares outstanding                                      | 11,607,550               | 11,479,942                    | 11,231,269  |
| Effect of dilutive securities:  |                          |                               |             |
| Convertible preferred stock   | 1,106,291 <sup>(1)</sup> | 2,088,073 <sup>(1)</sup>      | (2)         |

|  |            |            |            |
|--|------------|------------|------------|
| Weighted average common shares after assumed conversions | 12,713,841 | 13,568,015 | 11,231,269 |
|--|------------|------------|------------|

F-47

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|  | 2007  | 2008<br>(in yen) | 2009    |
|--|-------|------------------|---------|
| Amounts per common share:                  |       |                  |         |
| Basic net income (loss) per common share   | 51.73 | 18.17            | (95.96) |
| Diluted net income (loss) per common share | 48.71 | 16.77            | (95.96) |

## Notes:

- (1) For the fiscal years ended March 31, 2007 and 2008, the number of the dilutive common shares is based on the conversion price as of each fiscal year-end.
- (2) For the fiscal year ended March 31, 2009, the computation of diluted earnings per common share did not assume conversion of convertible preferred stock, as the effect of such conversion would be anti-dilutive due to the net loss.

**20. Income taxes**

The following table presents the components of Income tax expense for the fiscal years ended March 31, 2007, 2008 and 2009:

|                            | 2007    | 2008<br>(in millions of yen) | 2009    |
|----------------------------|---------|------------------------------|---------|
| Current:                   |         |                              |         |
| Domestic                   | 27,929  | 9,681                        | 10,013  |
| Foreign                    | 22,372  | 35,502                       | 40,773  |
| Total current tax expense  | 50,301  | 45,183                       | 50,786  |
| Deferred:                  |         |                              |         |
| Domestic                   | 112,444 | 626,326                      | 709,625 |
| Foreign                    | 476     | 667                          | 1,497   |
| Total deferred tax expense | 112,920 | 626,993                      | 711,122 |
| Total income tax expense   | 163,221 | 672,176                      | 761,908 |

The preceding table does not reflect the tax effects of items recorded directly in Shareholders' equity for the fiscal years ended March 31, 2007, 2008 and 2009. The detailed amounts reducing Shareholders' equity are as follows:

|  | 2007    | 2008<br>(in millions of yen) | 2009      |
|--|---------|------------------------------|-----------|
| Unrealized net gains (losses) on available-for-sale securities | 149,726 | (755,958)                    | (500,153) |
| Minimum pension liability                                      | 175     |                              |           |
| Pension liability adjustments                                  | 89,512  | (163,825)                    | (63,353)  |
| Cumulative effect of change in accounting principle            | 1,275   |                              | (11,846)  |
| Total tax effect   | 240,688 | (919,783)                    | (575,352) |

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, 2007, 2008 and 2009:

|   | 2007                                   | 2008     | 2009      |
|---|--|----------|-----------|
|   | (in millions of yen, except tax rates) |          |           |
| Income (loss) before income tax expense   | 787,103                                | 900,794  | (296,539) |
| Effective statutory tax rate  | 40.69%                                 | 40.69%   | 40.69%    |
| Income tax calculated at the statutory tax rate   | 320,272                                | 366,533  | (120,662) |
| Income not subject to tax   | (34,365)                               | (19,514) | (15,658)  |
| Expenses not deductible for tax purposes  | 1,937                                  | 2,035    | 1,823     |
| Tax rate differentials of subsidiaries  | (538)                                  | 35,610   | (11,923)  |
| Change in valuation allowance   | (161,875)                              | 242,980  | 1,256,799 |
| Change in undistributed earnings of subsidiaries  | (38,247)                               | (32,405) | (19,706)  |
| Change in net operating loss carryforwards resulting from intercompany capital transactions | 32,519                                 | 54,277   | (351,991) |
| Minority interest in consolidated subsidiaries  | 11,308                                 | (21,833) | (25,047)  |
| Other   | 32,210                                 | 44,493   | 48,273    |
| Income tax expense  | 163,221                                | 672,176  | 761,908   |

The components of net deferred tax assets at March 31, 2008 and 2009 are as follows:

|  | 2008                 | 2009        |
|--|----------------------|-------------|
|  | (in millions of yen) |             |
| Deferred tax assets:                                 |                      |             |
| Investments  | 1,176,372            | 1,346,689   |
| Allowance for loan losses                            | 333,910              | 495,235     |
| Prepaid pension cost and accrued pension liabilities |                      | 122,321     |
| Premises and equipment                               | 38,392               | 26,526      |
| Financial Stabilization Funds                        | 25,869               | 21,324      |
| Undistributed earnings of subsidiaries               |                      | 15,183      |
| Derivative financial instruments                     | 9,142                |             |
| Net operating loss carryforwards                     | 2,402,604            | 2,559,208   |
| Other  | 275,576              | 337,034     |
|  | 4,261,865            | 4,923,520   |
| Valuation allowance                                  | (2,451,103)          | (3,778,575) |
| Deferred tax assets, net of valuation allowance      | 1,810,762            | 1,144,945   |
| Deferred tax liabilities:                            |                      |             |
| Available-for-sale securities                        | 784,328              | 282,962     |
| Derivative financial instruments                     |                      | 27,217      |
| Undistributed earnings of subsidiaries               | 4,523                |             |
| Prepaid pension cost and accrued pension liabilities | 3,130                |             |

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|                          |         |         |
|--------------------------|---------|---------|
| Other                    | 106,409 | 50,747  |
| Deferred tax liabilities | 898,390 | 360,926 |
| Net deferred tax assets  | 912,372 | 784,019 |

F-49

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 were 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, 2008 and 2009.

At March 31, 2009, the MHFG Group had net operating loss carryforwards totaling ¥6,388,172 million. These net operating losses are scheduled to expire as follows:

|                              | <b>Net operating loss<br/>carryforwards<br/>(in millions of yen)</b> |
|------------------------------|--|
| Fiscal year ending March 31: |  |
| 2010                         | 1,398,820  |
| 2011                         | 503,261  |
| 2012                         | 518,970  |
| 2013                         | 2,694,567  |
| 2014                         | 16,207   |
| 2015 and thereafter          | 1,256,347  |
| Total                        | 6,388,172  |

Included in net operating loss carryforwards in the above table are carryforwards of the holding company and a subsidiary of ¥3,511,931 million 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 ¥760 million and ¥1,943 million interest and penalties was ¥4,923 million and ¥11,639 million at March 31, 2008 and 2009, respectively, which would, if recognized, affect the Group's effective tax rate. 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, 2008 and 2009:

|  | <b>2008</b>                 | <b>2009</b> |
|--|-----------------------------|-------------|
|  | <b>(in millions of yen)</b> |             |
| Total unrecognized tax benefits at beginning of fiscal year                  | 6,135                       | 4,923       |
| Gross amount of increases related to positions taken during prior years      | 1,098                       | 7,412       |
| Gross amount of increases related to positions taken during the current year | 343                         |             |
| Amount of decreases related to settlements                                   | (2,204)                     | (328)       |
| Foreign exchange adjustments   | (449)                       | (368)       |



Total unrecognized tax benefits at end of fiscal year

4,923

11,639

F-50

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 2001, 1998 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.

**21. Pension and other employee benefit plans***Severance indemnity plans*

MHFG and certain subsidiaries, including MHBK, MHCBC, and MHTB, sponsor and offer their employees other than directors and corporate auditors, lump-sum severance indemnity plans. Under the severance indemnity plans, employees are provided with lump-sum cash payments upon leaving the company. The amount of benefits under the severance indemnity 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.

*Employees Pension Funds*

MHFG and certain subsidiaries provide funded contributory defined benefit plans, which are known as the Employees Pension Funds ( EPF ), as defined and regulated by the Japanese Welfare Pension Insurance Law ( JWPIL ). Under the EPF, an employer establishes a special public entity that administers and manages the plan with respect to the employees covered by the EPF. The EPF comprises:

- a. The substitutional portion representing a portion of the pay-related part of the elderly pension that the EPF administers on behalf of the state-run welfare pension and;
- b. The corporate portion which represents the discretionary benefit arrangement set up by the employer or the EPF.

When an employer establishes the EPF, the portion of the welfare pension premium that represents the substitutional portion, and would otherwise be required to be paid to the government, is contributed to the EPF.

In June 2001, the JWPIL was amended to permit the employer to separate the substitutional portion from the EPF and transfer the obligation and related assets to the Japanese government. After the separation, the entire premium representing the contribution to the welfare pension is transferred to the government. The separation process requires several phases to be completed and is accounted for in accordance with EITF Issue No.03-2 as discussed below.

MHFG and certain subsidiaries submitted an application to the government to transfer the obligation to pay benefits for future employee service related to the substitutional portion and the application was approved in September 2003. MHFG and certain subsidiaries made another application for the transfer to the government of the remaining substitutional portion and the application was approved in March 2005. During the fiscal year ended March 31, 2006, a subsidiary of MHFG completed the transfer of the substitutional portion to the government. In addition, in January 2007, MHFG and certain subsidiaries completed the transfer of the substitutional portion of the benefit obligation and the related government-specified portion of plan assets to the government. The MHFG Group accounted for the entire process of the completion of the transfer as a single settlement transaction in accordance with EITF Issue No.03-2.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The effect of these settlements calculated pursuant to the guidance in EITF Issue No.03-2 for the fiscal year ended March 31, 2007 was as follows:

|  | <b>2007</b><br><b>(in millions of yen)</b> |
|--|--|
| Subsidy (representing the difference between the accumulated benefit obligation over the fair value of the related assets) | 177,418                                    |
| Settlement gain recognized for proportionate amount of net unrecognized loss related to the entire EPF                     | 3,434                                      |
| Effect of the reversal of future salary progression  | 1,589                                      |
| <b>Total settlement gain</b>   | <b>182,441</b>                             |

The subsidy is included in Other noninterest income and the other components are deducted from Salaries and employee benefits.

*Tax-Qualified Pension Plans (closed TQPPs )*

Some of MHFG's subsidiaries offer closed TQPPs. These plans are non-contributory defined benefits plans which provide retired employees other than directors and corporate auditors with retirement benefits that are determined based on certain factors that include the length of service. Under the tax-qualified pension plans, employers enter into contracts with financial institutions such as trust banks or life insurers that administer employer contributions and benefit payments.

*Foreign office benefit plans*

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.

*Defined contribution plans*

MHFG and certain subsidiaries have several defined contribution plans. The costs recognized for contributions to the plans for the fiscal years ended March 31, 2007, 2008 and 2009 were ¥1,509 million, ¥1,785 million and ¥1,987 million, respectively.

*Implementation of SFAS No.158*

On March 31, 2007, the MHFG Group adopted the recognition and disclosure provisions of SFAS No.158, which requires an employer to recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in its consolidated balance sheets. Under SFAS No.158, actuarial gains or losses and prior service costs or benefits that have not yet been recognized through earnings as net periodic benefit cost will be recognized in other comprehensive income, net of tax, until they are amortized as a component of net periodic benefit cost. Upon adoption of SFAS No.158 in 2007, the MHFG Group recorded an adjustment, net of tax, of ¥130,855 million to Accumulated other comprehensive income. The adoption of SFAS No.158 had no effect on the consolidated statements of income for the fiscal year ended March 31, 2007, or for any prior period presented.

*Partial withdrawal of assets from employee retirement benefit trusts*

During the fiscal year ended March 31, 2007, certain subsidiaries of MHFG partially withdrew assets from employee retirement benefit trusts, which were established for the payment of employees' severance pay and retirement pensions. No gains or losses have been recognized as a consequence of this transaction.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Net periodic benefit cost and funded status*

Net periodic benefit cost of the severance indemnities and pension plans, net of contributions made by employees, for the fiscal years ended March 31, 2007, 2008 and 2009 includes the following components:

|   | 2007                 | 2008            | 2009          |
|---|----------------------|-----------------|---------------|
|   | (in millions of yen) |                 |               |
| Service cost-benefits earned during the fiscal year | 23,190               | 24,000          | 23,668        |
| Interest costs on projected benefit obligation      | 37,700               | 26,757          | 25,192        |
| Expected return on plan assets                      | (77,286)             | (95,211)        | (52,273)      |
| Amortization of prior service benefit               | (440)                | (437)           | (375)         |
| Amortization of net actuarial loss (gain)           | (16,198)             | (6,042)         | 6,297         |
| Special termination benefits                        | 5,485                | 5,048           | 7,440         |
| Loss (gain) on settlement                           | (5,023)              |                 | 1,791         |
| Gain on curtailment                                 |                      |                 | (748)         |
| <b>Net periodic benefit cost</b>                    | <b>(32,572)</b>      | <b>(45,885)</b> | <b>10,992</b> |

Other changes in plan assets and benefit obligations recognized in other comprehensive loss before-tax for the fiscal years ended March 31, 2008 and 2009 were summarized as follows:

|  | 2008                 | 2009           |
|--|----------------------|----------------|
|  | (in millions of yen) |                |
| Net actuarial loss   | 409,970              | 336,362        |
| Amortization of net actuarial gain (loss)                      | 6,042                | (6,297)        |
| Prior service cost   | 147                  | 744            |
| Amortization of prior service benefit                          | 437                  | 375            |
| <b>Total recognized in other comprehensive loss before-tax</b> | <b>416,596</b>       | <b>331,184</b> |

As of March 31, 2009, the amounts in Accumulated other comprehensive loss, which will be amortized as prior service benefit and actuarial loss over the next fiscal year, are estimated to be ¥318 million and ¥35,973 million, respectively.

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost are as follows:

|   | 2007       | 2008       | 2009       |
|---|------------|------------|------------|
| Weighted-average assumptions used to determine benefit obligations at fiscal year end:    |            |            |            |
| Discount rates  | 2.09%      | 1.99%      | 1.93%      |
| Rates of increase in future compensation level  | 1.51-5.76% | 1.61-5.62% | 1.93-6.27% |
| Weighted-average assumptions used to determine net periodic benefit cost during the year: |            |            |            |
| Discount rates  | 2.55%      | 2.09%      | 1.99%      |
| Rates of increase in future compensation level  | 1.37-5.67% | 1.51-5.76% | 1.61-5.62% |
| Expected rates of return on plan assets   | 3.72%      | 5.75%      | 3.92%      |

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In estimating the discount rate, the MHFG Group used interest rates on high-quality fixed-income governmental and corporate bonds that received a rating of AA(Aa) or higher from rating agencies. The durations of such bonds closely match that of the pension benefit obligation. Assumed discount rates were reevaluated at each measurement date.

F-53

**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, 2008 and 2009 for the plans of MHFG and its subsidiaries. Accordingly, funded status and amounts recognized in the table below show the combined amounts of those presented in the consolidated financial statements of these subsidiaries.

|  | 2008                 | 2009      |
|--|----------------------|-----------|
|  | (in millions of yen) |           |
| <b>Change in benefit obligation:</b>   |                      |           |
| Benefit obligation at beginning of fiscal year   | 1,287,133            | 1,293,747 |
| Service cost   | 24,000               | 23,668    |
| Interest cost  | 26,757               | 25,192    |
| Plan participants' contributions   | 1,199                | 1,199     |
| Divestitures   | (2,315)              |           |
| Settlements  |                      | (15,730)  |
| Actuarial loss (gain)  | 23,546               | (4,377)   |
| Foreign currency exchange rate changes   | (5,725)              | (5,303)   |
| Benefits paid  | (40,478)             | (43,906)  |
| Lump-sum payments  | (20,370)             | (17,952)  |
| <br>   |                      |           |
| Benefit obligation at end of fiscal year   | 1,293,747            | 1,256,538 |
| <b>Change in plan assets:</b>  |                      |           |
| Fair value of plan assets at beginning of fiscal year                                      | 1,617,598            | 1,320,374 |
| Actual return (negative return) on plan assets   | (291,648)            | (289,612) |
| Foreign currency exchange rate changes   | (4,361)              | (4,991)   |
| Divestitures   | (1,389)              |           |
| Settlements  |                      | (15,730)  |
| Employer contributions   | 39,453               | 38,088    |
| Plan participants' contributions   | 1,199                | 1,199     |
| Benefits paid  | (40,478)             | (43,906)  |
| <br>   |                      |           |
| Fair value of plan assets at end of fiscal year  | 1,320,374            | 1,005,422 |
| <br>   |                      |           |
| Funded status  | 26,627               | (251,116) |
| <br>   |                      |           |
| Amounts recognized in the consolidated balance sheets consist of:                          |                      |           |
| Prepaid pension cost   | 48,798               | 8         |
| Accrued pension liability  | (22,171)             | (251,124) |
| <br>   |                      |           |
| Net amount recognized  | 26,627               | (251,116) |
| <br>   |                      |           |
| Amounts recognized in Accumulated other comprehensive loss (income) before-tax consist of: |                      |           |
| Prior service cost (benefit)   | (3,735)              | (2,616)   |
| Net actuarial loss   | 196,263              | 526,328   |
| <br>   |                      |           |
| Net amount recognized  | 192,528              | 523,712   |

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Note: The aggregated accumulated benefit obligations of these plans were ¥1,253,781 million and ¥1,232,621 million, respectively, as of March 31, 2008 and 2009. The severance indemnities 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-54



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table shows the projected benefit obligations, accumulated benefit obligations and fair value of plan assets at March 31, 2008 and 2009 for the plans of MHFG and its subsidiaries where accumulated benefit obligations were in excess of plan assets:

|                                | 2008                 | 2009      |
|--------------------------------|----------------------|-----------|
|                                | (in millions of yen) |           |
| Projected benefit obligation   | 31,163               | 1,254,091 |
| Accumulated benefit obligation | 30,426               | 1,230,175 |
| Fair value of plan assets      | 20,388               | 1,002,967 |

Pension plans are not fully integrated among subsidiaries of MHFG and plan assets are managed separately by each plan.

*Asset allocation*

Pension plan asset allocations of MHFG and certain subsidiaries at March 31, 2008 and 2009, by asset category are as follows:

| Asset category   | Fair value of<br>pension plan assets at<br>March 31, |         |
|--|--|---------|
|  | 2008   | 2009    |
| The EPF assets:  |  |         |
| Japanese equity securities                             | 6.89%  | 6.25%   |
| Japanese debt securities                               | 14.27%   | 18.38%  |
| General account of life insurance companies            | 6.19%  | 8.14%   |
| Non-Japanese equity securities                         | 6.89%  | 6.57%   |
| Non-Japanese debt securities                           | 12.36%   | 14.42%  |
| Short-term assets                                      | 0.71%  | 0.72%   |
| Total EPF assets                                       | 47.31%   | 54.48%  |
| Assets retained in employee retirement benefit trusts: |  |         |
| Japanese equity securities                             | 52.69%   | 45.52%  |
|  | 100.00%  | 100.00% |

Included in Japanese equity securities was ¥25,084 million (1.94% of contributory pension plan assets) and ¥338 million (0.03% of contributory pension plan assets) of the common stock issued by the MHFG Group and its affiliated companies at March 31, 2008 and 2009, respectively. The figures significantly decreased since certain common stock issued by an affiliated company was transferred to the Group at its fair value in August 2008.

*Investment policies*

MHFG and certain subsidiaries target asset allocation for funds for the EPF plans is as follows:

**Asset category**

|                                | <b>Asset ratio at<br/>March 31, 2009</b> |
|--------------------------------|--|
| Japanese equity securities     | 17.00%                                   |
| Japanese debt securities       | 42.00%                                   |
| Non-Japanese equity securities | 15.00%                                   |
| Non-Japanese debt securities   | 26.00%                                   |
| <b>Total</b>                   | <b>100.00%</b>                           |

F-55

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In managing assets for the EPF, the MHFG Group determines the appropriate levels of risk that the MHFG 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 is based on optimal portfolios, which are estimated by expected return and risk according to each asset class. 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.

The employee retirement benefit trusts have been established to isolate assets held by employers and designate the separated assets for the settlement of retirement benefits. These assets are primarily Japanese equity securities and have been entrusted directly with qualified trustees including trust banks.

The plan assets designated to the TQPPs have been invested in assets with low investment risk because the plans have already been closed to new participants.

*Basis and procedure for estimating long term return of each asset class*

The expected rate of return for each asset class is based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment. The expected long-term rate of return used to determine net periodic benefit cost for the fiscal year ended March 31, 2009 is 4.00% for the EPF assets and 3.78% for assets retained in employee retirement benefit trusts.

*Contributions*

MHFG and certain subsidiaries expect to contribute approximately ¥39 billion to their pension plans in the fiscal year ending March 31, 2010 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 year indicated:

|                              | (in millions of yen) |
|------------------------------|----------------------|
| Fiscal year ending March 31: |                      |
| 2010                         | 57,335               |
| 2011                         | 58,686               |
| 2012                         | 59,917               |
| 2013                         | 61,301               |
| 2014                         | 63,085               |
| 2015-2019                    | 329,881              |

**22. 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, MHCB, and MHTB, the MHFG Group introduced stock compensation-type stock options, in the form of stock acquisition rights, for directors (excluding the outside



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

directors) and executive officers of the respective companies (hereinafter referred to collectively as the Directors ) in June 2008. The Group maintains following two types of stock-based compensation plan.

*For Directors of MHFG, MHBK, and MHCB*

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 or MHCB.

The following is a summary of the stock-based compensation plan of MHFG, MHBK and MHCB for the fiscal year ended March 31, 2009:

|   | Number<br>of<br>shares | Weighted-average<br>exercise price<br>(in yen) | Weighted-average<br>remaining<br>contractual term<br>(in years) | Aggregate<br>intrinsic value<br>(in millions of yen) |
|---|------------------------|--|---|--|
| Outstanding at beginning of fiscal year |                        |  |   |  |
| Granted during fiscal year              | 5,409,000              | 1  |   |  |
| Outstanding at end of fiscal year       | 5,409,000              | 1  | 19.88   | 1,011  |
| Exercisable at end of fiscal year       | 130,000                | 1  | 19.88   | 24   |

There are no non-vested stock options remaining as of March 31, 2009.

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, and MHCB, 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.

|                                    |        |
|------------------------------------|--------|
| Risk-free interest rate            | 0.38%  |
| Expected volatility                | 61.05% |
| Expected remaining term (in years) | 1.78   |
| Expected dividend yield            | 4.78%  |

The weighted-average grant-date fair value of stock acquisition rights granted during the fiscal year ended March 31, 2009 was ¥190,910.

The compensation cost related to this plan recognized in income was ¥1,033 million during the fiscal year ended March 31, 2009.

*For Directors of MHTB*

In this plan, 1,000 shares of MHTB 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.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 MHTB.

The following is a summary of the stock-based compensation plan of MHTB for the fiscal year ended March 31, 2009:

|   | Number<br>of<br>shares | Weighted-average<br>exercise price<br>(in yen) | Weighted-average<br>remaining<br>contractual term<br>(in years) | Aggregate<br>intrinsic value<br>(in millions of yen) |
|---|------------------------|--|---|--|
| Outstanding at beginning of fiscal year |                        |  |   |  |
| Granted during fiscal year              | 1,695,000              | 1  |   |  |
| Outstanding at end of fiscal year       | 1,695,000              | 1  | 19.88   | 153  |

Exercisable at end of fiscal year

There are no non-vested stock options remaining as of March 31, 2009.

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 MHTB common stock. The expected remaining term is based on the average service period of Directors of MHTB, 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 MHTB common stock at the date of grant.

|                                    |        |
|------------------------------------|--------|
| Risk-free interest rate            | 0.36%  |
| Expected volatility                | 46.19% |
| Expected remaining term (in years) | 1.52   |
| Expected dividend yield            | 1.06%  |

The weighted-average grant-date fair value of stock acquisition rights granted during the fiscal year ended March 31, 2009 was ¥91,490.

The compensation cost related to this plan recognized in income was ¥155 million during the fiscal year ended March 31, 2009.

**23. 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 and credit risk associated with counterparty default or nonperformance on transactions.

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.





**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

The Group enters into the following derivative transactions that do not qualify for hedge accounting under SFAS No.133 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, residential mortgage-backed securities ( RMBS ), commercial mortgage-backed securities ( CMBS ), collateralized loan obligations ( CLO ) and other similar assets. Such derivatives are accounted for as trading positions.

*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. Credit events include bankruptcy, dissolution or insolvency of the referenced entity. The 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 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 the notional and fair value amounts of credit derivatives at March 31, 2009:

|                             | Notional amount<br>(in millions of yen) | Fair<br>value |
|-----------------------------|---|---------------|
| Credit protection written   |   |               |
| Investment grade            | 3,086,911                               | (292,640)     |
| Non-investment grade        | 4,556,100                               | (210,515)     |
| Total                       | 7,643,011                               | (503,155)     |
| Credit protection purchased | 9,046,787                               | 582,159       |

Note: Rating scale is based upon either external ratings or internal ratings. Investment grade is considered to be at lowest 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 iTraxx.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table shows the maximum potential amount of future payment for credit protection written by expiration period at March 31, 2009:

|                                   | <b>Maximum payout/<br/>Notional amount<br/>(in millions of yen)</b> |
|-----------------------------------|---|
| One year or less                  | 835,061   |
| After one year through five years | 6,187,717   |
| After five years                  | 620,233   |
| Total                             | 7,643,011   |

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.

*Hedging activities*

In order to qualify for hedge accounting under SFAS No.133, 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.

*Fair value hedges*

The MHFG Group primarily uses bond options to modify exposure to changes in fair value of available-for-sale debt 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 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.

*Net investment hedges*

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. For net investment hedges, the changes in the fair value of a hedging derivative instrument or nonderivative hedging financial 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 portion of the hedging instruments excluded from the assessment of hedge effectiveness is recorded in Foreign exchange gains (losses) net in earnings.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes certain information related to the MHFG Group's hedging activities for the fiscal years ended March 31, 2007, 2008 and 2009:

|  | 2007                 | 2008    | 2009    |
|--|----------------------|---------|---------|
|  | (in millions of yen) |         |         |
| Fair value hedges:   |                      |         |         |
| Hedge ineffectiveness recognized in earnings   |                      |         |         |
| Net loss excluded from assessment of effectiveness   | (12,035)             | (5,497) | (8,849) |
| Net investment hedges:   |                      |         |         |
| Net gain (loss) included in foreign currency translation adjustment within Accumulated other comprehensive income (loss) | (29,710)             | (3,177) | 87,176  |

**24. 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 Group records all guarantees and similar obligations subject to FIN No.45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others' an interpretation of FASB Statements No.5, 57, and 107 and rescission of FASB Interpretation No.34 ( FIN No.45 ) at fair value on the consolidated balance sheets at the inception of the guarantee. The carrying amount of guarantees and similar obligations at March 31, 2008 and 2009 was ¥21,848 million and ¥18,239 million respectively, and was included in Other liabilities.

The types of guarantees under FIN No.45 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.



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**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. The contract amounts of guarantees for repayment of trust principal were 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 and the trust beneficiary is unable to compensate the shortfall. 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 amount of trust liabilities rarely exceeds the amount of trust assets and, therefore, those liabilities are covered by the corresponding trust assets. However, in the event that the trust assets cannot cover all the trust liabilities and the trustee has to pay out of its proprietary assets, the trustee can require the trust beneficiary to compensate for such trust liabilities under the Trust Law. The MHFG Group regularly monitors the condition of trust accounts to minimize exposures against making such payment.

The amounts of such liabilities in the trust accounts excluding those with the special covenant of limited liability were 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 FIN No.45 if (i) these contracts require the MHFG Group to make payments to counterparties based on changes in an underlying instrument or index, (ii) the contract cannot be cash-settled, and (iii) it is probable that the counterparty held the underlying instrument at inception of the contract. Because it is difficult in practice to determine whether condition (iii) exists, the MHFG Group has decided to include all credit default swaps and certain written options, excluding written options outside the scope of FIN No.45 such as written call options, in the mandatory guarantee disclosures, irrespective of whether the counterparty has the asset or liability relating to the underlying.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***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, 2008 and 2009. 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.

| 2008  | Maximum<br>potential/Contractual<br>or Notional amount | Amount by expiration period              |   |                  |
|---|--|--|---|------------------|
|   |  | One year or less<br>(in millions of yen) | After one year<br>through<br>five years | After five years |
| Performance guarantees                          | 1,899,837  | 936,042                                  | 801,131                                 | 162,664          |
| Guarantees on loans                             | 1,070,776  | 231,865                                  | 76,753                                  | 762,158          |
| Guarantees on securities                        | 6,592  | 398                                      | 3,554                                   | 2,640            |
| Other guarantees                                | 1,157,370  | 865,837                                  | 245,019                                 | 46,514           |
| Guarantees for the repayment of trust principal | 995,312  | 134,852                                  | 370,525                                 | 489,935          |
| Liabilities of trust accounts                   | 8,131,718  | 7,930,584                                | 45,908                                  | 155,226          |
| Derivative financial instruments                | 95,697,449   | 56,813,820                               | 33,404,474                              | 5,479,155        |

| 2009  | Maximum<br>potential/Contractual<br>or Notional amount | Amount by expiration period              |   |                  |
|---|--|--|---|------------------|
|   |  | One year or less<br>(in millions of yen) | After one year<br>through<br>five years | After five years |
| Performance guarantees                          | 1,681,576  | 888,430                                  | 705,043                                 | 88,103           |
| Guarantees on loans                             | 859,848  | 120,590                                  | 75,064                                  | 664,194          |
| Guarantees on securities                        | 20,220   | 6,480                                    | 11,270                                  | 2,470            |
| Other guarantees                                | 991,663  | 725,593                                  | 224,959                                 | 41,111           |
| Guarantees for the repayment of trust principal | 931,792  | 129,002                                  | 329,778                                 | 473,012          |
| Liabilities of trust accounts                   | 6,941,923  | 6,751,826                                | 47,899                                  | 142,198          |
| Derivative financial instruments                | 58,569,074   | 24,098,444                               | 29,705,502                              | 4,765,128        |

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, 2009.

|                      | 2009<br>(in billions of yen) |
|----------------------|------------------------------|
| Investment grade     | 2,095                        |
| Non-investment grade | 1,458                        |

|       |       |
|-------|-------|
| Total | 3,553 |
|-------|-------|

Note: Investment grade in the internal rating scale is generally corresponding to BBB or above in external rating scale.

F-63



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****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.

The table below summarizes the contractual amounts with regard to these undrawn commitments at March 31, 2008 and 2009:

|                              | 2008                 | 2009              |
|------------------------------|----------------------|-------------------|
|                              | (in millions of yen) |                   |
| Commitments to extend credit | 48,820,179           | 47,899,993        |
| Commercial letters of credit | 537,023              | 332,304           |
| <b>Total</b>                 | <b>49,357,202</b>    | <b>48,232,297</b> |

**Notes:**

- (1) Commitments to extend credit include commitments to invest in securities.
- (2) Certain amounts in the prior period have been reclassified to conform to the current period's presentation.

***Allowance and provision (credit) 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, 2008 and 2009 was ¥49,009 million and ¥132,638 million, respectively.



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Leases**

The MHFG Group leases certain office space and equipment under noncancelable agreements. Future minimum rental commitments for noncancelable leases at March 31, 2009 were as follows:

|   | Capitalized leases   | Operating leases |
|---|----------------------|------------------|
|   | (in millions of yen) |                  |
| Fiscal year ending March 31:            |                      |                  |
| 2010                                    | 8,083                | 39,529           |
| 2011                                    | 5,016                | 33,594           |
| 2012                                    | 3,043                | 27,194           |
| 2013                                    | 2,027                | 23,712           |
| 2014                                    | 1,005                | 19,988           |
| 2015 and thereafter                     | 652                  | 25,973           |
| Total minimum lease payments            | 19,826               | 169,990          |
| Amount representing interest            | 1,142                |                  |
| Present value of minimum lease payments | 18,684               |                  |

Total rental expense for the fiscal years ended March 31, 2007, 2008 and 2009 was ¥95,862 million, ¥99,339 million and ¥104,605 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, which then decreased to ¥211,186 million, as the terms of certain lease agreements were changed during the fiscal year ended March 31, 2009. The MHFG Group recorded the transactions as operating leases. The future minimum lease payments under the terms of the related lease agreements were ¥119,419 million, ¥94,655 million and ¥69,947 million at March 31, 2007, 2008 and 2009, respectively.

**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 disputes 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 lawsuits brought by the obligors under the bonds in Indonesia. The Group's consolidated financial statements do not include a reserve in relation to these disputes 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.

**25. Minority interest in consolidated subsidiaries**

Minority interest represents the equity for the remaining outstanding voting stock of subsidiaries not owned by the MHFG Group. The changes in minority interest in fiscal years ended March 31, 2007, 2008, and 2009 consisted of minority interest in net income or loss of subsidiaries,

minority interest in changes in other comprehensive income of subsidiaries and changes resulting from changes in the ownership percentage of the Group in certain subsidiaries.

F-65

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the fiscal year ended March 31, 2008, MHCB subscribed to new share issuances in total of ¥400 billion through third-party allocations by its subsidiary, MHSC. The purpose of the increases in capital by MHSC was to strengthen the capital base and business platform for the entire MHSC group. As a result of these transactions, the Group's ownership in MHSC was increased to 89.8% at March 31, 2008.

**26. 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. These transactions are discussed below. In accordance with the consolidation requirements of FIN No.46R, the Group consolidated certain of these VIEs, where the Group was deemed to be the primary beneficiary through participation in a majority of expected losses, expected residual returns or both. 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 is the contractual or notional amounts of liquidity facilities and other off-balance-sheet credit related support or principal amount of financing or investments, and it is not indicative of the ongoing exposure which is managed within the Group's risk management framework.

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 or sponsored unconsolidated VIEs, as of March 31, 2008 and 2009:

| 2008  | Consolidated VIEs   |  | Significant or sponsored unconsolidated VIEs |                          |
|---|---------------------|--|--|--------------------------|
|   | Consolidated assets |  | Total assets                                 | Maximum exposure to loss |
| (in millions of yen)                        |                     |  |  |                          |
| Asset-backed commercial paper/loan programs | 3,096,717           |  |  |                          |
| Asset-backed securitizations                | 788,481             |  | 1,642,466                                    | 73,962                   |
| Investments in securitization products      | 249,196             |  |  |                          |
| Investment funds                            | 902,515             |  | 2,951,984                                    | 402,626                  |
| Trust arrangements and other                |                     |  | 997,318                                      | 421,577                  |
| Total                                       | 5,036,909           |  | 5,591,768                                    | 898,165                  |

| 2009  | Consolidated VIEs   |  | Significant or sponsored unconsolidated VIEs |                          |
|---|---------------------|--|--|--------------------------|
|   | Consolidated assets |  | Total assets                                 | Maximum exposure to loss |
| (in millions of yen)                        |                     |  |  |                          |
| Asset-backed commercial paper/loan programs | 2,497,291           |  |  |                          |
| Asset-backed securitizations                | 616,794             |  | 1,417,645                                    | 43,908                   |
| Investments in securitization products      | 37,674              |  |  |                          |
| Investment funds                            | 607,284             |  | 2,435,128                                    | 412,983                  |
| Trust arrangements and other                |                     |  | 933,249                                      | 452,549                  |

|       |           |           |         |
|-------|-----------|-----------|---------|
| Total | 3,759,043 | 4,786,022 | 909,440 |
|-------|-----------|-----------|---------|

F-66

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tables below present the carrying amount and classification of consolidated VIEs' assets, as of March 31, 2008 and 2009, and liabilities, as of March 31, 2009:

| <b>Consolidated VIEs' assets</b>     | <b>2008</b>                 | <b>2009</b>      |
|--------------------------------------|-----------------------------|------------------|
|                                      | <b>(in millions of yen)</b> |                  |
| Cash and due from banks and deposits | 113,775                     | 147,154          |
| Call loans                           | 9,013                       | 3,209            |
| Trading account assets               | 850,401                     | 554,184          |
| Investments                          | 298,251                     | 71,053           |
| Loans                                | 3,683,707                   | 2,908,207        |
| Other                                | 81,762                      | 75,236           |
| <b>Total</b>                         | <b>5,036,909</b>            | <b>3,759,043</b> |

| <b>Consolidated VIEs' liabilities</b> | <b>2009</b>                 |
|---------------------------------------|-----------------------------|
|                                       | <b>(in millions of yen)</b> |
| Commercial paper                      | 315,819                     |
| Other short-term borrowings           | 6,925                       |
| Trading account liabilities           | 16,679                      |
| Long-term debt                        | 152,363                     |
| Other                                 | 313,298                     |
| <b>Total</b>                          | <b>805,084</b>              |

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. The Group did not provide non-contractual support to consolidated or unconsolidated VIEs during the fiscal years ended March 31, 2008 and 2009. The Group does not have implicit support arrangements with any VIEs.

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 or sponsored unconsolidated VIEs, as of March 31, 2009:

| <b>Assets on balance sheets related to unconsolidated VIEs</b> | <b>2009</b>                 |
|--|-----------------------------|
|  | <b>(in millions of yen)</b> |
| Trading accounts assets  | 32,793                      |
| Investments  | 407,748                     |
| Loans  | 15,629                      |
| <b>Total</b>   | <b>456,170</b>              |

| <b>Liabilities on balance sheets and maximum exposure to loss related to unconsolidated VIEs</b> | <b>2009</b>                 |
|--|-----------------------------|
|  | <b>(in millions of yen)</b> |
| Due to trust accounts  | 479,936                     |

|                          |         |
|--------------------------|---------|
| Total                    | 479,936 |
| Maximum exposure to loss | 909,440 |

F-67



**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 determined that it absorbs a majority of expected losses or expected residual returns through the facilities and, therefore, consolidated this type of VIEs.

*Asset-backed securitizations*

The MHFG Group acts as an arranger of various types of structured finance to meet clients various 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, the Group determined that it absorbs a majority of expected losses or expected residual returns and, therefore, consolidated such VIEs.

In the fiscal years ended March 31, 2008 and 2009, the MHFG Group newly consolidated certain single-issue special purpose entities issuing CDO, because, pursuant to FIN No.46R, the Group had become the primary beneficiary through the participation in a majority of the expected losses, expected residual returns or both, due to the occurrence of reconsideration events. The consolidation of these VIEs did not have a significant impact on the MHFG Group s consolidated results of operations or financial condition.

*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 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 Group usually takes into consideration the seniority and the share of its investments by each tranche to evaluate whether it is the primary beneficiary. 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. However, the Group consolidated some VIEs, mostly where the transactions were tailored by the third party arrangers to meet the Group s needs as a sole investor. General information about such investments in unconsolidated VIEs is included in Note 3 Trading account assets and trading account liabilities and Note 4 Investments .

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**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*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 determined to consolidate certain investment funds where it was the primary beneficiary as it was holding a majority of share.

*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.

As a trustee, the MHFG Group is required to exercise due care in managing and safe-keeping of the assets entrusted. Since the MHFG Group manages and administers entrusted assets in a capacity of an agent or fiduciary on behalf of its customers and is required to segregate trust assets from its proprietary assets, trust accounts are recorded separately from the MHFG Group's general accounts and are not included in its consolidated financial statements.

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 (Refer to Note 12 Due to trust accounts). The MHFG Group determined that it does not absorb a majority of expected losses or expected residual returns in connection with these trust arrangements but had significant variable interests and, therefore, the trust accounts are not included in the consolidated financial statements of the MHFG Group but are disclosed in the tables above as for significant or sponsored unconsolidated VIEs. See Note 24 Commitments and contingencies for the balances of guaranteed trust principal at March 31, 2008 and 2009.

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; it does not assume risks associated with the entrusted assets. For substantially all non-guaranteed trust arrangements, the trust beneficiaries receive the majority of expected residual returns and absorb the majority of expected losses based on the performance of the trust assets. Non-guaranteed trust accounts are not included in the consolidated financial statements of the MHFG Group.

*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. However, the Group determined that it does not absorb a majority of expected losses or expected residual returns in these entities based on internally developed model. Furthermore, taking into consideration that the Group typically only provides senior financing with credit enhanced by subordinated interests and, if necessary, may act as an interest rate swap counterparty, the Group's variable interests in these entities are considered not to be significant. General information about loan principal amounts and related loan reserves are included in Note 5 Loans and Note 6 Allowance for loan losses.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Securitization**

The MHFG Group 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 during the fiscal years ended March 31, 2006 through 2009. The MHFG Group had securitized mortgage loans during a previous fiscal year. In connection with such securitization transaction, the Group provides servicing for and holds retained interests in the securitized mortgage loans. The Group's retained interests consist of subordinated beneficial interests and retained credit exposure. The values of the subordinated beneficial interests are subject to credit risk, interest rate risk and prepayment risk on the securitized financial assets. The retained credit exposure is in the form of a guarantee by a subsidiary of the Group. The carrying amount of this retained credit exposure was not considered material at March 31, 2008 and 2009. No servicing assets or liabilities were recorded as a result of this transaction since the Group received adequate compensation.

The following information is related to a mortgage loan securitization transaction executed during the fiscal year ended March 31, 2005. Because the entity utilized is structured as qualifying SPE stipulated in SFAS No.140, it is exempt from consolidation and the transfer is accounted for as a sale.

Key economic assumptions used in measuring the fair value of the subordinated beneficial interests at the date of securitization were as follows:

|                                  |            |
|----------------------------------|------------|
| Discount rate                    | 0.08-2.57% |
| Prepayment rate                  | 4.14%      |
| Weighted-average life (in years) | 8.18       |
| Expected credit losses           | 0.18%      |

At March 31, 2008 and 2009, key assumptions used in measuring the fair value of the subordinated beneficial interests and the sensitivities of the fair value to an immediate adverse change of 10% and 20% in those assumptions were as follows:

|                                  | 2008       | 2009       |
|----------------------------------|------------|------------|
| Discount rate                    | 1.26-2.25% | 1.51-2.33% |
| Prepayment rate                  | 5.09%      | 4.87%      |
| Weighted-average life (in years) | 6.94       | 6.62       |
| Expected credit losses           | 0.12%      | 0.11%      |

|   | 2008                 | 2009   |
|---|----------------------|--------|
|   | (in millions of yen) |        |
| Carrying value of subordinated beneficial interests | 22,428               | 20,813 |
| Discount rate:                                      |                      |        |
| Impact of 10% adverse change                        | 657                  | 607    |
| Impact of 20% adverse change                        | 1,297                | 1,199  |
| Prepayment rate:                                    |                      |        |
| Impact of 10% adverse change                        | 271                  | 131    |
| Impact of 20% adverse change                        | 472                  | 291    |
| Expected credit losses:                             |                      |        |
| Impact of 10% adverse change                        | 148                  | 115    |
| Impact of 20% adverse change                        | 300                  | 229    |

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

a particular assumption on the fair value of the subordinated beneficial interests is calculated without changing any other assumption; in reality, changes could be correlated and changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

The table below summarizes certain cash flows received from the securitization for the fiscal years ended March 31, 2007, 2008 and 2009:

|  | 2007                 | 2008  | 2009  |
|--|----------------------|-------|-------|
|  | (in millions of yen) |       |       |
| Servicing fees received                                  | 187                  | 167   | 149   |
| Cash flows received on subordinated beneficial interests | 3,139                | 2,686 | 2,490 |

The tables below show the reconciliation between managed basis and on-balance-sheet amounts of mortgage loans balances including delinquencies at March 31, 2008 and 2009, and that of net credit losses for the fiscal years ended March 31, 2007, 2008 and 2009:

| Principal balance and delinquencies   | Principal balance | 2008                 |                   | 2009          |                   |
|---------------------------------------|-------------------|----------------------|-------------------|---------------|-------------------|
|                                       |                   | Delinquencies        | Principal balance | Delinquencies | Principal balance |
|                                       |                   | (in millions of yen) |                   |               |                   |
| Total mortgage loans managed together | 9,323,116         | 60,378               | 9,641,197         | 88,357        | 88,357            |
| Less:                                 |                   |                      |                   |               |                   |
| Securitized amounts                   | 200,433           | 1,902                | 177,934           | 2,266         | 2,266             |
| On-balance-sheet amounts              | 9,122,683         | 58,476               | 9,463,263         | 86,091        | 86,091            |

| Net credit losses                     | 2007  | 2008  | 2009  |
|---------------------------------------|-------|-------|-------|
|                                       |       |       |       |
| Total mortgage loans managed together | 7,705 | 6,812 | 9,097 |
| Less:                                 |       |       |       |
| Securitized amounts                   | 431   | 293   | 331   |
| On-balance-sheet amounts              | 7,274 | 6,519 | 8,766 |

The on-balance-sheet amounts in the tables above do not include separately managed mortgage loans, the principal balance of which were ¥2,000 billion and ¥1,919 billion at March 31, 2008 and 2009, respectively.

There are certain transactions where, pursuant to SFAS No.140, transfers of financial assets do not qualify for sales treatment but are accounted for as secured borrowing; thus, the transferred assets continue to be carried on the consolidated balance sheets of the MHFG Group. Such assets associated with securitization transactions and loan participation transactions amounted to ¥218,864 million and ¥358,569 million, respectively, as of March 31, 2009. 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.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****27. Fees and commissions income**

Details of Fees and commissions income for the fiscal years ended March 31, 2007, 2008 and 2009 are as follows:

|   | 2007                 | 2008    | 2009    |
|---|----------------------|---------|---------|
|   | (in millions of yen) |         |         |
| Remittance business                       | 115,940              | 117,421 | 111,317 |
| Deposits, debentures and lending business | 116,338              | 87,769  | 110,171 |
| Securities-related business               | 101,861              | 94,858  | 57,453  |
| Trust fees                                | 66,329               | 64,164  | 55,891  |
| Fees for other customer services          | 282,531              | 268,852 | 225,707 |
| Total                                     | 682,999              | 633,064 | 560,539 |

Remittance business fees consist of service charges for funds transfer and collections. Securities-related business fees consist of broker's fees and markups on securities underwriting and other securities related activities. 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.

**28. Fair value**

Effective April 1, 2008, the MHFG Group adopted SFAS No.157, which clarifies the definition of fair value and the method used to measure fair value and expands the disclosure requirements about fair value measurements. As described more fully below, SFAS No.157 also precludes deferral of gains and losses at inception of certain derivative contracts whose fair value was not evidenced by market-observable data. SFAS No.157 requires that the impact of this change in accounting for derivative contracts be recorded as an adjustment to beginning retained earnings in the period of adoption.

The MHFG Group also adopted SFAS No.159 on April 1, 2008. SFAS No.159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. The Group elected to adopt the fair value option for certain financial instruments on the adoption date. SFAS No.159 requires that the difference between the carrying value before election of the fair value option and the fair value of these instruments be recorded as an adjustment to beginning retained earnings in the period of adoption.

***Fair Value Measurements***

SFAS No.157 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. SFAS No.157 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. SFAS No.157 precludes the 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. The cumulative effect of the change resulted in a decrease to the beginning balance of Accumulated deficit of ¥1,464 million after-tax.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Fair Value Hierarchy*

SFAS No.157 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.

Following is a description of valuation methodologies 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 Group's valuation techniques used to measure fair values.

*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. Level 3 securities include securitization products such as RMBS, CDO, asset-backed securities (ABS), and CLO.

With respect to the foreign currency denominated-securitization products, the Group had generally used the quotes obtained from brokers or information vendors as a proxy for quoted market prices in the prior periods. However, given the current situation in which the volume of actual transactions is extremely limited and there exists a considerable gap between offers and bids of sellers and buyers, the Group determined that the quotes were no longer deemed to represent fair values and that those securities were valued by using discounted cash flow models. The key inputs of the discounted cash flow models include default rates, recovery rates, pre-payment rates and discount rates. The change in the valuation techniques did not result in the transfer in/out of Level 3, as the securitization products have been classified as Level 3 from the beginning of the fiscal year ended March 31, 2009.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***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. Level 1 securities include highly liquid government bonds and listed stocks. Though Level 3 securities include most securitization products such as RMBS, CMBS, CDO, ABS, and CLO, certain securitization products such as Japanese RMBS are classified in Level 2, if their fair values are quoted prices in markets that are not active, or determined using 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 consist of marketable and non-marketable equity 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.

*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. 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 consolidated VIEs, the fair values of those are determined primarily based upon the fair values of the underlying assets held by consolidated VIEs. Such instruments are classified in Level 3 because the underlying assets held by consolidated VIEs 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, 2009, including those for which the MHFG Group has elected the fair value option, are summarized below:

|  | 2009                 |         |         | Assets/<br>Liabilities<br>at fair value |
|--|----------------------|---------|---------|---|
|  | Level 1              | Level 2 | Level 3 |   |
|  | (in billions of yen) |         |         |   |
| <b>Assets:</b>                             |                      |         |         |   |
| Trading account assets:                    |                      |         |         |   |
| Trading securities <sup>(1)</sup>          | 7,241                | 3,319   | 930     | 11,490                                  |
| Derivatives                                | 22                   | 18,896  | 598     | 19,516                                  |
| Investments:                               |                      |         |         |   |
| Available-for-sale securities              | 20,226               | 4,505   | 2,824   | 27,555                                  |
| Other investments                          |                      |         | 88      | 88                                      |
| Total assets at fair value                 | 27,489               | 26,720  | 4,440   | 58,649                                  |
| <b>Liabilities:</b>                        |                      |         |         |   |
| Trading account liabilities:               |                      |         |         |   |
| Trading securities sold, not yet purchased | 2,724                | 163     |         | 2,887                                   |
| Derivatives                                | 32                   | 18,117  | 471     | 18,620                                  |
| Long-term debt <sup>(2)</sup>              |                      | 7       | 261     | 268                                     |
| Total liabilities at fair value            | 2,756                | 18,287  | 732     | 21,775                                  |

## Notes:

- (1) Trading securities include foreign currency denominated securities that the MHFG Group elected the fair value option under SFAS No.159. Such securities were previously classified as available-for-sale securities.
- (2) Amounts represent items for which the Group elected the fair value option under SFAS No.155 or SFAS No.159.

*Items measured at fair value on a recurring basis using significant unobservable inputs (Level 3)*

The table below presents a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from April 1, 2008 to March 31, 2009.

| April 1,<br>2008 | Net<br>realized/unrealized<br>gains (losses) | Transfers<br>in and/or out<br>of Level 3 | Purchases,<br>sales,<br>issuances and | March 31,<br>2009 | Change in<br>unrealized<br>gains (losses)<br>still held <sup>(4)</sup> |
|------------------|--|--|---------------------------------------|-------------------|--|
|------------------|--|--|---------------------------------------|-------------------|--|

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settlements  
(in billions of yen)

| <b>Assets:</b>                  |       |                      |      |       |       |       |
|---------------------------------|-------|----------------------|------|-------|-------|-------|
| Trading account assets:         |       |                      |      |       |       |       |
| Trading securities              | 1,176 | (203)                | 18   | (61)  | 930   | (100) |
| Derivatives, net <sup>(1)</sup> | (39)  | 119                  | 10   | 37    | 127   | 69    |
| Investments:                    |       |                      |      |       |       |       |
| Available-for-sale securities   | 3,607 | (114) <sup>(2)</sup> | (69) | (600) | 2,824 | (59)  |
| Other investments               | 77    | 19                   |      | (8)   | 88    | 11    |
| <b>Liabilities:</b>             |       |                      |      |       |       |       |
| Long-term debt                  | 335   | (1) <sup>(3)</sup>   |      | (73)  | 261   | 1     |

F-75

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## Notes:

- (1) Total Level 3 derivative exposures have been netted on the table for presentation purpose only.
- (2) Realized gains (losses) are reported in Investment gains (losses) net. Unrealized gains (losses) are reported in Accumulated other comprehensive income (loss).
- (3) Realized and unrealized gains are reported in Other noninterest income, while realized and unrealized losses are reported in Other noninterest expenses.
- (4) Amounts represent total gains or losses recognized in earnings during the fiscal year, that are attributable to the change in fair value relating to assets and liabilities classified as Level 3 that are still held at March 31, 2009.

The major Level 3 financial instruments were as follows.

Trading securities classified within Level 3 include securitization products related to RMBS, CDO, ABS, CLO, and similar assets held by MHSC and its overseas subsidiaries, including consolidated VIEs. On April 1, 2008, the MHFG Group elected the fair value options for foreign currency denominated available-for-sale securities held by certain MHFG subsidiaries. Those securities included certain foreign currency denominated securitization products that were classified within Level 3. The fair values of foreign currency denominated securities within Level 3 transferred from Available-for-sale securities were ¥632 billion at March 31, 2008.

Available-for-sale securities classified within Level 3 primarily consist of Japanese debt securities and foreign debt securities, of which the fair values were ¥2,271 billion and ¥552 billion, respectively, at March 31, 2009. Those debt securities include RMBS, CMBS, CDO, ABS, CLO, and similar assets held by certain MHFG subsidiaries, including consolidated VIEs.

*Items measured at fair value on a nonrecurring basis*

On April 1, 2008, the MHFG Group adopted SFAS No.157 for financial assets and liabilities only, as permitted by FSP No.FAS157-2, which defers the effective date of SFAS No.157 for nonfinancial assets and liabilities that are not measured at fair value on a recurring basis. The Group held certain financial assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2009. 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, 2009.

|  | Total      | 2009    |                                 | Aggregate cost |            |
|--|------------|---------|---------------------------------|----------------|------------|
|  |            | Level 1 | Level 2<br>(in billions of yen) |                | Level 3    |
| <b>Assets:</b>   |            |         |                                 |                |            |
| Loans  | 330        |         |                                 | 330            | 613        |
| Loans held-for-sale  | 81         |         | 6                               | 75             | 123        |
| Other investments  | 44         |         |                                 | 44             | 134        |
| <b>Total assets at fair value on a nonrecurring basis</b>      | <b>455</b> |         | <b>6</b>                        | <b>449</b>     | <b>870</b> |
| <b>Liabilities:</b>  |            |         |                                 |                |            |
| Other liabilities  | 4          |         |                                 | 4              |            |
| <b>Total liabilities at fair value on a nonrecurring basis</b> | <b>4</b>   |         |                                 | <b>4</b>       |            |

Loans in the table above have been impaired and measured based on the fair value of the underlying collateral.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Loans held-for-sale in the table above are accounted for at the lower of cost or fair value and recorded at the fair value below the cost at the end of the period. Due to the dislocation of global credit markets, liquidity in the market for these items has significantly declined during the fiscal year and consequently a significant portion of these items has no readily available quoted price as of the end of the fiscal year. The fair value of these items is determined primarily by using quoted prices for similar assets in markets that are not active. Since there is no sufficient, current market information about such assets that are observable, the determination of fair value for these items requires significant adjustment based on management judgment and estimation. Therefore, significant portion of these items are classified as Level 3.

Other investments in the table above have been impaired and written down to fair value. Other investments consist of non-marketable equity securities outside the scope of SFAS No.115, which have no readily available quoted price. The fair value of the impaired non-marketable common stock is determined primarily by using liquidation value technique. The fair value of the impaired non-marketable preferred stock with conversion features is determined primarily by using the internal valuation technique based on the income approach. The internal valuation technique considers the quoted prices for the common stock into which the preferred stock is convertible and the expected volatility of the common stock's historical price. Since these techniques require significant management judgment or estimation, these items are 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***

Effective April 1, 2008, the MHFG Group adopted SFAS No.159 for certain eligible financial instruments. The Group intended to eliminate volatility in earnings primarily caused by measuring assets and liabilities on a different basis and to align the accounting treatment with the Group's risk management practices. The financial assets or liabilities for which the Group elected the fair value option as of April 1, 2008 are primarily foreign currency denominated available-for-sale securities and certain hybrid financial instruments that contain embedded derivatives that had not been previously elected or eligible for fair value treatment under SFAS No.155.

The following table summarizes the impact of adopting the fair value option for those items on April 1, 2008. Amounts shown represent the carrying value of the affected instruments before and after the changes in accounting resulting from the adoption of SFAS No.159.

|   | <b>Ending<br/>balance sheet<br/>March 31, 2008</b> | <b>Adoption<br/>net gains<br/>(losses)<br/>(in millions of yen)</b> | <b>Opening<br/>balance sheet<br/>April 1, 2008</b> |
|---|--|---|--|
| <b>Impact of electing the fair value option under SFAS No.159:</b>        |  |   |  |
| Trading securities (Note)   | 5,888,151  | 27,848  | 5,888,151  |
| Long-term debt  | (169,167)  | 9,989   | (159,178)  |
| Minority interest in consolidated subsidiaries                            |  | (65)  |  |
| Pretax-cumulative-effect adjustment                                       |  | 37,772  |  |
| Tax impact  |  | (11,399)  |  |
| Cumulative-effect adjustment, net of tax, decrease to Accumulated deficit |  | 26,373  |  |

Note: These trading securities were previously reported at fair value within available-for-sale securities.

F-77

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**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The items for which the MHFG Group elected the fair value option were as follows.

*Foreign currency denominated available-for-sale securities*

Prior to the adoption of SFAS No.159, the changes in fair value of 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. On April 1, 2008, 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. On April 1, 2008, the Group elected to record at fair value certain structured notes not previously elected or eligible for fair value treatment under SFAS No.155. 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. The election was made to mitigate accounting mismatches and to achieve the operational simplifications. The difference 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 is ¥31 billion at March 31, 2009. The net unrealized gains resulting from changes in fair values of those structured notes of ¥3 billion were recorded in Other noninterest income for the fiscal year ended March 31, 2009. The amounts in this paragraph include the figures for certain structured notes that contain embedded derivatives, which had been previously elected for fair value treatment under SFAS No.155.

*Financial assets and liabilities held by consolidated VIEs*

The MHFG Group consolidates certain VIEs that issue CDOs where MHFG or its subsidiaries have been determined to be the primary beneficiary under FIN No.46R. The Group elected the fair value option for certain assets held and notes issued by those VIEs 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 has been elected and the aggregate unpaid principal balance of such instruments was ¥60 billion at March 31, 2009. The net unrealized gains resulting from changes in fair values of their notes of ¥2 billion were recorded in Trading account gains net, for the fiscal year ended March 31, 2009.

*Fair Value of financial instruments*

SFAS No.107, Disclosures about Fair Value of Financial Instruments ( SFAS No.107 ) requires the disclosure of estimated fair value of financial instruments. Fair value of financial instruments is the current 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

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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. In addition, the estimates below are only reflective of the fair value of each category of financial instruments but not reflective of the fair value of the MHFG Group on a consolidated basis.

SFAS No.107 does not require the disclosure of the fair value of nonfinancial instruments.

The carrying amount and fair values of certain financial instruments, excluding the financial instruments outside the scope of SFAS No.107 such as the equity method investments and lease contracts as defined in SFAS No.13, Accounting for Leases ( SFAS No.13 ), at March 31, 2008 and 2009 are as follows:

|  | 2008            |                      | 2009            |                      |
|--|-----------------|----------------------|-----------------|----------------------|
|  | Carrying amount | Estimated fair value | 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          | 20,198          | 20,198               | 18,102          | 18,102               |
| Trading securities   | 10,593          | 10,593               | 11,490          | 11,490               |
| Investments  | 35,228          | 35,233               | 27,822          | 27,824               |
| Loans, net of allowance for loan losses  | 67,513          | 67,870               | 71,746          | 72,117               |
| Other financial assets   | 4,988           | 4,988                | 3,726           | 3,726                |
| Derivative financial instruments   | 9,959           | 9,959                | 19,516          | 19,516               |
| <b>Financial liabilities:</b>  |                 |                      |                 |                      |
| Noninterest-bearing deposits, call money and funds purchased, and payables under repurchase agreements and securities lending transactions | 36,559          | 36,559               | 32,250          | 32,250               |
| Interest-bearing deposits  | 75,170          | 75,110               | 74,762          | 74,717               |
| Debentures   | 3,159           | 3,169                | 2,300           | 2,327                |
| Trading securities sold, not yet purchased   | 4,705           | 4,705                | 2,887           | 2,887                |
| Due to trust accounts  | 1,120           | 1,120                | 986             | 986                  |
| Commercial paper and other short-term borrowings   | 5,374           | 5,374                | 8,715           | 8,715                |
| Long-term debt   | 7,596           | 7,826                | 7,999           | 8,242                |
| Other financial liabilities  | 4,461           | 4,461                | 5,032           | 5,032                |
| Derivative financial instruments   | 9,416           | 9,416                | 18,620          | 18,620               |

Following is a description of valuation methodologies used for estimating fair value for financial assets and liabilities not carried at fair value on the Group's consolidated balance sheet.

*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.



**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*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 ¥693 billion and ¥639 billion at March 31, 2008 and 2009, 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 fixed rate loans is estimated based on discounted cash flows using interest rates approximating the MHFG Group's current rates for similar loans, adjusting for inherent credit risk. The carrying value of variable rate loans approximates the fair value since they mature or are repriced within a short period of time.

*Other financial assets*

The carrying value of other financial assets, such as accrued interest receivable and accounts receivable from brokers, dealers, and customers for securities 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.

*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.

*Interest-bearing deposits*

The fair value for fixed rate deposits is estimated based on discounted cash flow analysis using current interest rates for instruments with similar maturities. The carrying value for variable rate deposits approximates the fair value since they are repriced within a short period of time.

*Debentures*

The fair value of debentures is estimated based on discounted cash flow analysis using current interest rates offered for debentures with similar maturities.

*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.

*Commercial paper and other short-term borrowings*

The carrying value of the majority of other short-term borrowings approximates the fair value since they generally have short-term maturities with interest rates that approximate market. The fair value of certain borrowings is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group's incremental borrowings with similar maturities.



**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Long-term debt*

The fair value of long-term debt, except for certain items elected for fair value option under SFAS No.155 or SFAS No.159, of which valuation techniques are described separately in this section, is estimated based on discounted cash flow analysis using interest rates approximating the MHFG Group's incremental borrowings with similar maturities.

*Other financial liabilities*

The fair value of other financial liabilities, such as accrued interest payable and accounts payable to brokers, dealers, and customers for securities transactions, approximates the carrying amounts.

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, 2008 and 2009.

**29. 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, 2008 and 2009, outstanding loans to such related parties were not considered significant. These related party loans were made on substantially the same terms, including interest rate and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. At March 31, 2008 and 2009, 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, 2007, 2008 and 2009. 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.

**30. 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 as a measure of the profitability of core banking operations in Japan, 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

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

administrative expenses (excluding non-recurring expenses). Measurement by net business profits is required for regulatory reporting to the FSA. Therefore, the format and information are presented primarily on the basis of Japanese GAAP and is 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 (loss) before income tax expense under U.S. GAAP.

Note 31 Foreign activities provides financial information relating to the MHFG Group's operations by geographic area.

MHFG manages 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 consists primarily of MHCN and MHSC, the Global Retail Group consists primarily of MHBK and MHIS, and the Global Asset & Wealth Management Group consists primarily of MHTB. Operating segments of MHCN and MHBK are aggregated within each entity based on customer characteristics and functions. Operating segments of MHCN are aggregated into three reportable segments, domestic, international, and trading and others. Operating segments of MHBK are also aggregated into three reportable segments, retail banking, corporate banking, and trading and others. In addition to the three Global Groups, subsidiaries which provide services to a wide range of customers and which do not belong to a specific Global Group are aggregated as Others.

***The Global Corporate Group******MHCN***

MHCN is the main operating company of the Global Corporate Group and provides 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 consists of the following five units of MHCN: corporate banking, financial institutions & public sector business, global syndicated finance, global financial products, and global transaction banking. This segment provides a variety of financial products and services to large corporations, financial institutions and public sector entities in Japan. The products and services it offers include commercial banking, advisory services, syndicated loan arrangements and structured finance.

**(2) International**

This segment primarily offers commercial banking and foreign exchange transaction services to foreign corporations, including foreign subsidiaries of Japanese corporations, through MHCN's overseas network.

**(3) Trading and others**

This segment consists of the global markets unit, the global portfolio management unit, and the global alternative investment unit. This segment supports the domestic and international segments in offering derivatives and other risk hedging products to satisfy MHCN's customers' financial and business risk control requirements. It is also engaged in MHCN's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also includes costs incurred by headquarters functions of MHCN.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(4) *MHSC*

MHSC is the primary investment banking arm in the Global Corporate Group and offers wholesale securities and investment banking services, such as underwriting and trading of bonds and equities, advisory services, and structured finance, to large and international corporations, financial institutions, and public entities.

(5) *Others*

This segment consists of MHCB's subsidiaries other than MHSC. These subsidiaries offer 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 is the main operating company of the Global Retail Group. MHBK provides banking and other financial services primarily to individuals, SMEs and middle-market corporations through its domestic branch and ATM network.

(6) Retail banking

This segment offers 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 branch and ATM network, as well as telephone and Internet banking services.

(7) Corporate banking

This segment provides 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

The trading and ALM group supports 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 is also engaged in MHBK's proprietary trading, such as foreign exchange and bond trading, and asset and liability management. This segment also includes costs incurred by headquarters functions of MHBK.

(9) *MHIS*

MHIS offers securities services to individuals and corporate customers of the Global Retail Group and provides those corporate customers with support in procuring funds through capital markets.

(10) *Others*

This segment consists of MHBK's subsidiaries other than MHIS. These subsidiaries, such as Mizuho Capital and Mizuho Business Financial Center, offer financial products and services in specific areas of business to customers of the Global Retail Group.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****The Global Asset & Wealth Management Group*****(11) MHTB**

MHTB is the main operating company of the Global Asset & Wealth Management Group and offers products and services related to trust, real estate, securitization and structured finance, pension and asset management, and stock transfers.

**(12) Others**

This segment includes companies other than MHTB which are part of the Global Asset & Wealth Management Group. These companies include Mizuho Private Wealth Management, TCSB and asset management companies. They offer products and services related to private banking, trust and custody, and asset management.

**(13) Others**

This segment consists of MHFG and its subsidiaries that do not belong to a specific Global Group but provide their services to a wide range of customers. Under this segment, the MHFG Group offers 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.

The information below for reportable segments is derived from the internal management reporting system. 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<br>MHC |                 |                           |                                 |             |               | Total          | Global Retail Group<br>MHBK |                          |                             |                                 |             | Global Asset & Wealth<br>Management Group |                |                |                |                |               |
|-----------------|-------------------------------|-----------------|---------------------------|---------------------------------|-------------|---------------|----------------|-----------------------------|--------------------------|-----------------------------|---------------------------------|-------------|---|----------------|----------------|----------------|----------------|---------------|
|                 | Total                         | Domestic<br>(1) | Inter-<br>national<br>(2) | Trading<br>and<br>others<br>(3) | MHSC<br>(4) | Others<br>(5) |                | Total                       | Retail<br>banking<br>(6) | Corporate<br>banking<br>(7) | Trading<br>and<br>others<br>(8) | MHIS<br>(9) | Others<br>(10)                            | Total          | MHTB<br>(11)   | Others<br>(12) | Others<br>(13) |               |
| Profits:        |                               |                 |                           |                                 |             |               |                |                             |                          |                             |                                 |             |   |                |                |                |                |               |
| Investment      | 407.7                         | 306.5           | 202.4                     | 73.4                            | 30.7        | (0.2)         | 101.4          | 640.6                       | 593.8                    | 262.6                       | 326.6                           | 4.6         | 1.2                                       | 45.6           | 53.8           | 52.2           | 1.6            | (11.8)        |
| Investment      | 377.6                         | 241.4           | 108.2                     | 59.6                            | 73.6        | 105.9         | 30.3           | 464.8                       | 384.7                    | 53.4                        | 233.3                           | 98.0        | 61.0                                      | 19.1           | 169.8          | 121.7          | 48.1           | 14.9          |
| and<br>relative | 785.3                         | 547.9           | 310.6                     | 133.0                           | 104.3       | 105.7         | 131.7          | 1,105.4                     | 978.5                    | 316.0                       | 559.9                           | 102.6       | 62.2                                      | 64.7           | 223.6          | 173.9          | 49.7           | 3.1           |
| Business        | 377.0<br>(44.3)               | 241.0           | 88.3                      | 61.5                            | 91.2        | 61.1          | 74.9<br>(44.3) | 588.5<br>(11.5)             | 527.0                    | 199.3                       | 245.2                           | 82.5        | 43.4                                      | 18.1<br>(11.5) | 126.2<br>(1.2) | 87.8           | 38.4<br>(1.2)  | (15.8)<br>7.1 |
| Business        | 364.0                         | 306.9           | 222.3                     | 71.5                            | 13.1        | 44.6          | 12.5           | 505.4                       | 451.5                    | 116.7                       | 314.7                           | 20.1        | 18.8                                      | 35.1           | 96.2           | 86.1           | 10.1           | 26.0          |

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|             | Global Corporate Group<br>MHC |       |                 |                           |                                 |             | Global Retail Group<br>MHBK |                 |       |                          |                             |                                 | Global Asset & Wealth<br>Management Group |                 |                |              |                |                |
|-------------|-------------------------------|-------|-----------------|---------------------------|---------------------------------|-------------|-----------------------------|-----------------|-------|--------------------------|-----------------------------|---------------------------------|---|-----------------|----------------|--------------|----------------|----------------|
|             | Total                         | Total | Domestic<br>(1) | Inter-<br>national<br>(2) | Trading<br>and<br>others<br>(3) | MHSC<br>(4) | Others<br>(5)               | Total           | Total | Retail<br>banking<br>(6) | Corporate<br>banking<br>(7) | Trading<br>and<br>others<br>(8) | MHIS<br>(9)                               | Others<br>(10)  | Total          | MHTB<br>(11) | Others<br>(12) | Others<br>(13) |
| fits:       |                               |       |                 |                           |                                 |             |                             |                 |       |                          |                             |                                 |   |                 |                |              |                |                |
| st          | 368.8                         | 293.6 | 180.5           | 73.4                      | 39.7                            | (5.6)       | 80.8                        | 654.4           | 606.9 | 311.0                    | 328.9                       | (33.0)                          | 0.7                                       | 46.8            | 55.4           | 53.5         | 1.9            | (15.0)         |
| t           | 15.4                          | 312.8 | 106.0           | 68.0                      | 138.8                           | 41.7        | (339.1)                     | 385.4           | 335.9 | 42.7                     | 174.5                       | 118.7                           | 52.3                                      | (2.8)           | 175.7          | 119.2        | 56.5           | 20.8           |
| )           | 384.2                         | 606.4 | 286.5           | 141.4                     | 178.5                           | 36.1        | (258.3)                     | 1,039.8         | 942.8 | 353.7                    | 503.4                       | 85.7                            | 53.0                                      | 44.0            | 231.1          | 172.7        | 58.4           | 5.8            |
| nd<br>itive | 394.0<br>(48.3)               | 236.2 | 85.5            | 67.1                      | 83.6                            | 66.4        | 91.4<br>(48.3)              | 580.8<br>(14.7) | 537.2 | 214.8                    | 229.3                       | 93.1                            | 45.2                                      | (1.6)<br>(14.7) | 127.6<br>(1.5) | 86.8         | 40.8<br>(1.5)  | (9.1)<br>8.1   |
| ess         | (58.1)                        | 370.2 | 201.0           | 74.3                      | 94.9                            | (30.3)      | (398.0)                     | 444.3           | 405.6 | 138.9                    | 274.1                       | (7.4)                           | 7.8                                       | 30.9            | 102.0          | 85.9         | 16.1           | 23.0           |

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

|  | Global Corporate Group<br>MHC B |       |                 |                           |                                 |             |                | Global Retail Group<br>MHBK |       |                          |                             |                                 | Global Asset & Wealth<br>Management Group |                |                |              |                |                |
|--|---------------------------------|-------|-----------------|---------------------------|---------------------------------|-------------|----------------|-----------------------------|-------|--------------------------|-----------------------------|---------------------------------|---|----------------|----------------|--------------|----------------|----------------|
|  | Total                           | Total | Domestic<br>(1) | Inter-<br>national<br>(2) | Trading<br>and<br>others<br>(3) | MHSC<br>(4) | Others<br>(5)  | Total                       | Total | Retail<br>banking<br>(6) | Corporate<br>banking<br>(7) | Trading<br>and<br>others<br>(8) | MHIS<br>(9)                               | Others<br>(10) | Total          | MHTB<br>(11) | Others<br>(12) | Others<br>(13) |
| Profits:   |                                 |       |                 |                           |                                 |             |                |                             |       |                          |                             |                                 |   |                |                |              |                |                |
| Net business profits                             | 381.3                           | 316.5 | 172.7           | 90.1                      | 53.7                            | (9.7)       | 74.5           | 648.1                       | 603.7 | 327.3                    | 297.9                       | (21.5)                          | 0.4                                       | 44.0           | 49.8           | 48.6         | 1.2            | (10.3)         |
| U.S. GAAP adjustments                            |                                 |       |                 |                           |                                 |             |                |                             |       |                          |                             |                                 |   |                |                |              |                |                |
| (Provision) credit for loan losses               | 343.2                           | 211.7 | 102.5           | 40.4                      | 68.8                            | 78.0        | 53.5           | 252.2                       | 224.0 | 25.2                     | 144.4                       | 54.4                            | 30.9                                      | (2.7)          | 127.1          | 81.5         | 45.6           | 15.6           |
| Net gains (losses) related to equity investments | 724.5                           | 528.2 | 275.2           | 130.5                     | 122.5                           | 68.3        | 128.0          | 900.3                       | 827.7 | 352.5                    | 442.3                       | 32.9                            | 31.3                                      | 41.3           | 176.9          | 130.1        | 46.8           | 5.3            |
| Credit-related costs for trust accounts          | 381.4<br>(35.4)                 | 246.9 | 92.0            | 66.0                      | 88.9                            | 59.5        | 75.0<br>(35.4) | 615.9<br>(13.8)             | 571.1 | 235.7                    | 234.2                       | 101.2                           | 44.0                                      | 0.8<br>(13.8)  | 132.0<br>(3.2) | 91.3         | 40.7<br>(3.2)  | (5.7)<br>(8.4) |
| Net business profits                             | 307.7                           | 281.3 | 183.2           | 64.5                      | 33.6                            | 8.8         | 17.6           | 270.6                       | 256.6 | 116.8                    | 208.1                       | (68.3)                          | (12.7)                                    | 26.7           | 41.7           | 38.8         | 2.9            | 2.6            |

## 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.
- (2) Credit-related costs for trust accounts are excluded from gross profits.

*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, 2007, 2008 and 2009 presented above to Income before income tax expense shown on the consolidated statements of income is as follows:

|  | 2007                 | 2008  | 2009    |
|--|----------------------|-------|---------|
|  | (in billions of yen) |       |         |
| Net business profits                             | 991.6                | 511.2 | 622.6   |
| U.S. GAAP adjustments                            | (144.4)              | 120.7 | (124.9) |
| (Provision) credit for loan losses               | (182.1)              | 57.8  | (567.4) |
| Net gains (losses) related to equity investments | (75.2)               | 137.6 | (246.4) |
| Credit-related costs for trust accounts          |                      |       |         |



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|  |        |        |         |
|--|--------|--------|---------|
| Non-recurring personnel expense                                | (20.4) | (0.7)  | (13.2)  |
| Gains on disposal of premises and equipment                    | 64.6   | 37.3   | 23.4    |
| (Provision) credit for losses on off-balance sheet instruments | 37.8   | (5.1)  | (83.6)  |
| Minority interest in consolidated subsidiaries                 | (27.8) | 53.7   | 61.6    |
| Others net (Note)  | 143.0  | (11.7) | 31.4    |
| Income (loss) before income tax expense                        | 787.1  | 900.8  | (296.5) |

Note: Amount for the fiscal year ended March 31, 2007 includes a subsidy of ¥177.4 billion related with the substitutional portion of the employee pension funds which is included in Other noninterest income. Amount for the fiscal year ended March 31, 2009 includes a gain of ¥75.2 billion on hedges related to credit risk mitigation transactions which is included in Other noninterest income.

F-85

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****31. 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<br>(in millions of yen) | Asia/Oceania<br>excluding<br>Japan, and<br>others | Total       |
|--|-------------|------------|--------------------------------|---|-------------|
| <b>Fiscal year ended March 31, 2007:</b> |             |            |                                |   |             |
| Total revenue <sup>(1)</sup>             | 2,249,478   | 843,056    | 495,353                        | 247,368   | 3,835,255   |
| Total expenses <sup>(2)</sup>            | 1,854,864   | 641,545    | 387,477                        | 164,266   | 3,048,152   |
| Income before income tax expense         | 394,614     | 201,511    | 107,876                        | 83,102  | 787,103     |
| Net income                               | 254,240     | 192,602    | 104,817                        | 72,223  | 623,882     |
| Total assets at end of fiscal year       | 111,842,599 | 17,390,251 | 13,003,340                     | 5,145,089   | 147,381,279 |
| <b>Fiscal year ended March 31, 2008:</b> |             |            |                                |   |             |
| Total revenue <sup>(1)</sup>             | 3,015,142   | 833,277    | 92,459                         | 264,325   | 4,205,203   |
| Total expenses <sup>(2)</sup>            | 1,913,005   | 712,896    | 511,198                        | 167,310   | 3,304,409   |
| Income before income tax expense         | 1,102,137   | 120,381    | (418,739)                      | 97,015  | 900,794     |
| Net income (loss)                        | 466,130     | 100,107    | (422,645)                      | 85,026  | 228,618     |
| Total assets at end of fiscal year       | 115,715,066 | 19,025,798 | 11,490,387                     | 5,086,505   | 151,317,756 |
| <b>Fiscal year ended March 31, 2009:</b> |             |            |                                |   |             |
| Total revenue <sup>(1)</sup>             | 1,867,377   | 423,872    | 346,968                        | 198,201   | 2,836,418   |
| Total expenses <sup>(2)</sup>            | 2,355,336   | 274,763    | 359,726                        | 143,132   | 3,132,957   |
| Income before income tax expense         | (487,959)   | 149,109    | (12,758)                       | 55,069  | (296,539)   |
| Net income (loss)                        | (1,207,596) | 118,310    | (15,603)                       | 46,442  | (1,058,447) |
| Total assets at end of fiscal year       | 115,588,524 | 24,995,152 | 9,815,951                      | 4,683,404   | 155,083,031 |

Notes:

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- (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-86

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****32. Mizuho Financial Group, Inc., parent company**

The following tables present the parent company only financial information of MHFG:

*Condensed balance sheets*

|  | 2008                 | 2009             |
|--|----------------------|------------------|
|  | (in millions of yen) |                  |
| <b>Assets:</b>                                       |                      |                  |
| Cash and due from banks                              | 93                   | 148              |
| Interest-bearing deposits in other banks             | 10,348               | 15,909           |
| Investments in subsidiaries and affiliated companies | 4,227,139            | 1,669,316        |
| Other  | 177,297              | 104,805          |
| <b>Total</b>   | <b>4,414,877</b>     | <b>1,790,178</b> |
| <b>Liabilities and shareholders' equity:</b>         |                      |                  |
| Short-term borrowings                                | 1,140,000            | 860,000          |
| Other liabilities                                    | 6,077                | 84,131           |
| Shareholders' equity                                 | 3,268,800            | 846,047          |
| <b>Total</b>   | <b>4,414,877</b>     | <b>1,790,178</b> |

*Condensed statements of income*

|  | 2007                 | 2008           | 2009           |
|--|----------------------|----------------|----------------|
|  | (in millions of yen) |                |                |
| <b>Income:</b>                                   |                      |                |                |
| Dividends from subsidiaries                      | 1,220,998            | 770,833        | 410,517        |
| Management fees from subsidiaries                | 29,102               | 35,686         | 32,184         |
| Other income                                     | 828                  | 668            | 2,130          |
| <b>Total</b>                                     | <b>1,250,928</b>     | <b>807,187</b> | <b>444,831</b> |
| <b>Expenses:</b>                                 |                      |                |                |
| Operating expenses                               | 19,206               | 19,364         | 19,968         |
| Interest expense                                 | 12,309               | 14,796         | 10,957         |
| Other expense                                    | 3,971                | 399            | 79,397         |
| <b>Total</b>                                     | <b>35,486</b>        | <b>34,559</b>  | <b>110,322</b> |
| Equity in undistributed net loss of subsidiaries | (591,633)            | (544,130)      | (1,393,076)    |
| Income (loss) before income tax benefit          | 623,809              | 228,498        | (1,058,567)    |

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|                    |         |         |             |
|--------------------|---------|---------|-------------|
| Income tax benefit | (73)    | (120)   | (120)       |
| Net income (loss)  | 623,882 | 228,618 | (1,058,447) |

F-87

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Condensed statements of cash flows*

|  | 2007               | 2008<br>(in millions of yen) | 2009             |
|--|--------------------|------------------------------|------------------|
| <b>Cash flows from operating activities:</b>               |                    |                              |                  |
| Net income (loss)  | 623,882            | 228,618                      | (1,058,447)      |
| Adjustments and other                                      | 614,770            | 634,967                      | 1,544,410        |
| <b>Net cash provided by operating activities</b>           | <b>1,238,652</b>   | <b>863,585</b>               | <b>485,963</b>   |
| <b>Cash flows from investing activities:</b>               |                    |                              |                  |
| Proceeds from sales of securities of subsidiaries          | 33,000             | 60,002                       | 79,000           |
| Payments for purchases of securities of subsidiaries       | (5)                | (5)                          | (15)             |
| Net change in other investing activities                   | (2,065)            | (6,180)                      | (2,018)          |
| <b>Net cash provided by investing activities</b>           | <b>30,930</b>      | <b>53,817</b>                | <b>76,967</b>    |
| <b>Cash flows from financing activities:</b>               |                    |                              |                  |
| Net change in short-term borrowings                        | (454,000)          | (443,000)                    | (280,000)        |
| Purchases of treasury stock                                | (734,285)          | (371,566)                    | (150,359)        |
| Dividends paid   | (81,365)           | (102,942)                    | (133,723)        |
| Net change in other financing activities                   | 83                 | 99                           | 1,207            |
| <b>Net cash used in financing activities</b>               | <b>(1,269,567)</b> | <b>(917,409)</b>             | <b>(562,875)</b> |
| <b>Net increase (decrease) in cash and due from banks</b>  | <b>15</b>          | <b>(7)</b>                   | <b>55</b>        |
| <b>Cash and due from banks at beginning of fiscal year</b> | <b>85</b>          | <b>100</b>                   | <b>93</b>        |
| <b>Cash and due from banks at end of fiscal year</b>       | <b>100</b>         | <b>93</b>                    | <b>148</b>       |

**33. Subsequent events***Merger of Mizuho Securities Co., Ltd. and Shinko Securities Co., Ltd.*

Shinko Securities Co., Ltd. ( Shinko ) is a broker and dealer in securities and an equity method affiliate of the MHFG Group of which the Group owned 27.05 percent of the outstanding common shares as of March 31, 2009. On May 7, 2009, MHFG exchanged 30.58 percent of the outstanding common shares of MHSC for 32.18 percent of the shares of Shinko and merged the two entities. The merger will strengthen the Group's securities arm so it is more competitive in a market with high uncertainty, improve its service providing capabilities and enable it to offer cutting-edge financial services to clients on a global basis.

This merger transaction was accounted for as a bargain purchase because the opening market price of Shinko's common shares on the acquisition date was less than the fair value of net assets per common share. As a result, a pretax gain of approximately ¥106 billion will be recorded in income during the fiscal year ending March 31, 2010.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the consideration paid for Shinko and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date, as well as the fair value at the acquisition date of the noncontrolling interest in Shinko.

|  | <b>At May 7, 2009</b><br><b>(in millions of yen)</b> |
|--|--|
| <b>Consideration</b>   |  |
| Equity instruments (3,451,755 common shares of MHSC)                                       | 58,600   |
| <b>Fair value of total consideration transferred</b>                                       | <b>58,600</b>  |
| <b>Fair value of MHFG's equity interest in Shinko held before the business combination</b> | <b>49,265</b>  |
|  | <b>107,865</b>                                       |
| <b>Recognized amounts of identifiable assets acquired</b>                                  |  |
| Cash and due from banks  | 118,725  |
| Interest-bearing deposits in other banks   | 32,344   |
| Receivables under securities borrowing transactions  | 831,839  |
| Trading account assets   | 1,008,004  |
| Investments  | 98,937   |
| Loans, net of allowance  | 14,248   |
| Premises and equipment   | 57,004   |
| Accrued income   | 7,462  |
| Intangible assets  | 73,949   |
| Other assets   | 76,734   |
| <b>Recognized amounts of identifiable liabilities assumed</b>                              |  |
| Call money and funds purchased   | 41,000   |
| Payables under repurchase agreements   | 27,111   |
| Payables under securities lending transactions   | 745,131  |
| Other short-term borrowings  | 357,813  |
| Trading account liabilities  | 671,841  |
| Income taxes payable   | 490  |
| Deferred tax liabilities   | 25,633   |
| Accrued expenses   | 5,777  |
| Long-term debt   | 75,795   |
| Other liabilities  | 75,162   |
| <b>Total identifiable net assets</b>   | <b>293,493</b>                                       |
| <b>Noncontrolling interest in Shinko</b>   | <b>79,318</b>  |
| <b>Gain on the bargain purchase</b>  | <b>106,310</b>                                       |
|  | <b>107,865</b>                                       |

The fair value of the 3,451,755 common shares of MHSC as the consideration paid for Shinko (¥58,600 million) and the noncontrolling interest in Shinko (¥79,318 million) were primarily determined on the basis of the opening market price of Shinko's common shares on the acquisition date.

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The MHFG Group will recognize a gain of approximately ¥364 million as a result of remeasuring to fair value its 27.05 percent equity interest in Shinko held before the business combination. The gain will be included in Other noninterest income in the Group's consolidated statements of income for the fiscal year ending March 31, 2010.

F-89



**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Redemption of preferred securities***

On May 15, 2009, the board of directors of MHFG resolved to redeem in full non-cumulative perpetual preferred securities issued by overseas special purpose companies whose voting rights are wholly owned by MHFG. This entity is not consolidated in accordance with FIN No.46R since the Group is not the primary beneficiary. Thus, the redemption of preferred securities did not reduce Minority interest in consolidated subsidiaries, but Long-term debt in the Group's consolidated balance sheets. However, on June 30, 2009, when the preferred securities were redeemed, it decreased Tier 1 capital. The following table describes the details of the redeemed preferred securities.

| Issuer                                    | Aggregate redemption amount<br>(in millions of yen) | Reason for the redemption           |
|---|---|-------------------------------------|
| Mizuho Preferred Capital (Cayman) Limited | 176,000   | Arrival of optional redemption date |

***Issuance of preferred securities***

On June 30, 2009, preferred securities were issued through an overseas special purpose company in the Cayman Islands. The proceeds were ultimately provided to MHCBC as payment for the subscription of MHCBC's common stock, and it increased Tier 1 capital. The following table describes the details of the preferred securities:

|                         | <b>Description of preferred securities</b>   |
|-------------------------|--|
| Issuer:                 | Mizuho Capital Investment (JPY) 5 Limited<br><br>(It is an overseas special purpose company established in the Cayman Islands, the voting rights of which are wholly owned by MHFG.) |
| Type of securities:     | Japanese yen denominated non-cumulative perpetual preferred securities Series A<br><br>(no right to convert into MHFG's shares is granted)   |
| Aggregate issue amount: | 139.5 billion Japanese Yen   |
| Dividend rate:          | 4.26% per annum (fixed rate until June 2014)<br><br>Floating rate after June 2014 (non step-up)  |

***Issuance of new shares and secondary offering of shares***

On July 1, 2009, the board of directors of MHFG resolved to issue new shares by way of offering, conduct a secondary offering of shares and issue new shares by way of third-party allotment. The increase in common stock as a result of the issuance of new shares equals to the total amount of (a) ¥494,696 million, the aggregate amount paid through Issuance of new shares by way of offering (Public offering), and (b) ¥34,504 million, the aggregate amount paid through Issuance of new shares by way of third-party allotment, less stock issuance expenses.

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table describes the details of the issuance of new shares by way of offering (Public offering):

|                           | <b>Description</b>           |
|---------------------------|------------------------------|
| Number of shares offered: | 2,804,400,000 shares         |
| Total amount paid:        | 494,696,160,000 Japanese Yen |
| Payment date:             | July 23, 2009                |

The following table describes the details of the secondary offering of shares:

|                                    | <b>Description</b>          |
|------------------------------------|-----------------------------|
| Number of shares sold:             | 195,600,000 shares          |
| Total amount of the selling price: | 35,990,400,000 Japanese Yen |
| Delivery date:                     | July 24, 2009               |

The following table describes the details of issuance of new shares by way of third-party allotment:

|                          | <b>Description</b>          |
|--------------------------|-----------------------------|
| Number of shares issued: | 195,600,000 shares          |
| Total amount paid:       | 34,503,840,000 Japanese Yen |
| Payment date:            | August 5, 2009              |

**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/ Takashi Tsukamoto

Name: Takashi Tsukamoto

Title: President & CEO

August 19, 2009

**Table of Contents**

**EXHIBIT INDEX**

| <b>Exhibit<br/>Number</b> | <b>Description of Exhibits</b>  |
|---------------------------|---|
| 1.1                       | Articles of Incorporation of Mizuho Financial Group, Inc., dated June 25, 2009 (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 27, 2006 (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 (English Translation)*  |
| 1.4                       | Share Handling Regulations of Mizuho Financial Group, Inc., dated January 5, 2009 (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).  |

\* 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.