

MIZUHO FINANCIAL GROUP INC

Form 20-F

September 04, 2008

[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 12(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, 2008

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

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)

Mamoru Kishida, +81-3-5224-1111, +81-3-5224-1059, address is same as above

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

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

| Title of Each Class                                                                                   | Name of Each Exchange on which Registered |
|-------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Common Stock, without par value                                                                       | The New York Stock Exchange*              |
| American depositary shares, each of which represents 1/500 <sup>th</sup> of one share of common stock | The New York Stock Exchange               |

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

None

(Title of Class)

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

None

(Title of Class)

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

At March 31, 2008, the following shares of capital stock were outstanding: (1) 11,396,255 shares of common stock (including 4,586 shares of common stock held by the registrant and its consolidated subsidiaries and equity-method affiliates as treasury stock), (2) 943,740 shares of eleventh series class XI

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

preferred stock, and (3) 36,690 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 ☒

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 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>                            | 18          |
| 4.A. <u>History and Development of the Company</u>                   | 18          |
| 4.B. <u>Business Overview</u>                                        | 19          |
| 4.C. <u>Organizational Structure</u>                                 | 37          |
| 4.D. <u>Property, Plant and Equipment</u>                            | 39          |
| ITEM 4A. <u>Unresolved Staff Comments</u>                            | 39          |
| ITEM 5. <u>Operating and Financial Review and Prospects</u>          | 40          |
| ITEM 6. <u>Directors, Senior Management and Employees</u>            | 115         |
| 6.A. <u>Directors and Senior Management</u>                          | 115         |
| 6.B. <u>Compensation</u>                                             | 125         |
| 6.C. <u>Board Practices</u>                                          | 126         |
| 6.D. <u>Employees</u>                                                | 133         |
| 6.E. <u>Share Ownership</u>                                          | 134         |
| ITEM 7. <u>Major Shareholders and Related Party Transactions</u>     | 135         |
| 7.A. <u>Major Shareholders</u>                                       | 135         |
| 7.B. <u>Related Party Transactions</u>                               | 136         |
| 7.C. <u>Interests of Experts and Counsel</u>                         | 137         |
| ITEM 8. <u>Financial Information</u>                                 | 138         |
| 8.A. <u>Consolidated Statements and Other Financial Information</u>  | 138         |
| 8.B. <u>Significant Changes</u>                                      | 138         |
| ITEM 9. <u>The Offer and Listing</u>                                 | 139         |
| 9.A. <u>Listing Details</u>                                          | 139         |
| 9.B. <u>Plan of Distribution</u>                                     | 140         |
| 9.C. <u>Markets</u>                                                  | 140         |
| 9.D. <u>Selling Shareholders</u>                                     | 140         |
| 9.E. <u>Dilution</u>                                                 | 140         |
| 9.F. <u>Expenses of the Issue</u>                                    | 140         |
| ITEM 10. <u>Additional Information</u>                               | 141         |
| 10.A. <u>Share Capital</u>                                           | 141         |
| 10.B. <u>Memorandum and Articles of Association</u>                  | 141         |
| 10.C. <u>Material Contracts</u>                                      | 152         |
| 10.D. <u>Exchange Controls</u>                                       | 152         |
| 10.E. <u>Taxation</u>                                                | 154         |
| 10.F. <u>Dividends and Paying Agents</u>                             | 159         |
| 10.G. <u>Statement by Experts</u>                                    | 159         |
| 10.H. <u>Documents on Display</u>                                    | 159         |
| 10.I. <u>Subsidiary Information</u>                                  | 159         |



---

**Table of Contents**

|                                                                                                | <b>Page</b> |
|------------------------------------------------------------------------------------------------|-------------|
| ITEM 11. <u>Quantitative and Qualitative Disclosures about Market Risk</u>                     | 160         |
| ITEM 12. <u>Description of Securities Other than Equity Securities</u>                         | 176         |
| ITEM 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>                                | 177         |
| ITEM 14. <u>Material Modifications to the Rights of Securities Holders and Use of Proceeds</u> | 177         |
| ITEM 15. <u>Controls and Procedures</u>                                                        | 177         |
| ITEM 16A. <u>Audit Committee Financial Expert</u>                                              | 178         |
| ITEM 16B. <u>Code of Ethics</u>                                                                | 178         |
| ITEM 16C. <u>Principal Accountant Fees and Services</u>                                        | 178         |
| ITEM 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>                    | 179         |
| ITEM 16E. <u>Purchase of Equity Securities by the Issuer and Affiliated Purchasers</u>         | 180         |
| ITEM 17. <u>Financial Statements</u>                                                           | 181         |
| ITEM 18. <u>Financial Statements</u>                                                           | 181         |
| ITEM 19. <u>Exhibits</u>                                                                       | 181         |
| <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 impact of the dislocation in global financial markets stemming from U.S. subprime loan issues;

**Table of Contents**

changes in interest rates;

foreign exchange rate fluctuations;

revised assumptions or other changes related to our pension plans;

failure to maintain required capital adequacy ratio levels;

downgrades in our credit ratings;

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

our ability to avoid reputational harm; and

the effect of changes in general economic conditions in Japan.

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, 2006, 2007 and 2008 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, 2004, 2005, 2006, 2007 and 2008 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, 2006, 2007 and 2008 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,              |             |             |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------|-------------|
|                                                                                     | 2006                                                        | 2007        | 2008        |
|                                                                                     | (in millions of yen, except per share data and percentages) |             |             |
| Statement of income data:                                                           |                                                             |             |             |
| Interest and dividend income                                                        | ¥ 1,957,907                                                 | ¥ 2,639,307 | ¥ 3,110,260 |
| Interest expense                                                                    | 944,895                                                     | 1,571,389   | 1,911,522   |
| Net interest income                                                                 | 1,013,012                                                   | 1,067,918   | 1,198,738   |
| Provision (credit) for loan losses                                                  | (157,666)                                                   | 182,115     | (57,766)    |
| Net interest income after provision (credit) for loan losses                        | 1,170,678                                                   | 885,803     | 1,256,504   |
| Noninterest income                                                                  | 995,156                                                     | 1,195,948   | 1,094,943   |
| Noninterest expenses                                                                | 1,454,304                                                   | 1,294,648   | 1,450,653   |
| Income before income tax expense (benefit)                                          | 711,530                                                     | 787,103     | 900,794     |
| Income tax expense (benefit)                                                        | (374,142)                                                   | 163,221     | 672,176     |
| Net income                                                                          | ¥ 1,085,672                                                 | ¥ 623,882   | ¥ 228,618   |
| Net income attributable to common shareholders                                      | 1,047,719                                                   | 600,408     | 208,643     |
| Amounts per share:                                                                  |                                                             |             |             |
| Basic earnings per common share net income attributable to common shareholders      | ¥ 93,778.71                                                 | ¥ 51,725.68 | ¥ 18,174.55 |
| Diluted earnings per common share net income attributable to common shareholders    | ¥ 82,748.82                                                 | ¥ 48,709.38 | ¥ 16,768.67 |
| Number of shares used to calculate basic earnings per common share (in thousands)   | 11,172                                                      | 11,608      | 11,480      |
| Number of shares used to calculate diluted earnings per common share (in thousands) | 12,889                                                      | 12,714      | 13,568      |
| Cash dividends per share declared during the fiscal year:                           |                                                             |             |             |
| Common stock                                                                        | ¥ 3,500                                                     | ¥ 4,000     | ¥ 7,000     |
|                                                                                     | \$ 29.79                                                    | \$ 34.03    | \$ 70.11    |
| Second series class II preferred stock                                              | ¥ 8,200                                                     |             |             |
|                                                                                     | \$ 69.80                                                    |             |             |
| Third series class III preferred stock                                              | ¥ 14,000                                                    |             |             |
|                                                                                     | \$ 119.17                                                   |             |             |
| Fourth series class IV preferred stock                                              | ¥ 47,600                                                    | ¥ 47,600    |             |
|                                                                                     | \$ 405.18                                                   | \$ 404.90   |             |
| Sixth series class VI preferred stock                                               | ¥ 42,000                                                    | ¥ 42,000    |             |
|                                                                                     | \$ 357.51                                                   | \$ 357.26   |             |
| Seventh series class VII preferred stock                                            | ¥ 11,000                                                    |             |             |
|                                                                                     | \$ 93.63                                                    |             |             |
| Eighth series class VIII preferred stock                                            | ¥ 8,000                                                     |             |             |
|                                                                                     | \$ 68.10                                                    |             |             |
| Tenth series class X preferred stock                                                | ¥ 5,380                                                     |             |             |
|                                                                                     | \$ 45.80                                                    |             |             |
| Eleventh series class XI preferred stock                                            | ¥ 20,000                                                    | ¥ 20,000    | ¥ 20,000    |
|                                                                                     | \$ 170.24                                                   | \$ 170.13   | \$ 200.30   |
| Thirteenth series class XIII preferred stock                                        | ¥ 30,000                                                    | ¥ 30,000    | ¥ 30,000    |
|                                                                                     | \$ 255.36                                                   | \$ 255.19   | \$ 300.45   |

**Table of Contents**

|                                                                                                | As of and for the fiscal years ended March 31,              |               |               |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------|---------------|
|                                                                                                | 2006                                                        | 2007          | 2008          |
|                                                                                                | (in millions of yen, except per share data and percentages) |               |               |
| <b>Balance sheet data:</b>                                                                     |                                                             |               |               |
| Total assets                                                                                   | ¥ 145,522,392                                               | ¥ 147,381,279 | ¥ 151,317,756 |
| Loans, net of allowance                                                                        | 67,898,640                                                  | 68,236,720    | 67,572,004    |
| Total liabilities                                                                              | 140,880,392                                                 | 142,376,976   | 147,749,599   |
| Deposits                                                                                       | 82,703,690                                                  | 83,751,304    | 86,429,065    |
| Long-term debt                                                                                 | 5,384,991                                                   | 7,073,936     | 7,618,910     |
| Common stock                                                                                   | 3,547,726                                                   | 3,532,492     | 3,437,420     |
| Shareholders' equity                                                                           | 4,345,714                                                   | 4,662,700     | 3,268,800     |
| <b>Other financial data:</b>                                                                   |                                                             |               |               |
| <b>Return on equity and assets:</b>                                                            |                                                             |               |               |
| Net income attributable to common shareholders as a percentage of total average assets         | 0.74%                                                       | 0.42%         | 0.14%         |
| Net income attributable to common shareholders as a percentage of average shareholders' equity | 27.40%                                                      | 14.69%        | 5.20%         |
| Dividends per common share as a percentage of basic earnings per common share                  | 4.27%                                                       | 13.53%        | 55.02%        |
| Average shareholders' equity as a percentage of total average assets                           | 2.71%                                                       | 2.87%         | 2.73%         |
| Net interest income as a percentage of total average interest-earning assets                   | 0.77%                                                       | 0.79%         | 0.86%         |

Note: Yen amounts for cash dividends per share for the fiscal years ended March 31, 2006, 2007 and 2008 are expressed in U.S. dollars at the rate of ¥117.48 = \$1.00, ¥117.56 = \$1.00 and ¥99.85 = \$1.00, respectively. These rates are the noon buying rates on March 31, 2006, 2007 and 2008 in New York City for cable transfers in yen as certified for customs purposes by the Federal Reserve Bank of New York.

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

|                                                                           | As of and for the fiscal years ended March 31,              |             |             |             |             |
|---------------------------------------------------------------------------|-------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                           | 2004                                                        | 2005        | 2006        | 2007        | 2008        |
|                                                                           | (in millions of yen, except per share data and percentages) |             |             |             |             |
| Statement of income data:                                                 |                                                             |             |             |             |             |
| Interest income                                                           | ¥ 1,622,704                                                 | ¥ 1,584,415 | ¥ 1,935,048 | ¥ 2,562,642 | ¥ 2,864,796 |
| Interest expense                                                          | 437,703                                                     | 477,983     | 872,403     | 1,472,378   | 1,801,156   |
| Net interest income                                                       | 1,185,001                                                   | 1,106,432   | 1,062,645   | 1,090,264   | 1,063,639   |
| Fiduciary income                                                          | 62,064                                                      | 63,253      | 78,843      | 66,958      | 64,355      |
| Net fee and commission income                                             | 426,614                                                     | 472,628     | 555,935     | 551,124     | 494,526     |
| Net trading income                                                        | 231,804                                                     | 165,059     | 204,941     | 261,544     | 56,149      |
| Net other operating income (expenses)                                     | 206,861                                                     | 185,724     | 100,073     | 147,507     | (17,737)    |
| General and administrative expenses                                       | 1,125,905                                                   | 1,091,348   | 1,095,243   | 1,091,602   | 1,124,527   |
| Other income                                                              | 503,872                                                     | 735,297     | 502,212     | 522,816     | 579,737     |
| Other expenses                                                            | 609,073                                                     | 693,989     | 429,265     | 573,714     | 630,079     |
| Income (loss) before income taxes and minority interests                  | 881,240                                                     | 943,059     | 980,142     | 974,898     | 486,062     |
| Income taxes:                                                             |                                                             |             |             |             |             |
| Current                                                                   | 28,055                                                      | 19,817      | 64,038      | 43,267      | 32,212      |
| Deferred                                                                  | 387,855                                                     | 235,227     | 185,035     | 223,699     | 118,546     |
| Minority interests in net income (loss)                                   | 58,347                                                      | 60,630      | 81,164      | 86,965      | 24,079      |
| Net income (loss)                                                         | ¥ 406,982                                                   | ¥ 627,383   | ¥ 649,903   | ¥ 620,965   | ¥ 311,224   |
| Net income (loss) per share:                                              |                                                             |             |             |             |             |
| Basic                                                                     | ¥ 36,153.27                                                 | ¥ 54,625.61 | ¥ 55,157.14 | ¥ 51,474.49 | ¥ 25,370.25 |
| Diluted                                                                   | 18,754.94                                                   | 37,719.13   | 46,234.51   | 48,803.07   | 24,640.00   |
| Cash dividends per share declared during the fiscal year <sup>(1)</sup> : |                                                             |             |             |             |             |
| Common stock                                                              | ¥                                                           | ¥ 3,000     | ¥ 3,500     | ¥ 4,000     | ¥ 7,000     |
|                                                                           | \$                                                          | \$ 27.98    | \$ 29.79    | \$ 34.03    | \$ 70.11    |
| First series class I preferred stock                                      | ¥ 22,500                                                    | ¥ 22,500    |             |             |             |
|                                                                           | \$ 215.97                                                   | \$ 209.85   |             |             |             |
| Second series class II preferred stock                                    | ¥ 8,200                                                     | ¥ 8,200     | ¥ 8,200     |             |             |
|                                                                           | \$ 78.71                                                    | \$ 76.48    | \$ 69.80    |             |             |
| Third series class III preferred stock                                    | ¥ 14,000                                                    | ¥ 14,000    | ¥ 14,000    |             |             |
|                                                                           | \$ 134.38                                                   | \$ 130.57   | \$ 119.17   |             |             |
| Fourth series class IV preferred stock                                    | ¥ 47,600                                                    | ¥ 47,600    | ¥ 47,600    | ¥ 47,600    |             |
|                                                                           | \$ 456.90                                                   | \$ 443.95   | \$ 405.18   | \$ 404.90   |             |
| Sixth series class VI preferred stock                                     | ¥ 42,000                                                    | ¥ 42,000    | ¥ 42,000    | ¥ 42,000    |             |
|                                                                           | \$ 403.15                                                   | \$ 391.72   | \$ 357.51   | \$ 357.26   |             |
| Seventh series class VII preferred stock                                  | ¥ 11,000                                                    | ¥ 11,000    | ¥ 11,000    |             |             |
|                                                                           | \$ 105.59                                                   | \$ 102.59   | \$ 93.63    |             |             |

**Table of Contents**

|                                                  | 2004          | As of and for the fiscal years ended March 31,<br>(in millions of yen, except per share data and percentages) |               |               |               | 2008 |
|--------------------------------------------------|---------------|---------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|------|
|                                                  |               | 2005                                                                                                          | 2006          | 2007          |               |      |
| Eighth series class VIII preferred stock         | ¥ 8,000       | ¥ 8,000                                                                                                       | ¥ 8,000       |               |               |      |
|                                                  | \$ 76.79      | \$ 74.61                                                                                                      | \$ 68.10      |               |               |      |
| Ninth series class IX preferred stock            | ¥ 17,500      | ¥ 17,500                                                                                                      | ¥             |               |               |      |
|                                                  | \$ 167.98     | \$ 163.22                                                                                                     | \$            |               |               |      |
| Tenth series class X preferred stock             | ¥ 5,380       | ¥ 5,380                                                                                                       | ¥ 5,380       |               |               |      |
|                                                  | \$ 51.64      | \$ 50.18                                                                                                      | \$ 45.80      |               |               |      |
| Eleventh series class XI preferred stock         | ¥ 165         | ¥ 20,000                                                                                                      | ¥ 20,000      | ¥ 20,000      | ¥ 20,000      |      |
|                                                  | \$ 1.58       | \$ 186.53                                                                                                     | \$ 170.24     | \$ 170.13     | \$ 200.30     |      |
| Twelfth series class XI preferred stock          | ¥ 21          | ¥ 2,500                                                                                                       | ¥             |               |               |      |
|                                                  | \$ 0.20       | \$ 23.32                                                                                                      | \$            |               |               |      |
| Thirteenth series class XIII preferred stock     | ¥ 247         | ¥ 30,000                                                                                                      | ¥ 30,000      | ¥ 30,000      | ¥ 30,000      |      |
|                                                  | \$ 2.37       | \$ 279.80                                                                                                     | \$ 255.36     | \$ 255.19     | \$ 300.45     |      |
| <b>Balance sheet data:</b>                       |               |                                                                                                               |               |               |               |      |
| Total assets                                     | ¥ 137,750,091 | ¥ 143,076,236                                                                                                 | ¥ 149,612,794 | ¥ 149,880,031 | ¥ 154,412,105 |      |
| Loans and bills discounted <sup>(2)</sup>        | 66,205,868    | 62,917,336                                                                                                    | 65,408,672    | 65,964,301    | 65,608,705    |      |
| Securities                                       | 32,071,624    | 36,047,035                                                                                                    | 37,702,957    | 36,049,983    | 33,958,537    |      |
| Deposits                                         | 77,487,475    | 80,368,058                                                                                                    | 82,367,125    | 83,608,304    | 86,264,041    |      |
| Shareholders' equity                             | 3,644,396     | 3,905,726                                                                                                     | 4,804,993     |               |               |      |
| Net assets <sup>(3)</sup>                        |               |                                                                                                               |               | 6,724,408     | 5,694,159     |      |
| <b>Risk-adjusted capital data<sup>(4)</sup>:</b> |               |                                                                                                               |               |               |               |      |
| Tier 1 capital                                   | ¥ 3,941,146   | ¥ 4,172,047                                                                                                   | ¥ 4,555,947   | ¥ 4,933,561   | ¥ 4,880,188   |      |
| Total qualifying capital                         | 7,770,077     | 8,020,233                                                                                                     | 8,993,255     | 8,841,383     | 7,708,341     |      |
| Total risk adjusted assets                       | 68,424,191    | 67,324,998                                                                                                    | 77,534,548    | 70,795,493    | 65,872,866    |      |
| Tier 1 capital ratio                             | 5.75%         | 6.19%                                                                                                         | 5.87%         | 6.96%         | 7.40%         |      |
| Capital adequacy ratio                           | 11.35%        | 11.91%                                                                                                        | 11.59%        | 12.48%        | 11.70%        |      |

Notes:

- (1) Yen amounts are expressed in U.S. dollars at the rate of ¥104.18 = \$1.00, ¥107.22 = \$1.00, ¥117.48 = \$1.00, ¥117.56 = \$1.00 and ¥99.85 = \$1.00 for the fiscal years ended March 31, 2004, 2005, 2006, 2007 and 2008, 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.
- (2) 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.
- (3) 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 gains or losses on hedges (after tax) are now presented as components of net assets. Accordingly, the presentations of net assets in the balance sheets as of March 31, 2007 and 2008 are not directly comparable to shareholders' equity for prior periods.

**Table of Contents**

- (4) Risk-adjusted capital data for the fiscal years ended March 31, 2007 and 2008 are calculated under Basel II basis while those through the fiscal year ended March 31, 2006 are calculated under Basel I basis. For more details on capital adequacy requirements set by the Bank for International Settlements ( BIS ), and the guideline implemented by the Financial Services Agency in compliance thereto, see Item 5. Operating and Financial Review and Prospects Capital Adequacy.

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.

| <b>Fiscal years ended March 31,</b> | <b>High</b> | <b>Low</b> | <b>Average<sup>(1)</sup><br/>(yen per dollar)</b> | <b>Period<br/>end</b> |
|-------------------------------------|-------------|------------|---------------------------------------------------|-----------------------|
| 2004                                | 120.55      | 104.18     | 112.75                                            | 104.18                |
| 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 (through September 3)          | 110.48      | 100.87     | 106.86                                            | 108.18                |
| <b>Calendar year 2008</b>           |             |            |                                                   |                       |
| March                               | 103.99      | 96.88      |                                                   |                       |
| April                               | 104.56      | 100.87     |                                                   |                       |
| May                                 | 105.52      | 103.01     |                                                   |                       |
| June                                | 108.29      | 104.41     |                                                   |                       |
| July                                | 108.19      | 104.64     |                                                   |                       |
| August                              | 110.48      | 107.59     |                                                   |                       |
| September (through September 3)     | 108.85      | 108.18     |                                                   |                       |

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 September 3, 2008 was ¥108.18 = \$1.00.

**3.B. Capitalization and Indebtedness**

Not applicable.

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

Not applicable.

## **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 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 loan portfolio by regularly monitoring the credit profile of each of our customers, the progress made on restructuring plans and loan concentrations in particular industries or corporate groups, and we also 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 could increase significantly, including as a result of the deterioration in the credit profile of customers for which we are the primary bank lender, other major customers or customers belonging to industries to which we have significant credit exposure, and the value of collateral and guarantees could decline. There can be no assurance that credit-related and other costs will not increase in the future.

##### **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 recent years, we sold a portion of such investments, and we may make further sales in the future. However, significant declines in Japanese stock prices in the future would lead to unrealized losses, losses on impairment and losses from sales of equity securities which could have a material adverse effect on our financial condition and results of operations. In addition, 45% of net unrealized gains on such investments, based on Japanese GAAP, is included within 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.

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

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



## **Table of Contents**

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

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

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

The market liquidity of the various marketable assets that we hold may decrease significantly due to turmoil in financial markets and other factors, and the value of such assets could decline as a result. In 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 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.

### **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.

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.

### **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

## **Table of Contents**

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.

### **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 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 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. In addition, there have recently been some cases in which other Japanese financial institutions have been the subject of regulatory actions in areas such as financial products sales and anti-money laundering practices. 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.**

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

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

## **Table of Contents**

employee errors, including establishment of operational procedures, regular reviews regarding compliance with these procedures, employee training and automation of our operations, may not be effective in preventing all employee errors and misconduct. For example, Mizuho Securities Co., Ltd. incurred a loss of ¥40.7 billion and received a business improvement order from the Financial Services Agency as a result of an erroneous stock brokerage order by an employee in December 2005. Significant operational errors and misconduct in the future could result in losses, regulatory action or harm to our reputation.

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

We depend significantly on information technology systems with respect to almost all aspects of our business operations. Our information technology systems network, including those relating to bank accounting and cash settlement systems, interconnects our branches and other offices, our customers and various clearing and settlement systems located worldwide. Our efforts to sustain stable daily operations and development of contingency plans for unexpected events, including the implementation of backup and redundancy measures, may not be effective in preventing significant disruptions to our information technology systems caused by, among other things, human error, accidents, hacking, computer viruses 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 Act 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.

### **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.

### **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, beginning with our annual report on Form 20-F for the fiscal year ended March 31, 2008. 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 beginning with the annual securities report for the fiscal year ending March 31, 2009. 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

## **Table of Contents**

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, which in turn could negatively impact the price of our securities.

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

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

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

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, North Korea, 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 provide extensions of credit to, and 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.

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

We conduct business operations in Japan as well as overseas, including in the United States, Europe and Asia. If general economic conditions in Japan or other regions were to deteriorate or if the financial markets become subject to turmoil, we could experience weakness in our business, as well as deterioration in the quality of our assets. For example, in 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 the impact of the dislocation in global financial markets stemming from U.S. subprime loan issues. Future deterioration in general economic conditions or financial market turmoil, including as a result of the dislocation in global financial markets mentioned above, could adversely affect our financial condition and results of operations.

## **Table of Contents**

### **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. Japan has historically been prone to major earthquakes. 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 and results of operations 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 April 2008, Mizuho Securities and Shinko Securities Co., Ltd. signed a new Basic Agreement for Merger. The effective date of the merger is targeted at May 2009, subject to approval from the general shareholders meetings and the relevant authorities. We determined it necessary to restructure our securities business to enable us to offer competitive cutting-edge financial services on a global basis and believe that the merger will integrate the strengths of the two companies.

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

In May 2005, Mizuho Financial Group established a trust, with our subsidiary, Trust & Custody Services Bank, Ltd., as trustee, to sell gradually 250 million shares of common stock it held in Mizuho Trust & Banking, equaling 4.98% of the then-outstanding shares of common stock of Mizuho Trust & Banking, at prevailing prices of such shares on the Tokyo Stock Exchange. The trust was terminated in September 2005 after completing the sale of all such shares.

In October 2005, UC Card Co., Ltd., our credit card subsidiary, conducted a corporate split to separate its credit card issuance business from its merchant acquisition and processing businesses. Following the corporate split, we sold the credit card issuance business to Credit Saison Co., Ltd. for ¥27.5 billion in connection with our



## **Table of Contents**

alliance with Credit Saison relating to the credit card business. In January and December 2007, Mizuho Bank purchased 4,683,700 shares and 7,500,000 shares, respectively, of common stock of Credit Saison, resulting in Mizuho Bank and Mizuho Corporate Bank together owning 9.51% of the total outstanding shares of common stock of Credit Saison as of March 31, 2008 in furtherance of our aim to promote our alliance with Credit Saison.

## **Other Information**

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

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

### **General**

We 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 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.

During the three fiscal years beginning from April 2005, we implemented our business strategy called the "Channel to Discovery" Plan under which, in addition to efforts to strengthen our profitability, we have developed a solid internal control system. 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. Meanwhile, from the viewpoint of corporate social responsibility, or CSR, we promoted support of financial education and environmental conservation. Regarding our support of financial education, we sponsored academic courses in universities and engaged in joint research program regarding financial education in schools. Regarding environmental conservation, we engaged in loans to environmental businesses such as wind power generation and re-adopted a revised version of the Equator Principles relating to project financing. 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 further strive to enhance our profitability through the continued pursuit by our three Global Groups of business strategies that leverage their respective strengths and through the strengthening of collaboration between the three Global Groups to provide high-quality financial products and services to our customers.

In addition, we make further efforts to win the trust of our customers in and outside of Japan through our solid system of internal controls, including a strong compliance structure and sophisticated risk management structure, and the promotion of our branding strategy and CSR activities.

## **Table of Contents**

### **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, 2008, 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.

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, 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, we offer various products and services that enhance their investment capabilities, facilitate the restructuring of their loan portfolio and address the managerial and strategic issues that they face by utilizing our expertise.



## **Table of Contents**

We provide Japanese public sector entities with various financing alternatives such as syndicated loans and securitization transactions as well as advisory services related to managerial issues arising from, among others, regional administrative and fiscal reform and reforms related to public sector entities.

Regarding our bond-related businesses, 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 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, management buy-outs, project finance and trade finance.

We are currently strengthening our international network by establishing new branches and offices or through the utilization of alliances with or investments in foreign financial institutions mainly to help enhance our medium-term profitability and strengthen our capability to support Japanese customers. For example, we opened a branch in Milan, Italy in April 2007, a representative office of our New York Branch in Mexico in May 2007, a branch in Dubai in June 2007 and a branch in Taichung, Taiwan in April 2008. We established Mizuho Corporate Bank (China), Ltd. in June 2007, and we transferred the businesses of our branches in Shanghai, Shenzhen, Dalian, Beijing and Wuxi to the new company. In addition, through Mizuho Corporate Bank (China), we opened a branch in Tianjin, China in July 2007, a representative office in the Dalian Economic & Technological Development Area, China in October 2007 and a branch in Qingdao, China in April 2008. In November 2007, we completed the transfer of business operations from Mizuho Corporate Bank (Canada) to our newly established Canada Branch and its Vancouver Office. In January 2008, we acquired all of the 10 million outstanding shares of common stock of The Michinoku Bank (Moscow) Ltd., a Russian subsidiary of The Michinoku Bank, Ltd., making it our subsidiary. In addition, we actively developed business alliances with other financial institutions during the fiscal year ended March 31, 2008 and entered into a memorandum of understanding for business collaboration with China CITIC Bank (in which we had made an investment as a cornerstone investor in April 2007) in October 2007 and a business alliance agreement with the State Bank of India in January 2008.

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.

## **Table of Contents**

### *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, 2008, 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 relationships with regional financial institutions. In the fiscal year ended March 31, 2008, Mizuho Corporate Bank engaged in loan trading of nearly ¥1 trillion.

### *Global Financial Products Unit*

The Global Financial Products Unit engages in structured finance, leveraged 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 investments in, and sales and trading of, financial products related to, among others, interest rates, foreign exchange, credit, equity and commodities.

We continue to enhance the sophistication of our portfolio management methods and diversify our investments by investing in alternative funds and credit-related products such as corporate bonds and credit derivatives to diversify risks and expand our sources of market-related income.

## **Table of Contents**

### *Global Alternative Investment Unit*

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

We established an investment management company named Mizuho Alternative Investments, LLC in the United States in April 2007 and completed its registration as an investment advisor with the U.S. Securities and Exchange Commission in February 2008 as part of our enhancement of the sophistication of our asset management business. Going forward, we will promote our asset management business, including by establishing an investment management company based in Tokyo, to offer attractive investment products that respond to the changing needs of our customers while enhancing our risk management structure in light of recent market conditions.

### *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.

### *Mizuho Securities*

Mizuho Securities provides securities services mainly to Japanese and foreign institutional investors, corporations, financial institutions and public sector entities. Our goal is to become a market leader in the Japanese investment banking industry by providing products and services that best satisfy the diverse needs of our customers. Mizuho Securities pursues group synergies by cooperating with other group companies such as Mizuho Corporate Bank.

We maintain securities subsidiaries in major international financial centers such as London, New York, Hong Kong and Zurich to satisfy the needs of our customers through our global network. In the United States, we are strengthening our investment banking business by leveraging our FHC status. We engaged in, among others, U.S. corporate bonds and equity underwriting in the fiscal year ended March 31, 2008.

We incurred significant losses related to our securitization business in the fiscal year ended March 31, 2008 due to the dislocation in global financial markets stemming from U.S. subprime loan issues. In an effort to achieve an early return to profitability, we are restructuring our business operations by implementing Business Restructuring Program, which consists of strengthening our risk management structure and international office management structure, streamlining organizations through reducing the number of departments by more than half, reducing headcount by approximately 300, reducing costs by 20% compared with that of fiscal year ended March 31, 2008 and reducing executive compensation.

In December 2007 and January 2008, Mizuho Securities issued new shares through a third-party allocation to Mizuho Corporate Bank totaling ¥400 billion for the purpose of strengthening the capital base and business platform.

Mizuho Securities and Shinko Securities postponed their scheduled merger to May 2009 in light of the continuing financial market dislocation and the scheduled implementation in Japan of an electronic share certificate system in January 2009. The merger is subject to regulatory approval and other procedures. The merged entity will aim to offer competitive cutting-edge financial services on a global basis through the combining of Mizuho Securities' global investment banking business platform and Shinko Securities' client base and business network as a full-service securities company covering all of Japan.

## **Table of Contents**

### *Equity Underwriting and Trading Business*

We are endeavoring to strengthen our equity underwriting business by making proposals related to, among other things, new issuance of stock or convertible bonds. We are also strengthening our capability to meet the investment needs of global institutional investors through our equity trading business.

### *Bond Underwriting and Trading Business*

We provide bond underwriting services to issuers, including Japanese corporations and public sector entities, as a leading underwriter in the Japanese market. We also endeavor to maintain our leading position in the secondary bond market by expanding our customer base and enhancing our ability to manage bond trading positions.

### *Investment Banking Business*

In this business, we actively provide proposals regarding mergers and acquisitions or structured finance transactions by responding to the financial needs of our customers.

## **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, 2008, 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 provide specialized consulting services mainly to targeted customers who have financial assets of more than ¥10 million with us, of which there were approximately 950,000 as of March 31, 2008. In order to serve them, we have increased the number of financial consultants to approximately 2,800, as of March 31, 2008, that make proposals regarding investments such as investment trusts, foreign currency deposits, individual annuities and Japanese government bonds sold to individuals. By implementing these measures, the aggregate balance of these products has increased, although some of the products such as investment trusts were negatively affected by the dislocation in global financial

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

markets and others. The balance of investment trusts (excluding MMF) was ¥1.28 trillion, individual annuities was ¥1.43 trillion, foreign currency deposit was ¥0.5 trillion and Japanese government bonds sold to individuals was ¥1.45 trillion, each on a managerial accounting basis as of March 31, 2008. Our goal is to increase the number of our financial consultants to 4,000 over time and further improve the



## **Table of Contents**

quality of our services by increasing the number of skilled financial consultants. We have expanded Premium Salons, a designated space for private consultations with customers, at 312 branches, as of March 31, 2008. We have also developed a database of our individual customers, which we call Relationship Marketing Database, to assist our consulting staff in marketing financial products that are most suitable for the specific customer. 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 134 branches and offices of Mizuho Bank as of March 31, 2008. We also sell trust products at all Mizuho Bank branches as agents of Mizuho Trust & Banking. Through these measures, we are strengthening our consulting capabilities and endeavoring to grow assets under management.

In our housing loan business, we have reconfigured our credit screening process to reduce our response time to our potential customers. We also offer various 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, we have expanded the number of our housing loan centers, which promote our housing loans through ties with real estate developers and brokers, to 100 as of March 31, 2008.

With respect to unsecured loan products, we cooperate with Orient Corporation to develop unsecured loan products such as Captive Loans, installment loans for shopping guaranteed by Orient Corporation, and card loans. We also began providing a new card loan product that our customers can apply for through our ATM network.

We offer Mizuho Mileage Club, a membership service through which members can receive benefits depending on the level of business relationship with Mizuho Bank and accumulate points when they use credit cards. As of March 31, 2008, we had approximately 5.46 million members. We issue to Mizuho Mileage Club members ATM cards with credit card functions called the Mizuho Mileage Club Card, which we issue under the UC (MasterCard) brand and Saison (VISA, JCB or AMEX) brand. In October 2005, we also consolidated the credit card issuance business of UC Card into Credit Saison in order to strengthen our credit card business. In furtherance of our aim to promote our alliance with Credit Saison, in January and December 2007, Mizuho Bank purchased shares of common stock of Credit Saison, resulting in Mizuho Bank and Mizuho Corporate Bank together owning 9.5% of the total outstanding shares of Credit Saison's common stock as of March 31, 2008. Further, we established a credit card processing company in October 2007 called Qubitous as a joint venture with Credit Saison, and centralized the credit card processing operations for the UC and Saison brands. In addition, we offer the Mizuho Suica Card, an ATM card with credit card, train ticket and electronic money functions, in alliance with East Japan Railway Company, and we launched in October 2007 the Mizuho Mileage Club Card/ANA in alliance with All Nippon Airways.

With our staffed branches throughout Japan, 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 (135 locations as of March 31, 2008). We also plan to increase retail-only branches, including through the conversion of sub-branches into branches, to approximately 250. Including those measures, we plan to increase the number of staffed branches from 423 as of March 31, 2008 to approximately 500. 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.

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.

## **Table of Contents**

Our marketing efforts for loan products include 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 based on interest rates commensurate with 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. 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.

### *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 developing IC cards.

## **Table of Contents**

### *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 is our securities company subsidiary that focuses on the needs of mainly individual customers, SMEs and middle-market corporations. We actively promote our joint branch network of Mizuho Investors Securities and Mizuho Bank. We continue to meet the diverse needs of our customers by enhancing cooperation with our group companies, such as offering products and services of Mizuho Investors Securities through Mizuho Bank as sales agent and providing underwriting and other services in connection with initial public offerings by Mizuho Bank's customers, while Mizuho Trust & Banking may act as stock transfer agent for issuers.

## **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 cooperating 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;

## **Table of Contents**

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 and treasury services to our corporate customers.

### *Mizuho Private Wealth Management*

Mizuho Private Wealth Management offers comprehensive, integrated and continuous wealth management 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 provides financial institutions and institutional investors with trust and custody services and outsourcing services for securities custody. In addition, we offer account management services developed in response to reforms in the Japanese securities settlement systems and securities lending services to meet customer needs.

### *Asset Management Companies*

In July 2007, Dai-Ichi Kangyo Asset Management Co., Ltd. and Fuji Investment Management Co., Ltd. merged to form Mizuho Asset Management Co., Ltd. to consolidate their respective business platforms and accumulated know-how.

Our asset management companies, Mizuho Asset Management and DIAM Co., Ltd. (formerly known as DLIBJ Asset Management Co. Ltd. and currently 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 Inc.*

Mizuho Information & Research Institute 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 Ltd.*

Mizuho Research Institute 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.



## **Table of Contents**

### *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:

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

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

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

Government financial institutions: These include Japan 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 March 31, 2008, not including foreign commercial banks with banking operations in Japan; and (ii) trust banks, of which there were 20 as of March 31, 2008, 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.





## **Table of Contents**

As of March 31, 2008, there are 64 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 have been organized in order to supplement the activities of the private banking institutions, such as The Development Bank of Japan, The Japan Bank for International Cooperation, Japan Finance Corporation for Small and Medium Enterprise, and the Agriculture, Forestry and Fisheries Finance Corporation. These institutions are government-owned and operate under its supervision through senior officials appointed by the government. However, they are currently in the process of privatization or consolidation. Japan Housing Finance Agency also 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 their balance of deposits totaled over 200 trillion yen. 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. In recent years, there have been cases where foreign financial institutions acquired Japanese securities firms and expanded their operations in Japan.

## **Supervision and Regulation**

### ***Japan***

Pursuant to the Banking Law (*Ginko 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.

## **Table of Contents**

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.

### *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.

## **Table of Contents**

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, as stipulated by a cabinet order.

The Deposit Insurance Corporation receives annual insurance premiums from insured banks, the amount of which is, from April 2008, equivalent to 0.108% 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 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.

### *Bank Holding Companies*

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

The Anti-Monopoly Law (*Shiteki Dokusen no Kinshi oyobi Kousei Torihiki no Kakuho ni kansuru Houritsu*) (Law No. 54 of 1947, as amended) prohibits a bank from holding more than 5% of another company's voting rights. This does not apply to a bank holding company, although the bank holding company is subject to general

## **Table of Contents**

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*

On September 30, 2007, new legislation became effective which replaced the Securities and Exchange Law (*Shouken Torihiki Hou*) with the Financial Instruments and Exchange Law (*Kinyu Shouhin Torihiki Hou*) and amended various other financial laws to broaden and strengthen investor protection and reduce trading costs through deregulation and elimination or easing of certain excessive regulatory restrictions. The new regime under the Financial Instruments and Exchange Law includes, among other measures, (1) the development of comprehensive and cross-sectoral regulations covering a wide range of financial instruments; (2) the enhancement of corporate disclosure, requiring listed companies to file quarterly reports, audited internal control reports assessing the effectiveness of internal control structures for financial reporting and confirmation of the content of annual reports; (3) the expansion of the duties of financial institutions to provide customers with detailed disclosure regarding the financial products they offer and other measures to protect investors; and (4) the easing of regulations through flexible application depending on the type of investor (professional or general public).

Mizuho Financial Group is required 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 pursuant to the Financial Instruments and Exchange Law.

On June 13, 2008, amendments to the Financial Instruments and Exchange Law and the Banking Law, among others, which are intended to strengthen the competitiveness of the financial market and the capital market of Japan, were promulgated. The amendments will, among others, revamp the current firewall regulations regarding the holding of concurrent offices among banks, securities firms and insurance firms, introduce a system to manage conflicts of interest among such financial institutions and expand business services that banks and certain other financial firms can provide. The amendments will come into effect within one year of promulgation, except for certain amendments which have or will come into effect at earlier dates.

### *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 Financial Reconstruction Law. Financial institutions are required to analyze their assets, giving due consideration

## **Table of Contents**

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 (*Ginko tou no Kabushiki tou no Hoyo 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.

### *Deferred Tax Assets*

Under regulations promulgated by the Financial Services Agency that became effective in March 2006, 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 ratios was reduced to 40%, 30%, and 20% of Tier 1 capital as of March 31, 2006, 2007 and 2008, respectively, and will remain at 20% thereafter.

### *Capital Adequacy*

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

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

## **Table of Contents**

companies with international operations, such as Mizuho Financial Group. These guidelines place considerable emphasis on tangible common shareholders' equity as the core element of the capital base, with appropriate recognition of other components of capital.

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 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.

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 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.

### *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.

### *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.

## **Table of Contents**

### ***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 and Chicago branches, Los Angeles agency 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.

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.

Our New York branch 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

## **Table of Contents**

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.

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

The following diagram shows our basic corporate structure as of March 31, 2008:

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 Co., Ltd. and DIAM Co., Ltd. DIAM, in which we have a 50.0% equity interest, is an equity-method affiliate of ours.



**Table of Contents**

- (3) In addition to the principal subsidiaries shown in the above diagram, as of March 31, 2008 we owned 27.4% of the outstanding shares of Shinko Securities Co., Ltd., an equity-method affiliate of ours listed on the Tokyo Stock Exchange which engages in wholesale and retail securities businesses. In March 2007, Mizuho Securities and Shinko Securities signed a merger agreement pursuant to which a merger of the two companies was expected to be consummated in January 2008, and the two companies have been proceeding with preparations for the merger. However, considering a certain period of time had passed since the relevant resolutions at the respective general shareholders meetings, the two companies decided to cancel the original merger agreement and reconfirmed the basic policies and points in relation to proceeding with the merger and signed the new Basic Agreement for Merger as of April 28, 2008. We currently expect the merger to be consummated in May 2009.

The following table sets forth information with respect to our principal consolidated subsidiaries as of March 31, 2008:

| Name                                               | Country of<br>organization | Main business                    | Proportion of<br>ownership<br>interest<br>(%) | Proportion of<br>voting<br>interest<br>(%) |
|----------------------------------------------------|----------------------------|----------------------------------|-----------------------------------------------|--------------------------------------------|
| <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                | 75.1%                                         | 70.0%                                      |
| Mizuho Investors Securities Co., Ltd.              | Japan                      | Securities                       | 66.6%                                         | 66.9%                                      |
| Trust & Custody Services Bank, Ltd.                | Japan                      | Trust and banking                | 54.0%                                         | 54.0%                                      |
| Mizuho Asset Management Co., Ltd.                  | Japan                      | Investment<br>management         | 98.7%                                         | 98.7%                                      |
| Mizuho Research Institute Ltd.                     | Japan                      | Research and<br>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<br>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, 2007 and 2008:

|                                   | <b>At March 31,</b>         |                  |
|-----------------------------------|-----------------------------|------------------|
|                                   | <b>2007</b>                 | <b>2008</b>      |
|                                   | <b>(in millions of yen)</b> |                  |
| Land                              | ¥ 164,247                   | ¥ 156,942        |
| Buildings                         | 605,680                     | 584,774          |
| Equipment and furniture           | 457,025                     | 455,229          |
| Leasehold improvements            | 125,754                     | 122,051          |
| Construction in progress          | 3,010                       | 7,045            |
| Software                          | 524,463                     | 514,588          |
| <b>Total</b>                      | <b>¥ 1,880,179</b>          | <b>1,840,629</b> |
| Less accumulated depreciation     | 1,032,656                   | 988,236          |
| <b>Premises and equipment net</b> | <b>¥ 847,523</b>            | <b>¥ 852,393</b> |

In August 2008, we moved to a new head office located at 5-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan with 13,888 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, 2008 was approximately 882,000 square meters for owned land and approximately 22,000 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>                                      | 40          |
| <u>Critical Accounting Estimates</u>                 | 61          |
| <u>Operating Results</u>                             | 64          |
| <u>Business Segments Analysis</u>                    | 79          |
| <u>Geographical Segment Analysis</u>                 | 87          |
| <u>Financial Condition</u>                           | 89          |
| <u>Liquidity</u>                                     | 98          |
| <u>Capital Adequacy</u>                              | 99          |
| <u>Off-balance-sheet Arrangements</u>                | 106         |
| <u>Tabular Disclosure of Contractual Obligations</u> | 109         |
| <u>Recent Accounting Pronouncements</u>              | 109         |
| <u>Reconciliation with Japanese GAAP</u>             | 111         |
| <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, principally through Mizuho Trust & Banking, Trust & Custody Services Bank and our two asset management companies, namely Mizuho Asset Management and DIAM Co., Ltd., (an equity-method affiliate of ours which changed its name from DLIBJ Asset Management Co., Ltd. on January 1, 2008). 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.

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

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

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

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

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

## **Table of Contents**

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

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.

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.



## **Table of Contents**

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. Included within the translation gains and losses are those related to a portion of our foreign currency denominated liabilities, the amount of which generally corresponds to the amount of foreign currency-denominated available-for-sale securities, that hedge foreign exchange risk in accordance with our foreign exchange risk management policies but which are not eligible for hedge accounting under U.S. GAAP. Translation gains (losses) related to such available-for-sale securities are recognized directly in foreign currency translation adjustments, a component of accumulated other comprehensive income, net of tax within shareholders' equity.

### *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.

## **Table of Contents**

### ***Operating Environment***

We operate principally in Japan. After years of persistent weakness, the Japanese economy gradually improved over the past several years. However, in the fiscal year ended March 31, 2008, the improvement has slowed due to factors such as significant increases in crude oil and raw material prices, the dislocation in the global financial markets (see [Overview Impact of the Dislocation in the Global Financial Markets](#) ) and the significant appreciation of the yen. 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 2.1%, 2.0%, 2.4%, 2.5% and 1.6% (based on the second preliminary estimate announced by the Japanese government on June 11, 2008) in the fiscal years ended March 31, 2004, 2005, 2006, 2007 and 2008, respectively. In August 2008, Japanese Government expressed in its monthly economy report that the Japanese economy is weakening recently. It was followed by an announcement that gross domestic product declined by 0.6% in the second quarter of 2008 compared to the preceding quarter. Japan's core nationwide consumer price index decreased by 0.2% in each of the fiscal years ended March 31, 2004 and 2005, increased by 0.1% in each of the fiscal years ended March 31, 2006 and 2007 and increased by 0.3% in the fiscal year ended March 31, 2008. The increase in the fiscal year ended March 31, 2008 was due mainly to significant increases in crude oil and raw material prices, particularly in the second half of the fiscal year. 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 2003 through the second quarter of 2008:



**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. The following charts show movements in long-term rates from January 2005 through August 2008, represented by the yield on newly issued 10-year Japanese government bonds, and in short-term interest rates from January 2005 through July 2008, 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.

According to Teikoku Databank, a Japanese research institution, there were approximately 8,800 corporate bankruptcies in Japan in the fiscal year ended March 31, 2006, involving approximately ¥5.7 trillion in total liabilities, approximately 9,600 corporate bankruptcies, involving approximately ¥5.3 trillion in total liabilities in the fiscal year ended March 31, 2007, and approximately 11,300 corporate bankruptcies in Japan in the fiscal year ended March 31, 2008, involving approximately ¥5.5 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 ¥30.1 trillion and ¥16.7 trillion, respectively, for the fiscal year ended March 31, 2006 to ¥33.7 trillion and ¥19.4 trillion, respectively, for the fiscal year ended March 31, 2007 and ¥35.9 trillion and ¥20.0 trillion, respectively, for the fiscal year ended March 31, 2008.

According to the Bank of Japan, total financial assets of households increased from ¥1,519.0 trillion as of March 31, 2006 to ¥1,545.0 trillion as of March 31, 2007 and decreased to ¥1,489.6 trillion as of March 31, 2008. 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 2004 through the first quarter of 2008:

**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 46.2% to ¥17,059.66 during the fiscal year ended March 31, 2006, followed by a 1.3% increase to ¥17,287.65 during the fiscal year ended March 31, 2007 and a 27.5% decrease to ¥12,525.54 during the fiscal year ended March 31, 2008. The following chart shows the daily closing price of the Nikkei Stock Average from January 2005 through August 2008:

The Japanese yen to U.S. dollar spot exchange rate, according to the Bank of Japan, was ¥117.47 to \$1.00 as of March 31, 2006, ¥118.05 to \$1.00 as of March 31, 2007 and ¥99.37 to \$1.00 as of March 31, 2008. The following chart shows the yen/dollar spot rate of 5 p.m. Tokyo time published by the Bank of Japan from January 2005 through July 2008:

## **Table of Contents**

According to the Ministry of Land, Infrastructure and Transport of Japan, housing starts in Japan increased by 1.7% in the fiscal year ended March 31, 2005, 4.7% in the fiscal year ended March 31, 2006 and 2.9% in the fiscal year ended March 31, 2007 but decreased by 19.4% in the fiscal year ended March 31, 2008.

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.

### ***Capital Improvements***

In recent years, we pursued, and intend to continue to pursue, consistent and disciplined capital management that balances our capital needs related to the further enhancement of our overall profitability with the improvement of capital quality through the following measures, against the backdrop of our continued efforts to enhance the profitability of our operations.

### ***Capital Raising***

In January and July 2008, we issued ¥274.5 billion and ¥303.0 billion of non-dilutive preferred securities, respectively, through our overseas special purpose companies to enhance the Tier 1 capital of Mizuho Financial Group as well as Mizuho Corporate Bank and Mizuho Bank and improve the flexibility of our future capital strategy.

In June 2007, we redeemed ¥185.5 billion of non-dilutive preferred securities that were issued by our overseas special purpose companies in February 2002, and 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.

### ***Repurchase and Cancellation of Common Stock Held by Our Subsidiary***

In May 2007, we repurchased and cancelled all of the 261,040.83 shares of our common stock held by our wholly owned subsidiary, Mizuho Financial Strategy.

### ***Repurchase and Cancellation of Own Shares***

In August and September 2007, we repurchased a total of 214,900 shares of our common stock for ¥150.0 billion on the Tokyo Stock Exchange through a trust established for this purpose. The repurchases were conducted in order to offset the potential dilutive effect of the conversion of our Eleventh Series Class XI preferred stock (the total issued amount of which is ¥943.7 billion) 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 cancelled the repurchased shares in September 2007.

In addition, and for the same reason, we repurchased a total of 283,500 shares of our common stock for ¥150.0 billion in July 2008 and plan to cancel all of the common stock repurchased, except the shares to be assigned for use in connection with the stock compensation-type stock options (stock acquisition rights) of our directors and executive officers. 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 will continue to address the potential dilutive effects relating to the Eleventh Series Class XI Preferred Stock, with an aim to complete the process in about two years, by establishing additional repurchase limits and repurchasing and canceling our own shares based on market conditions, our earning trends and other factors. For the fiscal year ending March 31, 2009, our expected total amount of repurchases is approximately ¥400 billion, including the ¥150 billion that was repurchased in July 2008. See notes 15 and 33 to our consolidated financial statements included elsewhere in this annual report for the material terms and conditions of conversion of the Eleventh Series Class XI preferred stock and for its initial conversion price, respectively.

## **Table of Contents**

### *Capital and Dividend Policies*

With respect to our Tier 1 capital ratio, we aim for a medium-term target of 8% on a Basel II basis to strengthen our capital base to support growth strategies. We will place our management emphasis on return on equity from the perspective of effective utilization of our capital and consider returning profits to our shareholders while maintaining and strengthening our capital base.

### ***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 decreased on a year-on-year basis in the fiscal year ended March 31, 2008 due to a decrease in domestic loans resulting from subdued corporate loan demand and the effect of the appreciation of the yen against currencies such as the U.S. dollar on foreign loans, which was offset in part by a steady increase in foreign loans supported by strong loan demand among our foreign corporate customers. We aim to continue increasing our foreign loans by responding primarily to loan demand from our corporate customers. We believe loan growth in the domestic market will generally continue to be weak due to lack of strong bank loan needs by corporate borrowers, while we expect steady growth in our loans to individuals.

##### *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 average applicable spread on domestic loans, or the difference between the applicable interest rate on the loan and its relevant reference rate such as TIBOR, narrowed in the fiscal year ended March 31, 2008 from the previous fiscal year due mainly to the effects of continuing intense competition especially in the domestic corporate loan market caused by subdued corporate loan demand.

The difference between market interest rates and interest rates applicable to domestic interest-bearing deposits widened in the fiscal year ended March 31, 2008 due mainly to the general insensitivity of yen demand deposits to changes in market interest rate levels.

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. We believe the foregoing trends that apply negative competitive pressure on our loan spreads will generally continue for the near to medium term, while we believe that the foregoing trends that widen the difference between market interest rates and rates on yen deposits will generally not continue, assuming the Bank of Japan does not raise its target rate and short-term market interest rates continue to be stable.

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

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

## **Table of Contents**

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. As a result, we had a credit for loan losses of ¥57.8 billion in the fiscal year ended March 31, 2008 compared to a provision of ¥182.1 billion in the previous fiscal year. As of March 31, 2008, our percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance decreased to 32.0% compared with 42.9% as of March 31, 2007. 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 as well as the effectiveness of our credit screening policy and credit management.

### *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 at historically low levels. Despite our expectation at the time for continued growth in fees and commissions, subdued financing demand from corporate customers, as well as increased competition within the domestic financial services industry, drove a slight decline in fees and commissions in the fiscal year ended March 31, 2007. Fees and commissions earned from businesses involving corporate customers decreased in the fiscal year ended March 31, 2008 due to the increased competition and the dislocation in the global financial markets stemming from U.S. subprime loan issues which negatively impacted areas such as overseas leveraged buyout and other financings. The dislocation in the global financial markets stemming from U.S. subprime loan issues, through the negative impact on domestic stock markets, also discouraged our retail customers from purchasing various investment products and drove a decline in fees and commissions in the fiscal year ended March 31, 2008. We believe that future changes in the economic environment, such as a recovery in the global and domestic financial markets from the effects of the current disrupted markets, may have an affect on our fees and commissions. We do not believe that the general trend of Japanese individuals to shift their financial assets from savings to investments was only short term and instead believe that the trend will generally continue 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.

Increases in long-term interest rates generally lead to a decline in the fair value of our portfolio of debt securities, approximately half of which is Japanese government bonds. As of March 31, 2008, we had a total of ¥29,859.1 billion of available-for-sale debt securities within our investments, of which ¥16,212.4 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. In the fiscal year ended March 31, 2007, we incurred investment losses related to bonds of ¥121.6 billion mainly as a result of impairment losses on

## **Table of Contents**

Japanese government bonds incurred due to rising interest rates. Although investment losses related to bonds increased to ¥314.1 billion in the fiscal year ended March 31, 2008, the increase was due mainly to losses related to securitization products as a result of the impact of the dislocation in the global financial markets stemming from U.S. subprime loan issues (as discussed separately in Overview Impact of the Dislocation in the Global Financial Markets ), while impairment losses on Japanese government bonds decreased due to declining long-term interest rates. We had ¥29,606.7 billion and ¥29,859.1 billion of available-for-sale debt securities as of March 31, 2007 and 2008, respectively, and unrealized gains of ¥139.6 billion and ¥14.9 billion were reflected in accumulated other comprehensive income, net of tax as of such dates, respectively.

The fair value of available-for-sale marketable equity securities within our investments was ¥4,512.5 billion, or ¥2,619.5 billion based on cost, as of March 31, 2008. 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. We expect the size of our portfolio of marketable equity securities to continue to be significant. Because the fair values of debt securities and equity securities generally have a tendency to fluctuate in opposing directions based on changes in the economic environment and interest rate levels, we believe that holding them together has the effect of offsetting interest rate and equity market risk to some degree.

### *Trading Account Gains Net*

Trading account gains net decreased significantly in the fiscal year ended March 31, 2008 from the previous fiscal year due mainly to the trading losses on foreign securitization products incurred by Mizuho Securities and its overseas subsidiaries in connection with the dislocation in the global financial markets stemming from U.S. subprime loan issues. Although Mizuho Securities significantly reduced its holding of foreign 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 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 additional losses in subsequent periods absent a market recovery.

### *Costs and Expenses*

We have been endeavoring to reduce our salaries and employee benefits expenses, general and administrative expenses and occupancy expenses, while costs related to the implementation of initiatives to increase profitability, such as further enhancement to our infrastructure and an increase in employee headcount to promote our domestic consulting activities with individuals and expansion of our international office network, continue to increase. In the fiscal year ended March 31, 2008, the latter outweighed the former, and salaries and employee benefits expenses, general and administrative expenses and occupancy expenses increased by ¥71.4 billion in aggregate in the fiscal year ended March 31, 2008 compared to the previous fiscal year. Although we plan to continue our efforts to enhance our cost efficiency, we expect that any resulting cost reduction will be more than offset by increased costs.

### *Impact of the Dislocation in the Global Financial Markets*

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),

**Table of Contents**

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 have adversely affected our financial condition and results of operations. 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. All figures in this subsection are approximate amounts based on a managerial accounting basis used for risk monitoring purposes.

In the fiscal year ended March 31, 2008, 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:

|                                                                                                                                       | <b>Fiscal year ended<br/>March 31, 2008<br/>(in billions of yen)</b> |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| <b>Three principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities):</b> |                                                                      |
| Losses on sales of and impairment losses on securitization products, etc.                                                             | ¥ (161)                                                              |
| Losses associated with ABCP programs                                                                                                  | (112)                                                                |
| Credit-related costs associated with SIVs                                                                                             | (21)                                                                 |
| Valuation losses related to loans held for sale mainly in connection with leveraged buyout financings                                 | (60)                                                                 |
| Profits from hedging of securitization products exposure with credit default swaps                                                    | 29                                                                   |
| <b>Subtotal</b>                                                                                                                       | <b>(325)</b>                                                         |
| <b>Mizuho Securities (including its overseas subsidiaries):</b>                                                                       |                                                                      |
| Trading losses (net of hedges) on securitization products in trading account assets                                                   | (345)                                                                |
| Losses associated with U.S. financial guarantors (monoline insurers)                                                                  | (64)                                                                 |
| <b>Subtotal</b>                                                                                                                       | <b>(409)</b>                                                         |
| <b>Total</b>                                                                                                                          | <b>¥ (734)<sup>(1)(2)</sup></b>                                      |

Notes:

- (1) Our other principal securities subsidiary, Mizuho Investors Securities, held only a negligible amount of securitization products as of March 31, 2008, and its related losses were also negligible.
- (2) The total figure of ¥734 billion differs from the corresponding figure under Japanese GAAP disclosure due mainly to the following reasons:

*Losses on sales of and impairment losses on securitization products, etc.* 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.

*Losses associated with ABCP programs.* Difference in timing of loss recognition and then applicable foreign currency exchange rates.



*Valuation losses related to loans held for sale.* 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.

**Table of Contents***Securitization Products*

We continue to hold a significant amount of securitization products. The balance of securitization products held by our principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities) was approximately ¥4,039 billion, of which approximately ¥889 billion was foreign currency-denominated as of March 31, 2008. Similarly, the balance held by Mizuho Securities (including its overseas subsidiaries) was approximately ¥351 billion, of which approximately ¥105 billion was foreign currency-denominated.

We reduced significantly the amount of securitization products, in particular foreign currency-denominated securitization products held by Mizuho Securities, from September 30, 2007. As of September 30, 2007, the balance of securitization products held by our principal banking subsidiaries was approximately ¥4.7 trillion, of which approximately ¥1.2 trillion was foreign currency-denominated. Similarly, the balance held by Mizuho Securities (including its overseas subsidiaries) was ¥0.9 trillion, of which approximately ¥0.5 trillion was foreign currency-denominated.

The following tables show a breakdown of foreign currency-denominated securitization products held by (i) our principal banking subsidiaries and their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities (available-for-sale securities) and (ii) Mizuho Securities and its overseas subsidiaries (trading account assets, net of hedges), as of March 31, 2008:

|                                                                                                                                                                                                  | As of March 31, 2008       |                                            | Fiscal year ended<br>March 31, 2008 |                               | As of March 31, 2008                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------|-------------------------------------|-------------------------------|--------------------------------------------------------------------|
|                                                                                                                                                                                                  | Balance<br>(fair value)    | Marks (%)<br>(fair value)/<br>(face value) | Unrealized<br>gains<br>(losses)     | Realized<br>gains<br>(losses) | Hedged proportion<br>within balance<br>(fair value) <sup>(1)</sup> |
| (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> |                            |                                            |                                     |                               |                                                                    |
| ABSCDOs, CDOs                                                                                                                                                                                    | ¥ 126                      | 51%                                        | ¥ (2)                               | ¥ (149)                       | approximately 10%                                                  |
| CDOs backed by RMBS                                                                                                                                                                              | 36 <sup>(2)</sup>          | 28                                         | (0)                                 | (117)                         |                                                                    |
| CDOs except above                                                                                                                                                                                | 90 <sup>(3)</sup>          | 77                                         | (2)                                 | (32)                          | approximately 20%                                                  |
| CDOs backed by claims against corporations                                                                                                                                                       | 90                         | 77                                         | (2)                                 | (32)                          | approximately 20%                                                  |
| CDOs backed by commercial mortgage-backed securities (CMBS)                                                                                                                                      |                            |                                            |                                     |                               |                                                                    |
| RMBS                                                                                                                                                                                             | 319                        | 86                                         | (0)                                 | (55)                          | approximately 50%                                                  |
| RMBS with underlying assets in the United States                                                                                                                                                 | (4)                        | (4)                                        | (4)                                 | (1) <sup>(4)</sup>            |                                                                    |
| RMBS except above (with underlying assets mainly in Europe)                                                                                                                                      | 319                        | 86                                         | (0)                                 | (54)                          | approximately 50%                                                  |
| ABS, collateralized loan obligations (CLOs) and others                                                                                                                                           | 444                        | 85                                         | (2)                                 | (87)                          | approximately 40%                                                  |
| CLOs                                                                                                                                                                                             | 195                        | 86                                         | (2)                                 | (37)                          | approximately 40%                                                  |
| ABS                                                                                                                                                                                              | 169                        | 93                                         | 0                                   | (19)                          | approximately 20%                                                  |
| CMBS                                                                                                                                                                                             | 79                         | 89                                         | 0                                   | (10)                          | approximately 50%                                                  |
| SIV-related                                                                                                                                                                                      |                            |                                            |                                     | (21)                          |                                                                    |
| <b>Total</b>                                                                                                                                                                                     | <b>¥ 889<sup>(5)</sup></b> | <b>78%</b>                                 | <b>¥ (4)</b>                        | <b>¥ (291)</b>                | <b>approximately 40%</b>                                           |

**Table of Contents**

Notes:

- (1) Represents the proportions of balances (fair value) of our securitization products that constitute reference assets of our securitization schemes that transferred credit risk to third parties through maturity, using credit default swaps (CDSs) or otherwise. 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, 2008, the hedges included approximately ¥213 billion (on a notional amount basis) of credit default swaps entered into with a AA range rated banking subsidiary of a multi-line insurance company and approximately ¥100 billion (on a notional amount basis) of credit default swaps entered into with a AA range rated government-affiliated financial institution. The ratings were based on the lowest external ratings as of March 31, 2008.
- (2) Mizuho Corporate Bank acquired a CDO as a substitution payment of loans provided to its sponsoring overseas ABCP conduit in the fiscal year ended March 31, 2008 and incurred a loss of ¥112 billion. The proportion of U.S. subprime mortgage loan-related assets to total underlying assets of this CDO was up to approximately 30%. The entire balance (fair value) was super senior tranche.
- (3) The entire balance consisted of securitization products backed by original assets (i.e., non-securitized assets).
- (4) Excludes Ginnie Mae, Fannie Mae and Freddie Mac bonds. The balance of those bonds as of March 31, 2008 was approximately ¥1.2 trillion, which consisted primarily of Ginnie Mae bonds.
- (5) In addition to the above ¥889 billion of foreign currency-denominated securitization products held by our principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities), a portion of our consolidated VIEs that are ABCP conduits held securitization products. See note 2 to the table Consolidated multi-seller asset-backed commercial paper/loan programs of which acquired assets are located overseas in Overview Our Special Purpose Entities Variable Interest Entities (VIEs).

|                                                                                                                                      | As of March 31, 2008    |                                                                                            | Fiscal year ended<br>March 31, 2008 |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------------------------------------------------------|-------------------------------------|
|                                                                                                                                      | Balance<br>(fair value) | Marks (%)<br>(fair value)/<br>(face value)<br><br>(in billions of yen, except percentages) | Realized<br>gains<br>(losses)       |
| Foreign currency-denominated securitization products held by Mizuho Securities (including its overseas subsidiaries):                |                         |                                                                                            |                                     |
| ABSCDOs, CDOs                                                                                                                        | ¥ 50                    | 18%                                                                                        | ¥ (231)                             |
| CDOs backed by RMBS                                                                                                                  | 24 <sub>(1)</sub>       | 10                                                                                         | (216)                               |
| Hedged by CDSs with a non-investment grade <sup>(2)</sup> U.S. monoline insurer that we deemed to be ineffective (net of allowances) | 11                      | 17                                                                                         | (54)                                |
| CDOs except above                                                                                                                    | 26 <sub>(3)</sub>       | 83                                                                                         | (15)                                |
| CDOs backed by claims against corporations                                                                                           | 16                      | 92                                                                                         | (12)                                |
| Hedged by CDSs with a non-investment grade <sup>(2)</sup> U.S. monoline insurer that we deemed to be ineffective (net of allowances) | 0                       |                                                                                            | (10)                                |
| CDOs backed by CMBS                                                                                                                  | 0                       | 8                                                                                          | (4)                                 |
| RMBS                                                                                                                                 | 53                      | 27                                                                                         | (164)                               |
| RMBS backed by U.S. subprime mortgage loans                                                                                          | 15                      | 31                                                                                         | (35)                                |
| RMBS except above (backed by mid-prime loans, prime loans and others)                                                                | 38 <sub>(4)</sub>       | 26 <sub>(4)</sub>                                                                          | (129) <sup>(4)</sup>                |
| RMBS backed by mid-prime loans (Alt-A)                                                                                               | 19                      | 26                                                                                         |                                     |
| ABS, CLOs and others                                                                                                                 | 2                       | 67                                                                                         | (5)                                 |
| CLOs                                                                                                                                 | 2                       | 73                                                                                         | (2)                                 |
| CMBS                                                                                                                                 | 0                       | 43                                                                                         | (3)                                 |
| Total                                                                                                                                | ¥ 105                   | 22%                                                                                        | ¥ (400)                             |

**Table of Contents**

Notes:

- (1) The proportion of U.S. subprime mortgage loan related assets to total underlying assets was approximately 20%. Approximately 70% of the balance (fair value) was super senior tranche.
- (2) Credit ratings are based on external ratings as of March 31, 2008.
- (3) The entire balance consisted of securitization products backed by original assets (*i.e.*, non-securitized assets).
- (4) Excludes Ginnie Mae, Fannie Mae and Freddie Mac bonds. The balance of those bonds as of March 31, 2008 was negligible.
- The following table shows a breakdown by credit ratings of the counterparties and reference assets of credit default swaps held by Mizuho Securities (including its overseas subsidiaries) as of March 31, 2008:

|                                                                                          | As of March 31, 2008      |                                         |                                                                    |     |                                 |                          |
|------------------------------------------------------------------------------------------|---------------------------|-----------------------------------------|--------------------------------------------------------------------|-----|---------------------------------|--------------------------|
|                                                                                          |                           |                                         | Amount to be<br>claimed at<br>settlement<br>(Net present<br>value) |     |                                 |                          |
|                                                                                          | Notional<br>amount<br>(A) | Fair value of<br>reference asset<br>(B) | (A)                                                                | (B) | (any cash<br>received) =<br>(C) | Allowance<br>against (C) |
|                                                                                          | (in billions of yen)      |                                         |                                                                    |     |                                 |                          |
| Credit default swaps held by Mizuho Securities<br>(including its overseas subsidiaries): |                           |                                         |                                                                    |     |                                 |                          |
| AAA <sup>(1)</sup>                                                                       | ¥ 168                     | ¥ 142                                   | ¥                                                                  |     | 26                              | ¥ 0                      |
| RMBS CDOs                                                                                |                           |                                         |                                                                    |     |                                 |                          |
| Other CDOs (backed by claims against corporations)                                       | 168                       | 142                                     |                                                                    |     | 26                              | 0                        |
| of which counterparties are U.S. monoline insurers                                       | 83                        | 74                                      |                                                                    |     | 9                               | 0                        |
| AA <sup>(1)</sup>                                                                        | 192                       | 159                                     |                                                                    |     | 13                              | 0                        |
| RMBS CDOs                                                                                | 60 <sup>(2)</sup>         | 40 <sup>(2)</sup>                       |                                                                    |     | 0 <sup>(2)</sup>                | 0                        |
| Other CDOs (backed by claims against corporations)                                       | 132                       | 119                                     |                                                                    |     | 13                              | 0                        |
| A to BBB <sup>(1)</sup>                                                                  | 3                         | 0                                       |                                                                    |     | 3                               | 0                        |
| RMBS CDOs                                                                                | 3                         | 0                                       |                                                                    |     | 3                               | 0                        |
| Other CDOs (backed by claims against corporations)                                       |                           |                                         |                                                                    |     |                                 |                          |
| Non-investment grade or no ratings <sup>(1)(2)</sup>                                     | 2                         | 1                                       |                                                                    |     | 2                               | 0                        |
| RMBS CDOs                                                                                | 2 <sup>(3)</sup>          | 1 <sup>(3)</sup>                        |                                                                    |     | 2 <sup>(3)</sup>                | 0 <sup>(3)</sup>         |
| Other CDOs (backed by claims against corporations)                                       |                           |                                         |                                                                    |     |                                 |                          |
| Total                                                                                    | ¥ 366                     | ¥ 302                                   | ¥                                                                  |     | 43                              | ¥ 0                      |
| Of which counterparties are U.S. monoline insurers                                       | ¥ 83                      | ¥ 74                                    | ¥                                                                  |     | 9                               | ¥ 0                      |

Notes:

- (1) Credit ratings are based on external ratings as of March 31, 2008. Categorized by the lowest rating when multiple ratings exist. When the counterparty was guaranteed by third parties, categorized by the higher rating of the two. Special purpose vehicles that do not have issuer ratings are categorized by the parties to which final risk resided.
- (2)

The difference between the notional amount and fair value of reference asset (approximately ¥20 billion) was received in cash from a credit protection seller, and the net present value for that portion thus became nil with no counterparty risk.

**Table of Contents**

- (3) Does not include CDS protections purchased from a non-investment grade U.S. monoline insurer that were deemed ineffective. The fair values of the reference assets (securitization products) were reflected directly on our balance sheet and income statement. See immediately preceding table for information on CDS protections that were deemed ineffective.

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 and their overseas subsidiaries but excluding subsidiaries of Mizuho Securities (available-for-sale securities) and (ii) Mizuho Securities and its overseas subsidiaries (trading account assets, net of hedges), as of March 31, 2008:

|                                                                                                                                                                                           | As of March 31, 2008 |               |                                                  |       |                      |      |       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|--------------------------------------------------|-------|----------------------|------|-------|
|                                                                                                                                                                                           | RMBS<br>CDOs         | Other<br>CDOs | RMBS<br>(in billions of yen, except percentages) | CLOs  | ABS                  | CMBS | Total |
| Foreign currency-denominated securitization products held by our principal banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities): |                      |               |                                                  |       |                      |      |       |
| Balance (fair value)                                                                                                                                                                      | ¥ 36                 | ¥ 90          | ¥ 319 <sup>(1)</sup>                             | ¥ 195 | ¥ 169 <sup>(2)</sup> | ¥ 79 | ¥ 889 |
| By credit rating <sup>(3)</sup> :                                                                                                                                                         |                      |               |                                                  |       |                      |      |       |
| AAA                                                                                                                                                                                       | 0%                   | 35%           | 10%                                              | 94%   | 11%                  | 32%  | 33%   |
| AA                                                                                                                                                                                        | 0                    | 30            | 38                                               | 0     | 8                    | 40   | 22    |
| A                                                                                                                                                                                         | 0                    | 28            | 38                                               | 0     | 38                   | 28   | 26    |
| BBB                                                                                                                                                                                       | 0                    | 7             | 13                                               | 0     | 43                   | 0    | 14    |
| BB or lower; no ratings                                                                                                                                                                   | 100                  | 0             | 0                                                | 6     | 0                    | 0    | 5     |
| By geography <sup>(3)</sup> :                                                                                                                                                             |                      |               |                                                  |       |                      |      |       |
| United States                                                                                                                                                                             | 100%                 | 36%           | 0%                                               | 90%   | 42%                  | 0%   | 36%   |
| Europe                                                                                                                                                                                    | 0                    | 61            | 91                                               | 10    | 58                   | 100  | 61    |
| Asia                                                                                                                                                                                      | 0                    | 2             | 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 | 50% | 2004 | 8% |
| Netherlands    | 19  | 2005 | 38 |
| Spain          | 16  | 2006 | 33 |
| Others         | 15  | 2007 | 19 |

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

|                             |     |
|-----------------------------|-----|
| Credit card receivables     | 57% |
| Lease/auto loan receivables | 34  |
| Others                      | 9   |

- (3) The percentages in the above table and in the accompanying footnotes are calculated before taking into account the reduction in balance resulting from losses on unhedged securitization products incurred in connection with the discontinuation of business relating to credit investments primarily in Europe. (See note 1 to the table Foreign currency-denominated securitization products held by our principal

banking subsidiaries (including their overseas subsidiaries, but excluding subsidiaries of Mizuho Securities) on page 53 for the definition of hedging.)

**Table of Contents**

|                                                                                                                          | As of March 31, 2008<br>U.S.             |               |                     |                     |      |       |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------|---------------|---------------------|---------------------|------|-------|
|                                                                                                                          | RMBS<br>CDOs                             | Other<br>CDOs | subprime<br>RMBS    | Other RMBS          | CLOs | Total |
|                                                                                                                          | (in billions of yen, except percentages) |               |                     |                     |      |       |
| Foreign currency-denominated securitization products held<br>by Mizuho Securities (including its overseas subsidiaries): |                                          |               |                     |                     |      |       |
| Balance (fair value)                                                                                                     | ¥ 24                                     | ¥ 26          | ¥ 15 <sub>(1)</sub> | ¥ 38 <sub>(1)</sub> | ¥ 2  | ¥ 105 |
| By credit rating:                                                                                                        |                                          |               |                     |                     |      |       |
| AAA                                                                                                                      | 2%                                       | 32%           | 0%                  | 61%                 | 0%   | 30%   |
| AA                                                                                                                       | 9                                        | 21            | 0                   | 31                  | 39   | 19    |
| A                                                                                                                        | 2                                        | 0             | 0                   | 2                   | 0    | 1     |
| BBB                                                                                                                      | 50                                       | 46            | 70                  | 0                   | 0    | 33    |
| BB or lower; no ratings                                                                                                  | 37                                       | 0             | 30                  | 6                   | 61   | 16    |
| By geography:                                                                                                            |                                          |               |                     |                     |      |       |
| United States                                                                                                            | 100%                                     | 61%           | 100%                | 100%                | 100% | 90%   |
| Europe                                                                                                                   | 0                                        | 0             | 0                   | 0                   | 0    | 0     |
| Asia                                                                                                                     | 0                                        | 38            | 0                   | 0                   | 0    | 9     |

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:

|      |    |
|------|----|
| 2005 | 3% |
| 2006 | 20 |
| 2007 | 74 |

The following table shows a breakdown of yen-denominated securitization products held by (i) our principal banking subsidiaries and their overseas subsidiaries but excluding subsidiaries of Mizuho Securities (available-for-sale securities) and (ii) Mizuho Securities and its overseas subsidiaries (trading account assets, net of hedges), as of March 31, 2008:

|                                                         | 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, 2008                                                                                   | Unrealized<br>gains (losses)<br>as of<br>March 31, 2008 | Balance<br>(fair value)<br>as of<br>March 31, 2008         | Realized gains<br>(losses) in the<br>fiscal year ended<br>March 31, 2008 |
|                                                         | (in billions of yen)                                                                                                                 |                                                         |                                                            |                                                                          |
| <b>Japanese yen-denominated securitization products</b> | <b>¥ 3,150</b>                                                                                                                       | <b>¥ (4)<sup>(1)</sup></b>                              | <b>¥ 246</b>                                               | <b>¥ (9)</b>                                                             |
| ABSCDOs, CDOs                                           | 115                                                                                                                                  | (3)                                                     | 52                                                         | (11)                                                                     |
| CDOs backed by RMBS                                     |                                                                                                                                      |                                                         |                                                            |                                                                          |
| CDOs except above                                       | 115                                                                                                                                  | (3)                                                     | 52                                                         | (11)                                                                     |
| CDOs backed by claims against corporations              | 106                                                                                                                                  | (3)                                                     | 52 <sub>(2)</sub>                                          | (11) <sup>(2)</sup>                                                      |
| CDOs backed by CMBS                                     | 8                                                                                                                                    | (0)                                                     |                                                            |                                                                          |
| RMBS <sup>(3)</sup>                                     | 1,344                                                                                                                                | 4                                                       | 21                                                         | 1                                                                        |
| ABS, CLOs and others                                    | 1,691                                                                                                                                | (6)                                                     | 174                                                        | 1                                                                        |
| CMBS                                                    | 1,015                                                                                                                                | (6)                                                     | 12                                                         | (0)                                                                      |
| ABS                                                     | 590                                                                                                                                  | 0                                                       | 162                                                        | 1                                                                        |



|      |    |     |
|------|----|-----|
| CLOs | 86 | (0) |
|------|----|-----|

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, 2008 was ¥3 billion.

## **Table of Contents**

- (2) Includes a large transaction of which credit rating was downgraded.
- (3) 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, 2008 was approximately ¥250 billion.

### *Loans Held for Sale*

As of March 31, 2008, we had a total of approximately ¥816 billion in loans held for sale including approximately ¥94 billion in undrawn commitments (including those categorized as impaired loans) related mainly to overseas leveraged buyout financings. In the fiscal year ended March 31, 2008, we incurred valuation losses related to loans held for sale of approximately ¥60 billion. Of the balance of loans held for sale, 79% constituted loans in Europe, 15% in Japan, 3% in the Americas and 3% in Asia (ex-Japan). As of March 31, 2008, the top five loans, in terms of amount of loan balance, represented approximately 70% of total loans held for sale. The total balance of loans related to leveraged buyout financings, including loans held for sale and loans held within our loan portfolio, was ¥1.4 trillion of which ¥0.6 trillion was included in loans held for sale. Of the balance of loans related to leveraged buyout financings, 71% constituted loans in Europe, 14% in the Americas, 10% in Asia (ex-Japan) and 5% in Japan. The balances include commitments that had not been drawn but for which documentation had been concluded.

### *Securitization Products Guaranteed by U.S. Monoline Insurers*

Approximately ¥26 billion of securitization products backed by auto lease receivables, credit card receivables and others (of which approximately ¥7 billion was redeemed at maturity in April 2008) was guaranteed by U.S. monoline insurers. These assets are included in the acquired assets of asset-backed commercial paper/loan programs mentioned in Overview Our Special Purpose Entities Variable Interest Entities (VIEs) below. The programs were sponsored by Mizuho Corporate Bank and no U.S. subprime mortgage loan related assets were included in the underlying assets. Although some of the monoline insurers that provided the above guarantees were rated non-investment grade (based on external credit ratings), there were no particular concerns regarding the condition of the underlying assets as of March 31, 2008.

### *Loans Guaranteed by U.S. Monoline Insurers*

Approximately ¥16 billion of Mizuho Corporate Bank's loan commitments to overseas infrastructure projects (of which approximately ¥4 billion was drawn) was guaranteed by U.S. monoline insurers. No U.S. subprime mortgage loan related exposure was included. Although some of the monoline insurers that provided the above guarantees were rated non-investment grade (based on external ratings), there were no particular concerns regarding the credit condition of the projects as of March 31, 2008.

### *SIV-related*

In the fiscal year ended March 31, 2008, we wrote off our investments and loan exposures to SIVs, which resulted in credit-related costs associated with SIVs of ¥21 billion. As a result, we had no investments or loan exposures to SIVs as of March 31, 2008. There were no SIVs that were established by us or to which we provided liquidity support and other assistance.

### *Other Relevant Information*

As of March 31, 2008, we had a total of approximately ¥68 billion in outstanding loans to U.S. mortgage lenders mainly for their working capital, and all of those companies were rated investment grade by external ratings (with approximately 70% of those companies (based on loan amount) having ratings of A range or higher). As of March 31, 2008, 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.

**Table of Contents**

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. Although we do not prepare quarterly financial information under U.S. GAAP, we reported further developments under Japanese GAAP for the three months ended June 30, 2008. We recorded losses while reducing the amount of securitization products as disclosed in our report on Form 6-K furnished to the United States Securities and Exchange Commission on July 31, 2008. Market conditions have continued to deteriorate after June 30, 2008, and we may be subject to additional losses in subsequent periods absent a market recovery.

***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, taking into account the recommendations relating to disclosure contained within the Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience.

***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 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 or significant unconsolidated VIEs related to each type of transaction:

|                                             | Total assets<br>of<br>consolidated and<br>significant<br>unconsolidated VIEs | As of March 31, 2008                        |                                 | Maximum exposure<br>to loss <sup>(1)</sup> |
|---------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------|---------------------------------|--------------------------------------------|
|                                             |                                                                              | Consolidated VIEs                           | Significant unconsolidated VIEs |                                            |
|                                             |                                                                              | Consolidated assets<br>(in millions of yen) | Total assets                    |                                            |
|                                             | ¥                                                                            | ¥                                           | ¥                               | ¥                                          |
| Asset-backed commercial paper/loan programs | 3,096,717                                                                    | 3,096,717                                   |                                 |                                            |
| Asset-backed securitizations                | 2,430,947                                                                    | 788,481                                     | 1,642,466                       | 73,962                                     |
| Single-seller programs                      | 123,139                                                                      | 113,225                                     | 9,913                           | 10,000                                     |
| Investments in securitization products      | 249,196                                                                      | 249,196                                     |                                 |                                            |
| Investment funds                            | 3,854,499                                                                    | 902,515                                     | 2,951,984                       | 402,626                                    |
| Trust arrangements and other                | 997,318                                                                      |                                             | 997,318                         | 421,577                                    |

|       |              |   |           |             |   |         |
|-------|--------------|---|-----------|-------------|---|---------|
| Total | ¥ 10,628,677 | ¥ | 5,036,909 | ¥ 5,591,768 | ¥ | 898,165 |
|-------|--------------|---|-----------|-------------|---|---------|

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 and is not indicative of the ongoing exposure which is managed within our risk management framework.

**Table of Contents**

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 25 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.

*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, 2008. 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, 2008<br>(in millions of yen) |           |
|-------------------------------------------------------------------------------|----------------------------------------------|-----------|
| <b>Consolidated multi-seller asset-backed commercial paper/loan programs:</b> |                                              |           |
| Total assets held by conduits                                                 | ¥                                            | 3,096,717 |
| Total commercial paper issued by conduits                                     |                                              | 521,801   |
| Liquidity, credit support facilities and other financing <sup>(1)</sup>       |                                              | 7,095,117 |

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, 2008 |               |        |       |
|-------------------------------------------------------------------------------|-------------------------------------------------|---------------|--------|-------|
|                                                                               | Japan                                           | United States | Others | Total |
| <b>Consolidated multi-seller asset-backed commercial paper/loan programs:</b> |                                                 |               |        |       |
| Type of acquired assets:                                                      |                                                 |               |        |       |
| Credit cards                                                                  | 2%                                              | 3%            | 0%     | 6%    |
| Residential mortgage loans                                                    | 0                                               | 0             | 0      | 0     |
| Auto loans                                                                    | 1                                               | 0             | 0      | 1     |
| Lease payment receivables                                                     | 7                                               | 2             | 0      | 9     |
| Account and note receivables                                                  | 80                                              | 2             | 0      | 82    |
| Real estate                                                                   | 0                                               | 0             | 0      | 0     |
| Others                                                                        | 1                                               | 1             | 0      | 3     |
| Total                                                                         | 92%                                             | 7%            | 0%     | 100%  |



**Table of Contents**

|                                                                                                                     | Credit ratings <sup>(1)</sup> |    |     |     |                         | Balances by expected maturity |                  |              |              |       |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------|----|-----|-----|-------------------------|-------------------------------|------------------|--------------|--------------|-------|
|                                                                                                                     | AAA                           | AA | A   | BBB | BB or lower; no ratings | Total                         | Less than 1 year | 1 to 5 years | Over 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% | 2%  | 0%  | 0%                      | 2%                            | 2%               | 0%           | 0%           | 2%    |
| Residential mortgage loans                                                                                          | 0                             | 0  | 0   | 0   | 0                       | 0                             | 0                | 0            | 0            | 0     |
| Auto loans                                                                                                          | 0                             | 0  | 0   | 0   | 1                       | 1                             | 1                | 1            | 0            | 1     |
| Lease payment receivables                                                                                           | 1                             | 0  | 6   | 0   | 1                       | 7                             | 2                | 5            | 0            | 7     |
| Account and note receivables                                                                                        | 1                             | 3  | 29  | 18  | 30                      | 80                            | 79               | 1            | 0            | 80    |
| Real estate                                                                                                         | 0                             | 0  | 0   | 0   | 0                       | 0                             | 0                | 0            | 0            | 0     |
| Others                                                                                                              | 0                             | 0  | 1   | 0   | 0                       | 1                             | 1                | 1            | 0            | 1     |
| Total                                                                                                               | 2%                            | 3% | 37% | 18% | 32%                     | 92%                           | 85%              | 7%           | 1%           | 92%   |

Note:

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

|                                                                                                                             | Credit ratings <sup>(1)</sup> |    |    |     |                         | Balances by expected maturity |                  |              |              |       |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------|----|----|-----|-------------------------|-------------------------------|------------------|--------------|--------------|-------|
|                                                                                                                             | AAA                           | AA | A  | BBB | BB or lower; no ratings | Total                         | Less than 1 year | 1 to 5 years | Over 5 years | Total |
| <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% | 3% | 0%  | 0%                      | 3%                            | 1%               | 2%           | 0%           | 3%    |
| 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                                                                                                   | 1                             | 0  | 0  | 0   | 1                       | 2                             | 1                | 1            | 0            | 2     |
| Account and note receivables                                                                                                | 0                             | 0  | 1  | 0   | 0                       | 2                             | 1                | 0            | 0            | 2     |
| Real estate                                                                                                                 | 0                             | 0  | 0  | 0   | 0                       | 0                             | 0                | 0            | 0            | 0     |
| Others                                                                                                                      | 0                             | 0  | 1  | 0   | 0                       | 1                             | 1                | 0            | 0            | 1     |
| Total <sup>(2)</sup>                                                                                                        | 1%                            | 0% | 5% | 1%  | 1%                      | 8%                            | 4%               | 3%           | 1%           | 8%    |

Notes:

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

- (1) Credit ratings are based on internal credit ratings.
- (2) Of the above assets acquired by asset-backed commercial paper/loan programs, approximately ¥249 billion was held by overseas ABCP conduits, of which approximately ¥162 billion was securitization products backed by auto lease receivables, credit card receivables and others (of which approximately ¥26 billion was guaranteed by U.S. monoline insurers as described in [Overview Impact of the Dislocation in the Global Financial Markets Securitization Products Guaranteed by U.S. Monoline Insurers](#) ). In April 2008, credit card receivables-backed securitizations products of approximately ¥57 billion were redeemed in full at maturity (of which approximately ¥7 billion was guaranteed by U.S. monoline insurers).



## **Table of Contents**

### *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 ¥123 billion as of March 31, 2008.

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 unconsolidated VIEs were ¥115 billion and ¥213 billion, respectively. Our maximum exposure to loss with respect to such significant unconsolidated VIEs was ¥32 billion.

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, 2008 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. The risk exposure of securitization products related to VIEs that issue such CDOs, CLOs or other repackaged instruments is included in the information set forth in Overview Impact of the Dislocation in the Global Financial Markets based on a managerial accounting basis used for risk monitoring purposes.

### *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 ¥425 billion as of March 31, 2008. The acquired assets of such QSPEs were primarily residential mortgage loans in Japan.

## **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.

## **Table of Contents**

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-homogeneous loans which have not been identified as impaired. The determination of expected losses is based on a statistical analysis of our historical default and loan loss data, as well as data from third-party sources. The estimation of the formula allowance is back-tested on a periodic basis by comparing the allowance with the actual results subsequent to the balance sheet date.

*Adjustment of 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.

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***

We hold various debt and equity securities and derivatives in our trading account. We also hold various available-for-sale securities and other investments in our investments account. We generally value all such investments and derivatives based on their fair value. For investments and derivatives for which an active market, including dealers' quotes, exists, we determine fair value based on their market price. Dealers' quotes are used for determining fair value only if the financial instrument is not listed on any exchange or otherwise does not have an exchange quotation and an active dealers' market exists for the instrument. However, if no such market exists, fair value is determined as follows:

with respect to certain debt securities (which comprise approximately 12.6% and 5.5% of total trading securities and investments carried at fair value as of March 31, 2007 and 2008, respectively), we

## **Table of Contents**

estimate fair value based on the market value of similar securities with an active market, taking into consideration the time to maturity and the credit rating of the issuer;

with respect to certain derivatives (which comprise approximately 99.6% and 99.5% of total derivative assets and 99.2% and 99.3% of total derivative liabilities as of March 31, 2007 and 2008, respectively), we estimate fair value by assessing future cash flows and discounting such cash flows based on appropriate market interest rates. Such estimation involves the application of forward curves and valuation models to market-based parameters, with adjustments made as necessary based on credit risk and liquidity risk. Furthermore, in the limited cases where the valuation cannot be made based on market-based parameters (which comprise approximately 0.1% and 0.0% of derivative assets as of March 31, 2007 and 2008, respectively), management makes its best estimate of the fair value. In such cases, profits related to the transaction are deferred and amortized over the term of the derivative contract; and

with respect to certain non-marketable equity securities (which comprise approximately 0.2% and 0.2% of total trading securities and investments carried at fair value as of March 31, 2007 and 2008, respectively), we estimate fair value by various modeling techniques, referring to the price or net assets of benchmark securities or employing EBITDA multiple analysis as management deems appropriate based on the circumstances and market participants' practice.

The above determinations involve subjective judgments with respect to the method of valuation used and the parameters used in the valuation. If these subjective judgments prove to be inaccurate, our financial condition and results of operations could be materially and adversely affected.

### ***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 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.

**Table of Contents**

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, 2006, 2007 and 2008:

|                                                              | Fiscal years ended March 31,<br>2006                      2007                      2008<br>(in billions of yen) |           |           |
|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Interest and dividend income                                 | ¥ 1,957.9                                                                                                        | ¥ 2,639.3 | ¥ 3,110.2 |
| Interest expense                                             | 944.9                                                                                                            | 1,571.4   | 1,911.5   |
| Net interest income                                          | 1,013.0                                                                                                          | 1,067.9   | 1,198.7   |
| Provision (credit) for loan losses                           | (157.7)                                                                                                          | 182.1     | (57.8)    |
| Net interest income after provision (credit) for loan losses | 1,170.7                                                                                                          | 885.8     | 1,256.5   |
| Noninterest income                                           | 995.1                                                                                                            | 1,195.9   | 1,094.9   |
| Noninterest expenses                                         | 1,454.3                                                                                                          | 1,294.6   | 1,450.6   |
| Income before income tax expense (benefit)                   | 711.5                                                                                                            | 787.1     | 900.8     |
| Income tax expense (benefit)                                 | (374.2)                                                                                                          | 163.2     | 672.2     |
| Net income                                                   | ¥ 1,085.7                                                                                                        | ¥ 623.9   | ¥ 228.6   |

**Executive Summary***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.

**Table of Contents**

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 stemming from U.S. subprime loan issues. 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 stemming from U.S. subprime loan issues. 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 stemming from U.S. subprime loan issues.

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.

*Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006*

Net interest income increased by ¥54.9 billion, or 5.4%, from the previous fiscal year to ¥1,067.9 billion in the fiscal year ended March 31, 2007 due to the increase in net domestic interest and dividend income of ¥7.2 billion and the increase in net foreign interest and dividend income of ¥47.7 billion. 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 rising 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 net foreign interest and dividend income was due mainly to the effects of an increase in the average balance of foreign investments and loans as a result of our efforts to increase such assets which more than offset the effects of increases in average interest rates on foreign short-term borrowings and foreign deposits, reflecting a general increase in U.S. dollar and euro interest rate levels, and the increase in their average balances as we sought to increase funding from these sources for our investments in foreign securities and loans. We had a provision for loan losses of ¥182.1 billion compared to a credit of ¥157.7 billion in the previous fiscal year due to a significant provision for loan losses with respect to loans to a large non-bank financial company and another large borrower and its subsidiaries, offset in part by the effect of the improvements in the credit quality of our previously troubled borrowers and general improvements in the Japanese economy.

Noninterest income increased by ¥200.8 billion, or 20.2%, from the previous fiscal year to ¥1,195.9 billion in the fiscal year ended March 31, 2007 due mainly to an increase in trading account gains net and other noninterest income offset in part by an incurrence of investment losses net. The increase in trading account

---

**Table of Contents**

gains net was due mainly to the gain related to changes in the fair value of derivatives and other financial instruments used for hedging purpose that were not eligible for hedge accounting under U.S. GAAP. The increase in other noninterest income was due mainly to the subsidy received from the Japanese government in connection with the completion of the transfer of the obligations and assets relating to the substitutional portion of the employees' pension funds to the government. These increases were offset in part by investment losses net due mainly to impairment losses on equity securities, relating primarily to preferred stock issued by a large non-bank financial company.

Noninterest expenses decreased by ¥159.7 billion, or 11.0%, from the previous fiscal year to ¥1,294.6 billion in the fiscal year ended March 31, 2007 due mainly to a credit for losses on off-balance-sheet instruments compared to a provision in the previous fiscal year, reflecting the sale of commitment lines for certain large obligors, and a decrease in other noninterest expenses, reflecting mainly the losses recorded in the fiscal year ended March 31, 2006 due to the erroneous order to the Tokyo Stock Exchange by Mizuho Securities.

As a result of the foregoing, income before income tax expense (benefit) increased by ¥75.6 billion to ¥787.1 billion. We recorded an income tax expense of ¥163.2 billion in the fiscal year ended March 31, 2007, compared to an income tax benefit of ¥374.2 billion in the previous fiscal year due mainly to the deferred income tax expense of ¥112.9 billion compared to a benefit of ¥444.6 billion. The deferred income tax expense was due to the decrease in deferred tax assets, net of valuation allowance, as a result of the decrease in valuation allowance being smaller than the decrease in gross deferred tax assets resulting from the utilization of net operating loss carryforwards. As a result, net income in the fiscal year ended March 31, 2007 was ¥623.9 billion, a decrease of ¥461.8 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, 2006, 2007 and 2008:

|                                                                                                          | 2006               |                    |                  | Fiscal years ended March 31,<br>2007 |                    |                  | 2008               |                    |                  |
|----------------------------------------------------------------------------------------------------------|--------------------|--------------------|------------------|--------------------------------------|--------------------|------------------|--------------------|--------------------|------------------|
|                                                                                                          | Average<br>balance | Interest<br>amount | Interest<br>rate | Average<br>balance                   | Interest<br>amount | Interest<br>rate | Average<br>balance | Interest<br>amount | Interest<br>rate |
| (in billions of yen, except percentages)                                                                 |                    |                    |                  |                                      |                    |                  |                    |                    |                  |
| Domestic:                                                                                                |                    |                    |                  |                                      |                    |                  |                    |                    |                  |
| Interest-bearing deposits in other banks                                                                 | ¥ 876.7            | ¥ 25.3             | 2.88%            | ¥ 585.7                              | ¥ 29.7             | 5.08%            | ¥ 779.3            | ¥ 24.8             | 3.18%            |
| Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions | 7,695.1            | 5.1                | 0.07             | 7,965.5                              | 25.4               | 0.32             | 7,543.8            | 49.3               | 0.65             |
| Trading account assets                                                                                   | 7,832.0            | 20.5               | 0.26             | 6,695.1                              | 19.9               | 0.30             | 7,388.9            | 34.1               | 0.46             |
| Investments                                                                                              | 30,404.6           | 155.3              | 0.51             | 28,106.5                             | 234.1              | 0.83             | 27,900.5           | 282.0              | 1.01             |
| Loans                                                                                                    | 58,348.1           | 836.5              | 1.43             | 58,401.0                             | 899.1              | 1.54             | 57,661.8           | 1,020.2            | 1.77             |
| Total interest-earning assets                                                                            | 105,156.5          | 1,042.7            | 0.99             | 101,753.8                            | 1,208.2            | 1.19             | 101,274.3          | 1,410.4            | 1.39             |
| Deposits                                                                                                 | 60,742.0           | 121.6              | 0.20             | 62,072.8                             | 234.5              | 0.38             | 64,295.7           | 337.5              | 0.52             |
| Debentures                                                                                               | 7,256.5            | 48.2               | 0.66             | 5,629.2                              | 34.1               | 0.61             | 3,965.3            | 23.7               | 0.60             |
| Short-term borrowings <sup>(1)</sup>                                                                     | 21,047.8           | 37.4               | 0.18             | 19,220.3                             | 81.7               | 0.43             | 19,043.3           | 158.3              | 0.83             |
| Trading account liabilities                                                                              | 5,145.9            | 33.7               | 0.66             | 4,658.2                              | 13.7               | 0.29             | 4,232.4            | 8.2                | 0.19             |
| Long-term debt                                                                                           | 6,430.6            | 126.1              | 1.96             | 5,796.7                              | 161.3              | 2.78             | 7,548.8            | 187.5              | 2.48             |
| Total interest-bearing liabilities                                                                       | 100,622.8          | 367.0              | 0.36             | 97,377.2                             | 525.3              | 0.54             | 99,085.5           | 715.2              | 0.72             |
| Net                                                                                                      | 4,533.7            | 675.7              | 0.63             | 4,376.6                              | 682.9              | 0.65             | 2,188.8            | 695.2              | 0.67             |
| Foreign:                                                                                                 |                    |                    |                  |                                      |                    |                  |                    |                    |                  |
| Interest-bearing deposits in other banks                                                                 | 623.8              | 25.8               | 4.13             | 1,231.1                              | 46.9               | 3.81             | 1,439.1            | 53.5               | 3.72             |
| Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions | 7,284.5            | 262.2              | 3.60             | 9,574.9                              | 477.8              | 4.99             | 11,259.8           | 534.7              | 4.75             |
| Trading account assets                                                                                   | 3,906.5            | 40.8               | 1.04             | 3,865.7                              | 49.6               | 1.28             | 4,337.1            | 50.3               | 1.16             |
| Investments                                                                                              | 7,567.0            | 295.1              | 3.90             | 8,882.6                              | 378.8              | 4.26             | 9,840.1            | 446.6              | 4.54             |
| Loans                                                                                                    | 7,269.2            | 291.3              | 4.01             | 9,641.9                              | 478.0              | 4.96             | 10,860.7           | 614.7              | 5.66             |
| Total interest-earning assets                                                                            | 26,651.0           | 915.2              | 3.43             | 33,196.2                             | 1,431.1            | 4.31             | 37,736.8           | 1,699.8            | 4.50             |
| Deposits                                                                                                 | 5,490.0            | 154.5              | 2.81             | 8,675.0                              | 349.1              | 4.02             | 9,349.3            | 416.7              | 4.46             |
| Short-term borrowings <sup>(1)</sup>                                                                     | 11,007.9           | 388.8              | 3.53             | 12,651.4                             | 620.5              | 4.90             | 15,538.5           | 737.4              | 4.75             |
| Trading account liabilities                                                                              | 3,254.5            | 19.1               | 0.59             | 3,597.2                              | 58.0               | 1.61             | 3,361.2            | 18.9               | 0.56             |
| Long-term debt                                                                                           | 734.5              | 15.5               | 2.11             | 455.9                                | 18.5               | 4.06             | 784.7              | 23.3               | 2.97             |
| Total interest-bearing liabilities                                                                       | 20,486.9           | 577.9              | 2.82             | 25,379.5                             | 1,046.1            | 4.12             | 29,033.7           | 1,196.3            | 4.12             |
| Net                                                                                                      | 6,164.1            | 337.3              | 0.61             | 7,816.7                              | 385.0              | 0.19             | 8,703.1            | 503.5              | 0.38             |
| Total:                                                                                                   |                    |                    |                  |                                      |                    |                  |                    |                    |                  |
| Total interest-earning assets                                                                            | 131,807.5          | 1,957.9            | 1.49             | 134,950.0                            | 2,639.3            | 1.96             | 139,011.1          | 3,110.2            | 2.24             |

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

|                                    |            |           |      |            |           |      |            |           |      |
|------------------------------------|------------|-----------|------|------------|-----------|------|------------|-----------|------|
| Total interest-bearing liabilities | 121,109.7  | 944.9     | 0.78 | 122,756.7  | 1,571.4   | 1.28 | 128,119.2  | 1,911.5   | 1.49 |
| Net                                | ¥ 10,697.8 | ¥ 1,013.0 | 0.71 | ¥ 12,193.3 | ¥ 1,067.9 | 0.68 | ¥ 10,891.9 | ¥ 1,198.7 | 0.75 |

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, 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 yen 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 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

## **Table of Contents**

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.

### *Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006*

Interest and dividend income increased by ¥681.4 billion, or 34.8%, from the previous fiscal year to ¥2,639.3 billion yen in the fiscal year ended March 31, 2007. Domestic interest and dividend income accounted for ¥1,208.2 billion of the total amount, an increase of ¥165.5 billion from the previous fiscal year, and foreign interest and dividend income accounted for ¥1,431.1 billion, an increase of ¥515.8 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. The average yield on domestic loans rose by 0.11% reflecting an increase in yen interest rate levels. The increase in interest and dividend income from domestic investments was due mainly to the increase of 0.32% in average yield reflecting an increase in yen interest rate levels, offset in part by the effect of a decrease in the average balance of domestic investments of ¥2,298.1 billion resulting from the sales of bonds with relatively low yields in connection with the restructuring of our bond portfolio. The changes in the average yields on domestic interest-earning assets contributed to an overall increase in interest and dividend income of ¥187.3 billion, and the changes in average balances of domestic interest-earning assets contributed to an overall decrease in interest and dividend income of ¥21.7 billion, the latter due mainly to the decrease in average balance of domestic investments and trading account assets, resulting in the ¥165.6 billion increase in domestic interest and dividend income.

The significant increase in foreign interest and dividend income was due mainly to increases in interest and dividend income from foreign call loans and funds sold, and receivables under resale agreements and securities borrowing transactions as well as foreign loans. These increases were, in turn, due to an increase in average yield, reflecting a general increase in U.S. dollar and euro interest rate levels, and an increase in average balances, reflecting the increases in our foreign investment and lending as a result of our efforts to increase such foreign assets. The changes in average yields on foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥234.0 billion, and the changes in average balances of foreign interest-earning assets contributed to an overall increase in interest and dividend income of ¥281.8 billion, resulting in the ¥515.8 billion increase in foreign interest and dividend income.

Interest expense increased by ¥626.5 billion, or 66.3%, from the previous fiscal year to ¥1,571.4 billion in the fiscal year ended March 31, 2007. Domestic interest expense accounted for ¥525.3 billion of the total amount, an increase of ¥158.3 billion from the previous fiscal year, and foreign interest expense accounted for ¥1,046.1 billion of the total amount, an increase of ¥468.2 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 due to an increase of 0.18% 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

**Table of Contents**

changes in average interest rates on domestic interest-bearing liabilities contributed to an overall increase in interest expense of ¥182.4 billion, offset in part by a decrease in interest expense of ¥24.1 billion due to the changes in average balances of domestic interest-bearing liabilities, resulting in the ¥158.3 billion increase in domestic interest expense. Although the increase of 0.11% in average yield on domestic loans in the fiscal year ended March 31, 2007 compared to the previous fiscal year was smaller than the increase of 0.18% in the average rate on domestic interest-bearing deposits over the same period, after taking into account the effects of domestic non-interest-bearing deposits and domestic debentures and excluding the effects of non-yen-denominated domestic interest-bearing deposits and non-yen-denominated domestic loans, the increase in the average yield on yen-denominated domestic loans in the fiscal year ended March 31, 2007 compared to the previous fiscal year slightly exceeded the increase in the average rate on yen-denominated domestic deposits and debentures over the same period, thus showing a widening of the difference between such average yield and average rate.

The increase in foreign interest expense was due mainly to increases in interest expense on foreign short-term borrowings and foreign deposits. These increases were due mainly to the increase in average interest rates on these liabilities, reflecting a general increase in U.S. dollar and euro interest rate levels, and the increase in their average balances as we sought to increase 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 increase in interest expense of ¥292.0 billion, and the changes in average balances of foreign interest-bearing liabilities contributed to an overall increase in interest expense of ¥176.2 billion, resulting in the ¥468.2 billion increase in foreign interest expense.

As a result of the foregoing, net interest income increased by ¥54.9 billion, or 5.4%, from the previous fiscal year to ¥1,067.9 billion. Average interest rate spread declined by 0.03% to 0.68%, 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. Foreign average interest rate spread declined by 0.42% due mainly to the effect of the rise in average interest rate on short-term borrowings exceeding the effect of the rise in average yield on loans.

***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.

***Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006***

We had a provision for loan losses of ¥182.1 billion in the fiscal year ended March 31, 2007 compared to a credit for loan losses of ¥157.7 billion in the previous fiscal year. The provision in the fiscal year ended March 31, 2007 was due mainly to an increase in allowance for loan losses reflecting mainly the downgrade in credit rating of a large non-bank financial company mentioned above and another large borrower and its subsidiaries, which was offset by the effect of improvements in the credit quality of our previously troubled borrowers and general improvements in the Japanese economy.

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

The following table shows a breakdown of noninterest income for the fiscal years ended March 31, 2006, 2007 and 2008:

|                                                                     | Fiscal years ended March 31, |                  |                  |
|---------------------------------------------------------------------|------------------------------|------------------|------------------|
|                                                                     | 2006                         | 2007             | 2008             |
|                                                                     | (in billions of yen)         |                  |                  |
| Fees and commissions                                                | ¥ 688.7                      | ¥ 683.0          | ¥ 633.1          |
| Fees and commissions from remittance business                       | 116.0                        | 116.0            | 117.4            |
| Fees and commissions from securities-related business               | 133.2                        | 101.9            | 94.9             |
| Fees and commissions from deposits, debentures and lending business | 113.9                        | 116.3            | 87.8             |
| Trust fees                                                          | 75.8                         | 66.3             | 64.1             |
| Fees for other customer services                                    | 249.8                        | 282.5            | 268.9            |
| Foreign exchange gains (losses) net                                 | (110.7)                      | (51.3)           | 296.7            |
| Trading account gains net                                           | 20.3                         | 389.9            | 136.0            |
| Investment gains (losses) net                                       | 143.5                        | (186.0)          | (191.3)          |
| Investment losses related to bonds                                  | (179.6)                      | (121.6)          | (314.1)          |
| Investment gains (losses) related to equity securities              | 289.0                        | (43.0)           | 121.2            |
| Others                                                              | 34.1                         | (21.4)           | 1.6              |
| Gains on disposal of premises and equipment                         | 65.5                         | 64.6             | 37.2             |
| Other noninterest income                                            | 187.8                        | 295.7            | 183.2            |
| <b>Total noninterest income</b>                                     | <b>¥ 995.1</b>               | <b>¥ 1,195.9</b> | <b>¥ 1,094.9</b> |

***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.

***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 stemming from U.S. subprime loan issues. 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 stemming from U.S. subprime loan issues.

## **Table of Contents**

### *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 stemming from U.S. subprime loan issues. 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 stemming from U.S. subprime loan issues. 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.

### *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.

### *Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006*

Noninterest income increased by ¥200.8 billion, or 20.2%, from the previous fiscal year to ¥1,195.9 billion in the fiscal year ended March 31, 2007. The increase was due mainly to an increase in trading account gains net of ¥369.6 billion and an increase in other noninterest income of ¥107.9 billion offset in part by an incurrence of investment losses net of ¥186.0 billion compared to investment gains net of ¥143.5 billion in the previous fiscal year.

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

Fees and commissions income decreased by ¥5.7 billion, or 0.8%, from the previous fiscal year to ¥683.0 billion in the fiscal year ended March 31, 2007. The decrease was due mainly to a decrease of ¥31.3 billion in fees and commissions from securities-related business and a decrease of ¥9.5 billion in trust fees, offset in part by an increase of ¥32.7 billion in fees for other customer services. The decrease in fees and commissions from securities-related business was due mainly to decreases in stock brokerage fees and underwriting commissions related to private offerings of debt securities, offset in part by an increase in sales commissions related to investment trusts. Trust fees decreased due mainly to fees recorded in the fiscal year ended March 31, 2006 in connection with a one-time sale of loan assets related to loan trusts in connection with our cessation of sales activities for loan trust products. The increase in fees for other customer services was due mainly to increases in trust business-related fees other than those included in trust fees such as brokerage fees related to real estate transactions, fees from agency businesses such as credit card processing fees earned by UC Card and other fees and commissions such as sales agency fees related to insurance products. UC Card, a former consolidated subsidiary of ours, became an equity-method affiliate of ours in June 2007 in connection with the consolidation and reorganization of our credit card business.

*Foreign exchange losses net*

Foreign exchange losses net decreased by ¥59.4 billion, or 53.7%, from the previous fiscal year to ¥51.3 billion in the fiscal year ended March 31, 2007. The decrease was due mainly to a decrease of ¥129.6 billion from ¥246.9 billion in the fiscal year ended March 31, 2006 to ¥117.3 billion in the fiscal year ended March 31, 2007 in translation losses 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.

*Trading account gains net*

Trading account gains net increased by ¥369.6 billion from ¥20.3 billion in the previous fiscal year to ¥389.9 billion in the fiscal year ended March 31, 2007. The increase was due to the gain of ¥70.6 billion in the fiscal year ended March 31, 2007 related to changes in the fair value of instruments used to hedge market risks, mainly interest rate risk, that are not eligible for hedge accounting under U.S. GAAP, which was a loss of ¥282.7 billion in the previous fiscal year.

*Investment gains (losses) net*

Investment gains (losses) net were losses of ¥186.0 billion in the fiscal year ended March 31, 2007 compared to gains of ¥143.5 billion in the previous fiscal year. The change was due mainly to the investment losses related to equity securities of ¥43.0 billion incurred in the fiscal year ended March 31, 2007, compared to investment gains related to equity securities of ¥289.0 billion, due mainly to impairment losses on preferred stock issued by a large non-bank financial company. Investment losses related to bonds decreased by ¥58.0 billion to ¥121.6 billion in the fiscal year ended March 31, 2007 due mainly to ¥148.5 billion in losses realized on the sale of Japanese government bonds in connection with the restructuring of our bond portfolio and ¥75.4 billion in impairment losses on Japanese government bonds in the fiscal year ended March 31, 2006. The effect was offset in part by ¥160.2 billion in impairment losses on Japanese government bonds in the fiscal year ended March 31, 2007 reflecting rising interest rates.

*Gains on disposal of premises and equipment*

Gains on disposal of premises and equipment decreased by ¥0.9 billion, or 1.4%, from the previous fiscal year to ¥64.6 billion in the fiscal year ended March 31, 2007 due mainly to lower gains on the sale of real estate related to closed branches.

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

Other noninterest income increased by ¥107.9 billion, or 57.5%, from the previous fiscal year to ¥295.7 billion in the fiscal year ended March 31, 2007. The increase was due mainly to the subsidy of ¥177.4 billion received from the Japanese government after the completion of the transfer of the obligations and assets relating to the substitutional portion of the employees' pension funds to the government in the fiscal year ended March 31, 2007. The increase was offset in part by a decrease in gains on the sales of stock of subsidiary companies reflecting mainly the sale of a portion of our shares of Mizuho Trust & Banking in the fiscal year ended March 31, 2006 in order to maintain the subsidiary's status as a listed company in compliance with the change in delisting rules of the Tokyo Stock Exchange.

*Noninterest Expenses*

The following table shows a breakdown of noninterest expenses for the fiscal years ended March 31, 2006, 2007 and 2008:

|                                                                | Fiscal years ended March 31, |                  |                  |
|----------------------------------------------------------------|------------------------------|------------------|------------------|
|                                                                | 2006                         | 2007             | 2008             |
|                                                                | (in billions of yen)         |                  |                  |
| Salaries and employee benefits                                 | ¥ 435.2                      | ¥ 416.7          | ¥ 436.1          |
| General and administrative expenses                            | 455.7                        | 481.0            | 508.8            |
| Impairment of goodwill                                         |                              |                  | 50.3             |
| Occupancy expenses                                             | 178.2                        | 172.5            | 196.7            |
| Fees and commission expenses                                   | 96.1                         | 111.6            | 111.1            |
| Provision (credit) for losses on off-balance-sheet instruments | 34.0                         | (37.8)           | 5.1              |
| Minority interest in consolidated subsidiaries                 | 69.0                         | 27.7             | (53.7)           |
| Other noninterest expenses                                     | 186.1                        | 122.9            | 196.2            |
| <b>Total noninterest expenses</b>                              | <b>¥ 1,454.3</b>             | <b>¥ 1,294.6</b> | <b>¥ 1,450.6</b> |

*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.

*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.

## **Table of Contents**

### *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 stemming from U.S. subprime loan issues, 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 stemming from U.S. subprime loan issues. See [Overview](#) Impact of the Dislocation in the Global Financial Markets.

### *Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006*

Noninterest expenses decreased by ¥159.7 billion, or 11.0%, from the previous fiscal year to ¥1,294.6 billion in the fiscal year ended March 31, 2007. The decrease was due mainly to a credit for losses on off-balance-sheet instruments of ¥37.8 billion, compared to a provision of ¥34.0 billion in the previous fiscal year, a decrease in other noninterest expenses of ¥63.2 billion and a decrease in minority interest in consolidated subsidiaries of ¥41.3 billion offset in part by an increase in general and administrative expenses of ¥25.3 billion.

### *Salaries and employee benefits*

Salaries and employee benefits decreased by ¥18.5 billion, or 4.3%, from the previous fiscal year to ¥416.7 billion in the fiscal year ended March 31, 2007 due mainly to a decrease in employee retirement benefit



## **Table of Contents**

expenses, resulting from an increase in the expected return on the retirement plan assets, from ¥62.9 billion in the previous fiscal year to ¥77.3 billion in the fiscal year ended March 31, 2007. The decrease was offset in part by an increase in personnel costs related to an increase in business promotion staff engaged in strategic business areas.

### *General and administrative expenses*

General and administrative expenses increased by ¥25.3 billion, or 5.6%, from the previous fiscal year to ¥481.0 billion in the fiscal year ended March 31, 2007. The increase was due mainly to a ¥16.6 billion increase in other general and administrative expenses related to the enhancements to our infrastructure to promote our consulting activities with individuals and the expansion of our international office network.

### *Occupancy expenses*

Occupancy expenses decreased by ¥5.7 billion, or 3.2%, from the previous fiscal year to ¥172.5 billion in the fiscal year ended March 31, 2007. The decrease was due mainly to a decrease of ¥4.2 billion in depreciation expenses as a result of a reduction in related assets due to the consolidation of branches.

### *Fees and commission expenses*

Fees and commission expenses increased by ¥15.5 billion, or 16.1%, from the previous fiscal year to ¥111.6 billion in the fiscal year ended March 31, 2007. Of this increase, ¥3.2 billion was due to an increase in fees and commission expenses for remittance service as a result of the increase in commission expenses paid in connection with international remittance transactions.

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

Provision (credit) for losses on off-balance-sheet instruments was a credit of ¥37.8 billion in the fiscal year ended March 31, 2007 compared to a provision of ¥34.0 billion in the previous fiscal year. The credit was due mainly to a reversal of allowance for losses on off-balance-sheet transactions as a result mainly of the sale of commitment lines for certain large obligors, which decreased the balance of allowance for losses on off-balance-sheet transactions to ¥43.9 billion as of March 31, 2007 from ¥86.0 billion as of March 31, 2006.

### *Minority interest in consolidated subsidiaries*

Minority interest in consolidated subsidiaries decreased by ¥41.3 billion, or 59.9%, from the previous fiscal year to ¥27.7 billion in the fiscal year ended March 31, 2007 due mainly to decreases in minority interests in our subsidiaries, Mizuho Trust & Banking and UC Card, which accounted for decreases of ¥15.2 billion and ¥10.1 billion, respectively.

### *Other noninterest expenses*

Other noninterest expenses decreased by ¥63.2 billion, or 34.0%, from the previous fiscal year to ¥122.9 billion in the fiscal year ended March 31, 2007 due mainly to ¥40.7 billion in losses incurred in the previous fiscal year related to the erroneous order placed with the Tokyo Stock Exchange by Mizuho Securities in December 2005.

**Table of Contents****Income Tax Expense (Benefit)**

The following table shows the components of income tax expense (benefit) for the fiscal years ended March 31, 2006, 2007 and 2008:

|                                      | Fiscal years ended March 31,<br>2006                      2007                      2008<br>(in billions of yen) |         |         |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------|---------|---------|
| <b>Current:</b>                      |                                                                                                                  |         |         |
| Domestic                             | ¥ 43.7                                                                                                           | ¥ 27.9  | ¥ 9.7   |
| Foreign                              | 26.7                                                                                                             | 22.4    | 35.5    |
| Total current tax expense (benefit)  | 70.4                                                                                                             | 50.3    | 45.2    |
| <b>Deferred:</b>                     |                                                                                                                  |         |         |
| Domestic                             | (445.6)                                                                                                          | 112.4   | 626.3   |
| Foreign                              | 1.0                                                                                                              | 0.5     | 0.7     |
| Total deferred tax expense (benefit) | (444.6)                                                                                                          | 112.9   | 627.0   |
| Total income tax expense (benefit)   | ¥ (374.2)                                                                                                        | ¥ 163.2 | ¥ 672.2 |

*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. 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.

*Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006*

Income tax expense (benefit) in the fiscal year ended March 31, 2007 was an expense of ¥163.2 billion compared to a benefit of ¥374.2 billion in the previous fiscal year. Current income tax expense in the fiscal year ended March 31, 2007 decreased by ¥20.1 billion to ¥50.3 billion from the previous fiscal year.

Deferred income tax expense (benefit) in the fiscal year ended March 31, 2007 was an expense of ¥112.9 billion compared to a benefit of ¥444.6 billion in the previous year. Gross deferred tax assets decreased by ¥278.7 billion in the fiscal year ended March 31, 2007 due mainly to a decrease of net operating loss carryforwards resulting from its utilization. The decrease in valuation allowance was smaller than the decrease in gross deferred tax assets due mainly to changes in our estimation of future taxable income. As a result deferred tax assets, net of valuation allowance decreased by ¥99.9 billion from the end of the previous fiscal year to ¥2,445.2 billion at March 31, 2007.

**Table of Contents**

The following table shows components of deferred tax assets as of March 31, 2006, 2007 and 2008:

|                                                      | Fiscal years ended March 31,<br>2006                      2007                      2008<br>(in billions of yen) |           |           |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Deferred tax assets:                                 |                                                                                                                  |           |           |
| Investments                                          | ¥ 1,030.6                                                                                                        | ¥ 1,142.9 | ¥ 1,176.4 |
| Allowance for loan losses                            | 424.4                                                                                                            | 456.8     | 333.9     |
| Premises and equipment                               | 53.3                                                                                                             | 41.9      | 38.4      |
| Financial Stabilization Funds                        | 34.5                                                                                                             | 30.3      | 25.9      |
| Derivative financial instruments                     | 137.2                                                                                                            | 91.6      | 9.1       |
| Net operating loss carryforwards                     | 2,989.9                                                                                                          | 2,677.0   | 2,402.6   |
| Other                                                | 259.2                                                                                                            | 209.9     | 275.6     |
| Gross deferred tax assets                            | 4,929.1                                                                                                          | 4,650.4   | 4,261.9   |
| Valuation allowance                                  | (2,384.0)                                                                                                        | (2,205.2) | (2,451.1) |
| Deferred tax assets, net of valuation allowance      | 2,545.1                                                                                                          | 2,445.2   | 1,810.8   |
| Deferred tax liabilities:                            |                                                                                                                  |           |           |
| Available-for-sale securities                        | 1,399.9                                                                                                          | 1,552.8   | 784.3     |
| Undistributed earnings of subsidiaries               | 75.1                                                                                                             | 36.9      | 4.5       |
| Prepaid pension cost and accrued pension liabilities | 45.7                                                                                                             | 130.7     | 3.2       |
| Other                                                | 50.6                                                                                                             | 122.5     | 106.4     |
| Gross deferred tax liabilities                       | 1,571.3                                                                                                          | 1,842.9   | 898.4     |
| Net deferred tax assets                              | ¥ 973.8                                                                                                          | ¥ 602.3   | ¥ 912.4   |

The following table shows deferred tax assets and deferred tax liabilities, which are netted within the same tax jurisdiction for presentation in the balance sheets, as of March 31, 2006, 2007 and 2008:

|                                               | 2006    | As of March 31,<br>2007<br>(in billions of yen) | 2008    |
|-----------------------------------------------|---------|-------------------------------------------------|---------|
| Deferred tax assets on the balance sheet      | ¥ 996.5 | ¥ 618.7                                         | ¥ 923.6 |
| Deferred tax liabilities on the balance sheet | 22.7    | 16.4                                            | 11.2    |
| Net deferred tax assets                       | ¥ 973.8 | ¥ 602.3                                         | ¥ 912.4 |

**Net Income***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.

*Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006*

As a result of the foregoing, net income decreased by ¥461.8 billion from the previous fiscal year to ¥623.9 billion in the fiscal year ended March 31, 2007.



**Table of Contents****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 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 (benefit) under U.S. GAAP is provided in note 30 of our consolidated financial statements.

During the fiscal year ended March 31, 2006, we reorganized our business portfolio into 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***

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, leveraged finance and structured finance.

***International***

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 (formerly known as DLIBJ Asset Management), 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 for the fiscal year ended March 31, 2007 and 2008 is derived from our internal management reporting system. Information for the fiscal year ended March 31, 2006 is also derived from our internal management reporting system reclassified to conform to the presentation for the following fiscal years.

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

### *Consolidated Results of Operations*

Consolidated gross profits for the fiscal year ended March 31, 2008 were ¥1,660.9 billion, a decrease of ¥456.5 billion compared to the previous fiscal year. Consolidated general and administrative expenses (excluding non-recurring expenses) for the fiscal year ended March 31, 2008 were ¥1,093.3 billion, an increase of ¥17.4 billion compared to the previous fiscal year. Consolidated net business profits for the fiscal year ended March 31, 2008 were ¥511.2 billion, a decrease of ¥480.4 billion compared to the previous fiscal year.



**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, 2006, 2007 and 2008:

|                                     | Mizuho Corporate Bank <sup>(1)</sup> |               |                        |          |                      |           |   | Total<br>Global<br>Corporate<br>Group |
|-------------------------------------|--------------------------------------|---------------|------------------------|----------|----------------------|-----------|---|---------------------------------------|
|                                     | Domestic                             | International | Trading and<br>others  | Subtotal | Mizuho<br>Securities | Others    |   |                                       |
|                                     | (in billions of yen)                 |               |                        |          |                      |           |   |                                       |
| Fiscal year ended March 31, 2006:   |                                      |               |                        |          |                      |           |   |                                       |
| Gross profits:                      |                                      |               |                        |          |                      |           |   |                                       |
| Net interest income                 | ¥ 211.2                              | ¥ 56.6        | ¥ 108.8 <sub>(2)</sub> | ¥ 376.6  | ¥ 1.0                | ¥ 25.0    | ¥ | 402.6                                 |
| Net noninterest income (expenses)   | 107.5                                | 55.4          | (8.5)                  | 154.4    | 117.7                | 62.8      |   | 334.9                                 |
| Total                               | 318.7                                | 112.0         | 100.3                  | 531.0    | 118.7                | 87.8      |   | 737.5                                 |
| General and administrative expenses | 82.0                                 | 51.7          | 82.1                   | 215.8    | 55.2                 | 63.1      |   | 334.1                                 |
| Others                              |                                      |               |                        |          |                      | (36.9)    |   | (36.9)                                |
| Net business profits (loss)         | ¥ 236.7                              | ¥ 60.3        | ¥ 18.2                 | ¥ 315.2  | ¥ 63.5               | ¥ (12.2)  | ¥ | 366.5                                 |
| Fiscal year ended March 31, 2007:   |                                      |               |                        |          |                      |           |   |                                       |
| 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                                 |
| Fiscal year ended March 31, 2008:   |                                      |               |                        |          |                      |           |   |                                       |
| 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)                                |

Notes:

(1) Figures for Mizuho Corporate Bank include those of its revitalization subsidiaries before such subsidiaries were merged with Mizuho Corporate Bank in October 2005.

(2) Dividends of ¥120.0 billion received by Mizuho Corporate Bank from its revitalization subsidiaries are excluded from trading and others for the fiscal year ended March 31, 2006.

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

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

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

## **Table of Contents**

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.

### *Fiscal year ended March 31, 2007 compared to fiscal year ended March 31, 2006*

Gross profits for Mizuho Corporate Bank for the fiscal year ended March 31, 2007 increased by ¥16.9 billion, or 3.2%, from the previous fiscal year to ¥547.9 billion. This increase was due mainly to gross profits from international operations increasing by ¥21.0 billion, reflecting continuing robustness with respect to transactions with both foreign subsidiaries of Japanese corporations and foreign corporations. The increase was also due to an increase in gross profits from trading and others of ¥4.0 billion helped by the realization of unrealized losses on our bond portfolio of ¥58.4 billion in the fiscal year ended March 31, 2006 in connection with the restructuring of our overall bond portfolio. These increases were offset in part by a decrease in gross profits from domestic operations of ¥8.1 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 only a slight increase in domestic net noninterest income.

General and administrative expenses of Mizuho Corporate Bank for the fiscal year ended March 31, 2007 increased by ¥25.2 billion, or 11.7%, from the previous fiscal year to ¥241.0 billion due mainly to expenses incurred in connection with our efforts to grow future gross profits, such as the expansion of our international office network and increases in personnel.

Net business profits of Mizuho Securities decreased by ¥18.9 billion, or 29.8%, from the previous fiscal year to ¥44.6 billion due mainly to decreased income from its equity business, offset in part by increased income from its investment banking business such as M&A advisory.

As a result mainly of the foregoing, net business profits for the Global Corporate Group for the fiscal year ended March 31, 2007 decreased by ¥2.5 billion from the previous fiscal year to ¥364.0 billion.

**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, 2006, 2007 and 2008:

|                                          | <b>Mizuho Bank<sup>(1)</sup></b> |                              |                               |                                          | <b>Mizuho<br/>Investors<br/>Securities</b> | <b>Others</b> | <b>Total<br/>Global<br/>Retail<br/>Group</b> |
|------------------------------------------|----------------------------------|------------------------------|-------------------------------|------------------------------------------|--------------------------------------------|---------------|----------------------------------------------|
|                                          | <b>Retail<br/>Banking</b>        | <b>Corporate<br/>Banking</b> | <b>Trading<br/>and others</b> | <b>Subtotal<br/>(in billions of yen)</b> |                                            |               |                                              |
| <b>Fiscal year ended March 31, 2006:</b> |                                  |                              |                               |                                          |                                            |               |                                              |
| Gross profits:                           |                                  |                              |                               |                                          |                                            |               |                                              |
| Net interest income                      | ¥ 240.2                          | ¥ 319.0                      | ¥ 10.5                        | ¥ 569.7                                  | ¥ 0.6                                      | ¥ 49.6        | ¥ 619.9                                      |
| Net noninterest income                   | 45.8                             | 233.2                        | 34.3                          | 313.3                                    | 72.5                                       | 31.4          | 417.2                                        |
| Total                                    | 286.0                            | 552.2                        | 44.8                          | 883.0                                    | 73.1                                       | 81.0          | 1,037.1                                      |
| General and administrative expenses      | 201.4                            | 253.7                        | 62.2                          | 517.3                                    | 40.0                                       | 25.7          | 583.0                                        |
| Others                                   |                                  |                              |                               |                                          |                                            | (7.8)         | (7.8)                                        |
| Net business profits (loss)              | ¥ 84.6                           | ¥ 298.5                      | ¥ (17.4)                      | ¥ 365.7                                  | ¥ 33.1                                     | ¥ 47.5        | ¥ 446.3                                      |
| <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                                      |

Note:

(1) Figures for Mizuho Bank include those of its revitalization subsidiary before such subsidiary was merged with Mizuho Bank in October 2005.

*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



## **Table of Contents**

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.

### *Fiscal year ended March 31, 2007 compared to fiscal year ended March 31, 2006*

Gross profits for Mizuho Bank increased by ¥95.5 billion, or 10.8%, from the previous fiscal year to ¥978.5 billion in the fiscal year ended March 31, 2007. This increase was due to increases in gross profits of ¥30.0 billion from retail banking and ¥7.7 billion from corporate banking, which reflect an improvement in the profitability of deposits, increased fees from sales of investment trusts and individual annuities and increased income related to foreign exchange and derivatives products, in addition to an increase of ¥57.8 billion from trading and others which was due mainly to the realization of ¥75.4 billion in unrealized losses upon sales of bonds in the fiscal year ended March 31, 2006 in connection with the restructuring of our overall bond portfolio.

General and administrative expenses for Mizuho Bank increased by ¥9.7 billion, or 1.9%, from the previous fiscal year to ¥527.0 billion due mainly to increased expenses incurred in connection with our efforts to grow future gross profits relating to the retail banking business through refurbishment of branches, increases in personnel and other strategic expenses.

Net business profits for Mizuho Investors Securities decreased by ¥14.3 billion, or 43.2%, from the previous fiscal year to ¥18.8 billion due mainly to a significant decrease in fee income from its stock brokerage business, due primarily to a relatively stagnant stock trading environment compared to the previous fiscal year, and an increase in administrative expenses.

As a result mainly of the foregoing, net business profits for the Global Retail Group for the fiscal year ended March 31, 2007 increased by ¥59.1 billion from the previous fiscal year to ¥505.4 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, 2006, 2007 and 2008:

|                                          | Mizuho Trust & Banking <sup>(1)</sup> | Others<br>(in billions of yen) | Total Global Asset & Wealth Management Group |
|------------------------------------------|---------------------------------------|--------------------------------|----------------------------------------------|
| <b>Fiscal year ended March 31, 2006:</b> |                                       |                                |                                              |
| Gross profits:                           |                                       |                                |                                              |
| Net interest income                      | ¥ 45.7                                | ¥ 0.4                          | ¥ 46.1                                       |
| Net noninterest income                   | 120.6                                 | 42.0                           | 162.6                                        |
| Total                                    | 166.3                                 | 42.4                           | 208.7                                        |
| General and administrative expenses      | 77.9                                  | 32.5                           | 110.4                                        |
| Others                                   |                                       | (1.2)                          | (1.2)                                        |
| Net business profits                     | ¥ 88.4                                | ¥ 8.7                          | ¥ 97.1                                       |
| <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                                      |

Note:

(1) Figures for Mizuho Trust & Banking include those of its revitalization subsidiary before such subsidiary was merged with Mizuho Trust & Banking in October 2005.

*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.

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

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.



**Table of Contents**

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.

*Fiscal year ended March 31, 2007 compared to fiscal year ended March 31, 2006*

Gross profits of Mizuho Trust & Banking for the fiscal year ended March 31, 2007 increased by ¥7.6 billion, or 4.6%, from the previous fiscal year to ¥173.9 billion. The increase was due mainly to the steady growth in income from trust and asset management businesses, including real estate and asset finance businesses.

General and administrative expenses increased by ¥9.9 billion, or 12.7%, from the previous fiscal year to ¥87.8 billion due mainly to a temporary increase in amortization expenses related to the purchase of computer software by Mizuho Trust & Banking at the end of the previous fiscal year.

As a result mainly of the foregoing, net business profits for the Global Asset & Wealth Management Group decreased by ¥0.9 billion compared to the previous fiscal year to ¥96.2 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, 2006:</b> |             |            |                                |                                                |             |
| Total revenue <sup>(1)</sup>             | ¥ 1,881.4   | ¥ 631.6    | ¥ 327.8                        | ¥ 112.2                                        | ¥ 2,953.0   |
| Total expenses <sup>(2)</sup>            | 1,474.7     | 369.8      | 296.9                          | 100.1                                          | 2,241.5     |
| Income before income tax expense         | ¥ 406.7     | ¥ 261.8    | ¥ 30.9                         | ¥ 12.1                                         | ¥ 711.5     |
| Net income                               | ¥ 808.5     | ¥ 247.7    | ¥ 26.0                         | ¥ 3.5                                          | ¥ 1,085.7   |
| Total assets at end of fiscal year       | ¥ 119,543.4 | ¥ 12,504.9 | ¥ 9,175.9                      | ¥ 4,298.2                                      | ¥ 145,522.4 |
| <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     |

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

|                                    |             |            |            |   |         |             |
|------------------------------------|-------------|------------|------------|---|---------|-------------|
| Total assets at end of fiscal year | ¥ 115,715.1 | ¥ 19,025.8 | ¥ 11,490.4 | ¥ | 5,086.5 | ¥ 151,317.8 |
|------------------------------------|-------------|------------|------------|---|---------|-------------|

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, 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 market, 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 market, 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.

### ***Fiscal Year Ended March 31, 2007 Compared to Fiscal Year Ended March 31, 2006***

In the fiscal year ended March 31, 2007, 40.7% of our net income was derived from Japan, 30.9% from the Americas, 16.8% from Europe and 11.6% from Asia/Oceania, excluding Japan, and others. At March 31, 2007, 75.9% of total assets were allocated to Japan, 11.8% to the Americas, 8.8% to Europe and 3.5% from Asia/Oceania, excluding Japan, and others.

Total revenue in Japan increased by ¥368.1 billion from the previous fiscal year due primarily to the increase in trading account gains net, as a result of the gain related to changes in the fair value of instruments used to hedge market risks, mainly interest rate risk, that are not eligible for hedge accounting under U.S. GAAP, and the increase in interest income, due mainly to a rise in average yield on domestic interest earning assets,

**Table of Contents**

partially offset by the decrease in investment gains net, due mainly to impairment losses on preferred stock issued by a large non-bank financial company. Total expenses increased by ¥380.2 billion due primarily to the increase in provision for loan losses, reflecting the downgrade in credit rating of borrowers including the same non-bank financial company. Income tax expense in the fiscal year ended March 31, 2007 was ¥140.3 billion compared to a benefit of ¥401.8 billion in the previous fiscal year. As a result, net income in Japan decreased by ¥554.2 billion. Total assets in Japan decreased by ¥7,700.8 billion due primarily to decreases in investments, mainly Japanese government bonds, and loans.

In the Americas, total revenue increased by ¥211.4 billion due primarily to an increase in interest income, as a result of an increase in average yield reflecting a general increase in U.S. dollar interest rate levels, and an increase in average balances of interest-earning assets, partially offset by a decrease in trading accounting gains net. Total expenses increased by ¥271.7 billion due primarily to an increase in interest expense, due mainly to a rise in average interest rate reflecting a general increase in U.S. dollar interest rate levels, and an increase in average balances of interest-bearing liabilities. As a result, net income in the Americas decreased by ¥55.1 billion. Total assets in the Americas increased by ¥4,885.4 billion due primarily to an increase in receivables under resale agreements, and an increase in investments resulting from our efforts to increase foreign assets.

In Europe, total revenue increased by ¥167.6 billion due primarily to an increase in interest income, and total expenses increased by ¥90.6 billion due primarily to an increase in interest expenses, partially offset by a decrease in provision for loan losses. As a result, net income in Europe increased by ¥78.8 billion. Total assets in Europe increased by ¥3,827.4 billion due primarily to an increase in investments, as a result of our efforts to increase foreign assets, and receivables under resale agreements.

Total revenue in Asia/Oceania excluding Japan, and others increased by ¥135.2 billion due primarily to increases in interest income and trading account gains net. Total expenses increased by ¥64.2 billion due mainly to an increase in interest expenses. As a result, net income in Asia/Oceania excluding Japan, and others increased by ¥68.7 billion. Total assets in Asia/Oceania excluding Japan, and others increased by ¥846.9 billion due primarily to an increase in loans and investments, as a result of our efforts to increase foreign assets.

**Financial Condition****Assets**

Our assets as of March 31, 2007 and 2008 were as follows:

|                                                     | As of March 31,      |             | Increase   |
|-----------------------------------------------------|----------------------|-------------|------------|
|                                                     | 2007                 | 2008        | (decrease) |
|                                                     | (in billions of yen) |             |            |
| Cash and due from banks                             | ¥ 3,075.9            | ¥ 2,085.8   | ¥ (990.1)  |
| Interest-bearing deposits in other banks            | 1,052.3              | 1,549.7     | 497.4      |
| Call loans and funds sold                           | 309.7                | 257.7       | (52.0)     |
| Receivables under resale agreements                 | 9,430.4              | 7,235.2     | (2,195.2)  |
| Receivables under securities borrowing transactions | 8,624.2              | 9,069.1     | 444.9      |
| Trading account assets                              | 13,950.3             | 20,552.4    | 6,602.1    |
| Investments                                         | 38,001.7             | 36,155.7    | (1,846.0)  |
| Loans                                               | 69,182.9             | 68,221.8    | (961.1)    |
| Allowance for loan losses                           | (946.2)              | (649.8)     | 296.4      |
| Loans, net of allowance                             | 68,236.7             | 67,572.0    | (664.7)    |
| Premises and equipment net                          | 847.5                | 852.4       | 4.9        |
| Due from customers on acceptances                   | 57.7                 | 62.3        | 4.6        |
| Accrued income                                      | 440.5                | 380.6       | (59.9)     |
| Goodwill                                            | 39.6                 | 15.0        | (24.6)     |
| Deferred tax assets                                 | 618.7                | 923.6       | 304.9      |
| Other assets                                        | 2,696.1              | 4,606.3     | 1,910.2    |
| Total assets                                        | ¥ 147,381.3          | ¥ 151,317.8 | ¥ 3,936.5  |



**Table of Contents**

Total assets increased by ¥3,936.5 billion from the end of the previous fiscal year to ¥151,317.8 billion as of March 31, 2008. This increase was due primarily to an increase of ¥6,602.1 billion in trading account assets, primarily interest rate-related derivative contracts, and an increase of ¥1,910.2 billion in other assets, due mainly to an increase in accounts receivable from brokers, dealers and customers for securities transactions, offset in part by a decrease of ¥2,195.2 billion in receivables under resale agreements and a decrease of ¥1,846.0 billion in investments.

*Loans**Loans Outstanding*

The following table shows our loans outstanding as of March 31, 2007 and 2008:

|                                                  | As of March 31,                          |         |            |         | Increase   |        |
|--------------------------------------------------|------------------------------------------|---------|------------|---------|------------|--------|
|                                                  | 2007                                     |         | 2008       |         | (decrease) |        |
|                                                  | (in billions of yen, except percentages) |         |            |         |            |        |
| Domestic:                                        |                                          |         |            |         |            |        |
| Manufacturing                                    | ¥ 7,662.0                                | 11.06%  | ¥ 7,806.7  | 11.43%  | ¥ 144.7    | 0.37%  |
| Construction                                     | 1,502.4                                  | 2.17    | 1,429.6    | 2.09    | (72.8)     | (0.08) |
| Real estate                                      | 6,647.1                                  | 9.60    | 6,489.6    | 9.50    | (157.5)    | (0.10) |
| Services                                         | 6,120.1                                  | 8.83    | 5,566.2    | 8.15    | (553.9)    | (0.68) |
| Wholesale and retail                             | 6,356.6                                  | 9.18    | 6,100.1    | 8.93    | (256.5)    | (0.25) |
| Transportation                                   | 2,594.6                                  | 3.75    | 2,516.3    | 3.68    | (78.3)     | (0.07) |
| Banks and other financial institutions           | 4,286.6                                  | 6.19    | 4,355.6    | 6.37    | 69.0       | 0.18   |
| Government and public institutions               | 6,099.4                                  | 8.80    | 5,807.5    | 8.50    | (291.9)    | (0.30) |
| Other industries                                 | 5,451.8                                  | 7.86    | 5,061.1    | 7.40    | (390.7)    | (0.46) |
| Individuals                                      | 12,363.6                                 | 17.85   | 12,326.7   | 18.04   | (36.9)     | 0.19   |
| Mortgage loans                                   | 11,025.1                                 | 15.92   | 11,122.4   | 16.28   | 97.3       | 0.36   |
| Other                                            | 1,338.5                                  | 1.93    | 1,204.3    | 1.76    | (134.2)    | (0.17) |
| Total domestic                                   | 59,084.2                                 | 85.29   | 57,459.4   | 84.09   | (1,624.8)  | (1.20) |
| Foreign:                                         |                                          |         |            |         |            |        |
| Commercial and industrial                        | 7,963.6                                  | 11.50   | 8,815.2    | 12.90   | 851.6      | 1.40   |
| Banks and other financial institutions           | 1,675.5                                  | 2.42    | 1,544.9    | 2.26    | (130.6)    | (0.16) |
| Government and public institutions               | 366.3                                    | 0.53    | 414.7      | 0.61    | 48.4       | 0.08   |
| Other                                            | 184.9                                    | 0.26    | 93.8       | 0.14    | (91.1)     | (0.12) |
| Total foreign                                    | 10,190.3                                 | 14.71   | 10,868.6   | 15.91   | 678.3      | 1.20   |
| Subtotal                                         | 69,274.5                                 | 100.00% | 68,328.0   | 100.00% | (946.5)    |        |
| Less: Unearned income and deferred loan fees net | (91.6)                                   |         | (106.2)    |         | (14.6)     |        |
| Total loans before allowance for loan losses     | ¥ 69,182.9                               |         | ¥ 68,221.8 |         | ¥ (961.1)  |        |

Total loans before allowance for loan losses decreased by ¥961.1 billion from the end of the previous fiscal year to ¥68,221.8 billion as of March 31, 2008. Domestic loans decreased by ¥1,624.8 billion to ¥57,459.4 billion while loans to foreign borrowers increased by ¥678.3 billion to ¥10,868.6 billion as of March 31, 2008. Domestic loans decreased in most of the industries due primarily to lack of funding needs by corporate borrowers, especially SMEs. The decrease in services was due in part to the sale of a large loan. The increase in foreign loans, in spite of the appreciation of the yen against other currencies such as the U.S. dollar, was due primarily to an increase in loans to commercial and industrial borrowers, especially loans to non-Japanese borrowers, as a result of our effort to increase foreign loan assets.

## **Table of Contents**

Within our loan portfolio, loans to domestic borrowers decreased from 85.29% to 84.09% while loans to foreign borrowers increased from 14.71% to 15.91%.

### *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, 2007 and 2008 based on classifications by domicile and industry segment:

|                                        | 2007              |                                              | As of March 31,<br>2008                                       |                                              | Increase (decrease) |                                              |
|----------------------------------------|-------------------|----------------------------------------------|---------------------------------------------------------------|----------------------------------------------|---------------------|----------------------------------------------|
|                                        | Impaired<br>loans | Ratio to gross<br>total loans to<br>industry | Impaired<br>loans<br>(in billions of yen, except percentages) | Ratio to gross<br>total loans to<br>industry | Impaired<br>loans   | Ratio to gross<br>total loans to<br>industry |
| Domestic:                              |                   |                                              |                                                               |                                              |                     |                                              |
| Manufacturing                          | ¥ 96.8            | 1.26%                                        | ¥ 160.8                                                       | 2.06%                                        | ¥ 64.0              | 0.80%                                        |
| Construction                           | 71.6              | 4.76                                         | 88.1                                                          | 6.16                                         | 16.5                | 1.40                                         |
| Real estate                            | 119.0             | 1.79                                         | 106.3                                                         | 1.64                                         | (12.7)              | (0.15)                                       |
| Services                               | 167.6             | 2.74                                         | 200.0                                                         | 3.59                                         | 32.4                | 0.85                                         |
| Wholesale and retail                   | 216.7             | 3.41                                         | 243.3                                                         | 3.99                                         | 26.6                | 0.58                                         |
| Transportation                         | 371.3             | 14.31                                        | 115.0                                                         | 4.57                                         | (256.3)             | (9.74)                                       |
| Banks and other financial institutions | 292.8             | 6.83                                         | 178.1                                                         | 4.09                                         | (114.7)             | (2.74)                                       |
| Other industries                       | 8.6               | 0.07                                         | 11.4                                                          | 0.10                                         | 2.8                 | 0.03                                         |
| Individuals                            | 137.2             | 1.11                                         | 146.0                                                         | 1.18                                         | 8.8                 | 0.07                                         |
| Total domestic                         | 1,481.6           | 2.51                                         | 1,249.0                                                       | 2.17                                         | (232.6)             | (0.34)                                       |
| Foreign                                | 47.3              | 0.46                                         | 46.5                                                          | 0.43                                         | (0.8)               | (0.03)                                       |
| Total impaired loans                   | ¥ 1,528.9         | 2.21%                                        | ¥ 1,295.5                                                     | 1.90%                                        | ¥ (233.4)           | (0.31)%                                      |

Impaired loans decreased by ¥233.4 billion, or 15.3%, from the end of the previous fiscal year to ¥1,295.5 billion as of March 31, 2008 due primarily to a decrease in transportation, as a result of an upgrade in the internal credit rating of a large borrower, and a decrease in banks and other financial institutions, primarily as a result of a debt-for-equity swap involving a loan to a large non-bank financial company borrower. Domestic impaired loans increased in the other industries due primarily to the declining trend in the financial condition of SMEs.

The percentage of impaired loans within gross total loans decreased from 2.21% as of March 31, 2007 to 1.90% as of March 31, 2008. The percentage of impaired loans net of allowance to gross total loans net of allowance increased from 0.85% as of March 31, 2007 to 0.95% as of March 31, 2008.

*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, 2007 and 2008:

|                                                               | As of March 31,                          |            | Increase<br>(decrease) |
|---------------------------------------------------------------|------------------------------------------|------------|------------------------|
|                                                               | 2007                                     | 2008       |                        |
|                                                               | (in billions of yen, except percentages) |            |                        |
| Allowance for loan losses on impaired loans (A)               | ¥ 602.1                                  | ¥ 349.2    | ¥ (252.9)              |
| Allowance for loan losses on other loans (B)                  | 344.0                                    | 300.6      | (43.4)                 |
| Total allowance for loan losses (C)                           | 946.1                                    | 649.8      | (296.3)                |
| Impaired loans requiring an allowance for loan losses (D)     | 1,403.8                                  | 1,089.7    | (314.1)                |
| Impaired loans not requiring an allowance for loan losses (E) | 125.1                                    | 205.8      | 80.7                   |
| Other loans (F)                                               | 67,745.6                                 | 67,032.5   | (713.1)                |
| Gross total loans (G)                                         | ¥ 69,274.5                               | ¥ 68,328.0 | ¥ (946.5)              |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |        |        |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|----------|
| Percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance (A)/(D)x100                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 42.89% | 32.04% | (10.85)% |
| Percentage of allowance for loan losses on other loans against the balance of other loans (B)/(F)x100                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 0.51   | 0.45   | (0.06)   |
| Percentage of total allowance for loan losses against gross total loans (C)/(G)x100                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1.37   | 0.95   | (0.42)   |
| Allowance for loan losses decreased by ¥296.3 billion from the end of the previous fiscal year to ¥649.8 billion as of March 31, 2008. Of such decrease, ¥252.9 billion was attributable to a decrease in the allowance for loan losses on impaired loans due primarily to the debt-for-equity swap involving a loan to a large non-bank financial company borrower and upgrades in the internal credit ratings of some large borrowers, and ¥43.4 billion was attributable to a decrease in the allowance for loan losses on other loans. The percentage of total allowance for loan losses against gross total loans decreased by 0.42% to 0.95%, and the percentage of allowance for loan losses on impaired loans against the balance of impaired loans requiring an allowance decreased by 10.85% to 32.04% due mainly to the upgrades in internal credit ratings of some large borrowers. |        |        |          |

**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, 2007 and 2008:

|                                                       | Fiscal years ended March 31,<br>2007 | Fiscal years ended March 31,<br>2008<br>(in billions of yen) | Increase<br>(decrease) |
|-------------------------------------------------------|--------------------------------------|--------------------------------------------------------------|------------------------|
| Allowance for loan losses at beginning of fiscal year | ¥ 812.3                              | ¥ 946.1                                                      | ¥ 133.8                |
| Provision (credit) for loan losses                    | 182.1                                | (57.8)                                                       | (239.9)                |
| Charge-offs:                                          |                                      |                                                              |                        |
| Domestic:                                             |                                      |                                                              |                        |
| Manufacturing                                         | 11.1                                 | 31.5                                                         | 20.4                   |
| Construction                                          | 2.7                                  | 8.3                                                          | 5.6                    |
| Real estate                                           | 4.7                                  | 3.7                                                          | (1.0)                  |
| Services                                              | 18.0                                 | 88.9                                                         | 70.9                   |
| Wholesale and retail                                  | 25.7                                 | 40.7                                                         | 15.0                   |
| Transportation                                        | 0.3                                  | 3.8                                                          | 3.5                    |
| Banks and other financial institutions                | 6.0                                  | 53.2                                                         | 47.2                   |
| Other industries                                      | 5.5                                  | 12.9                                                         | 7.4                    |
| Individuals                                           | 18.0                                 | 17.4                                                         | (0.6)                  |
| Total domestic charge-offs                            | 92.0                                 | 260.4                                                        | 168.4                  |
| Foreign                                               | 18.6                                 | 10.8                                                         | (7.8)                  |
| Total charge-offs                                     | 110.6                                | 271.2                                                        | 160.6                  |
| Recoveries:                                           |                                      |                                                              |                        |
| Domestic:                                             |                                      |                                                              |                        |
| Manufacturing                                         | 3.3                                  | 2.3                                                          | (1.0)                  |
| Construction                                          | 2.4                                  | 0.9                                                          | (1.5)                  |
| Real estate                                           | 3.2                                  | 13.8                                                         | 10.6                   |
| Services                                              | 12.4                                 | 7.4                                                          | (5.0)                  |
| Wholesale and retail                                  | 4.7                                  | 7.3                                                          | 2.6                    |
| Transportation                                        | 0.2                                  | 0.2                                                          | (0.0)                  |
| Banks and other financial institutions                | 0.2                                  | 3.6                                                          | 3.4                    |
| Other industries                                      | 2.4                                  | 1.4                                                          | (1.0)                  |
| Individuals                                           | 3.4                                  | 2.8                                                          | (0.6)                  |
| Total domestic recoveries                             | 32.2                                 | 39.7                                                         | 7.5                    |
| Foreign                                               | 25.8                                 | 7.7                                                          | (18.1)                 |
| Total recoveries                                      | 58.0                                 | 47.4                                                         | (10.6)                 |
| Net charge-offs                                       | 52.6                                 | 223.8                                                        | 171.2                  |
| Others <sup>(1)</sup>                                 | 4.3                                  | (14.7)                                                       | (19.0)                 |
| Balance at end of fiscal year                         | ¥ 946.1                              | ¥ 649.8                                                      | ¥ (296.3)              |

Note:

(1) Others include primarily foreign exchange translation.

We recorded 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 fiscal year ended March 31, 2007. The credit for loan losses was due mainly to upgrades in the internal credit ratings of some large borrowers, whose operating results and financial condition have improved. This credit was offset in part by provision for loan losses due mainly to the declining trend in the financial condition of SMEs that have relatively weak business bases and the downgrading to lower internal credit ratings of some large borrowers that experienced financial difficulties during the fiscal year.

**Table of Contents**

Charge-offs increased by ¥160.6 billion from the previous fiscal year to ¥271.2 billion for the fiscal year ended March 31, 2008. Charge-offs of domestic loans increased by ¥168.4 billion compared to the previous fiscal year to ¥260.4 billion in the fiscal year ended March 31, 2008 due primarily to a sale of loan to a large borrower in services and a debt-for-equity swap involving a loan to a large non-bank financial company borrower. Increases in the other industries were due primarily to an increase in disposals of impaired loans to SMEs and the borrowers that experienced financial difficulties referred to in the preceding paragraph. Charge-offs of foreign loans decreased by ¥7.8 billion compared to the previous fiscal year to ¥10.8 billion in the fiscal year ended March 31, 2008.

Recoveries decreased by ¥10.6 billion from the previous fiscal year to ¥47.4 billion in the fiscal year ended March 31, 2008, reflecting a decrease in recoveries with respect to foreign loans offset in part by an increase with respect to domestic loans. In general, recoveries with respect to loans to the industries in which we had significant amounts of impaired loans in recent years accounted for most of the recoveries.

*Investments*

The majority of our investments are available-for-sale securities and held-to-maturity securities which at March 31, 2007 and 2008 were as follows:

|                                       | 2007           |            |                               | As of March 31, |            |                               | 2008           |             |                               | 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) | Amortized cost      | Fair value | Net unrealized gains (losses) |
| (in billions of yen)                  |                |            |                               |                 |            |                               |                |             |                               |                     |            |                               |
| <b>Available-for-sale securities:</b> |                |            |                               |                 |            |                               |                |             |                               |                     |            |                               |
| Debt securities                       | ¥ 29,467.1     | ¥ 29,606.7 | ¥ 139.6                       | ¥ 29,844.2      | ¥ 29,859.1 | ¥ 14.9                        | ¥ 377.1        | ¥ 252.4     | ¥ (124.7)                     |                     |            |                               |
| Japanese government bonds             | 14,524.9       | 14,516.0   | (8.9)                         | 16,216.1        | 16,212.4   | (3.7)                         | 1,691.2        | 1,696.4     | 5.2                           |                     |            |                               |
| Other than Japanese government bonds  | 14,942.2       | 15,090.7   | 148.5                         | 13,628.1        | 13,646.7   | 18.6                          | (1,314.1)      | (1,444.0)   | (129.9)                       |                     |            |                               |
| Equity securities (marketable)        | 2,591.1        | 6,264.0    | 3,672.9                       | 2,619.5         | 4,512.5    | 1,893.0                       | 28.4           | (1,751.5)   | (1,779.9)                     |                     |            |                               |
| Total                                 | ¥ 32,058.2     | ¥ 35,870.7 | ¥ 3,812.5                     | ¥ 32,463.7      | ¥ 34,371.6 | ¥ 1,907.9                     | ¥ 405.5        | ¥ (1,499.1) | ¥ (1,904.6)                   |                     |            |                               |
| <b>Held-to-maturity securities:</b>   |                |            |                               |                 |            |                               |                |             |                               |                     |            |                               |
| Debt securities                       | ¥ 1,337.6      | ¥ 1,329.4  | ¥ (8.2)                       | ¥ 778.9         | ¥ 783.8    | ¥ 4.9                         | ¥ (558.7)      | ¥ (545.6)   | ¥ 13.1                        |                     |            |                               |
| Japanese government bonds             | 969.1          | 967.2      | (1.9)                         | 490.0           | 490.1      | 0.1                           | (479.1)        | (477.1)     | 2.0                           |                     |            |                               |
| Other than Japanese government bonds  | 368.5          | 362.2      | (6.3)                         | 288.9           | 293.7      | 4.8                           | (79.6)         | (68.5)      | 11.1                          |                     |            |                               |
| Total                                 | ¥ 1,337.6      | ¥ 1,329.4  | ¥ (8.2)                       | ¥ 778.9         | ¥ 783.8    | ¥ 4.9                         | ¥ (558.7)      | ¥ (545.6)   | ¥ 13.1                        |                     |            |                               |

Available-for-sale securities decreased by ¥1,499.1 billion from the end of the previous fiscal year to ¥34,371.6 billion at March 31, 2008. This decrease was a result of a decrease in equity securities due mainly to the decline in Japanese stock prices during the fiscal period, and a decrease in debt securities other than Japanese government bonds, primarily European foreign government bonds, as a result of divestitures conducted in light of interest rate movements, offset in part by an increase in Japanese government bonds, taking advantage of their safety and liquidity during the dislocation in the global financial markets. Held-to-maturity securities decreased by ¥558.7 billion from the end of the previous fiscal year to ¥778.9 billion at March 31, 2008. This decrease was due primarily to a decrease in Japanese government bonds as the bonds matured during the previous fiscal year. See [Overview](#) [Impact of the Dislocation in the Global Financial Markets](#) for details of securitization products included within investments and note 4 to our consolidated financial statements included elsewhere in this annual report for details of other investments included within investments.

**Table of Contents***Cash and Due from Banks*

Cash and due from banks decreased by ¥990.1 billion from the end of the previous fiscal year to ¥2,085.8 billion at March 31, 2008. The decrease was due to net cash used in operating activities of ¥3,578.1 billion and net cash used in investing activities of ¥1,776.3 billion being offset in part by net cash provided by financing activities of ¥4,384.6 billion.

*Liabilities*

The following table shows our liabilities as of March 31, 2007 and 2008:

|                                                | As of March 31,<br>2007 | As of March 31,<br>2008<br>(in billions of yen) | Increase<br>(decrease) |
|------------------------------------------------|-------------------------|-------------------------------------------------|------------------------|
| Deposits                                       | ¥ 83,751.3              | ¥ 86,429.1                                      | ¥ 2,677.8              |
| Debentures                                     | 4,723.8                 | 3,159.4                                         | (1,564.4)              |
| Due to trust accounts                          | 1,135.4                 | 1,119.9                                         | (15.5)                 |
| Call money and funds purchased                 | 6,924.1                 | 6,693.7                                         | (230.4)                |
| Payables under repurchase agreements           | 12,821.8                | 11,511.0                                        | (1,310.8)              |
| Payables under securities lending transactions | 6,100.8                 | 7,095.1                                         | 994.3                  |
| Commercial paper                               | 933.6                   | 561.0                                           | (372.6)                |
| Other short-term borrowings                    | 4,283.5                 | 4,812.8                                         | 529.3                  |
| Trading account liabilities                    | 11,310.0                | 14,120.4                                        | 2,810.4                |
| Bank acceptances outstanding                   | 57.7                    | 62.3                                            | 4.6                    |
| Income taxes payable                           | 28.6                    | 28.8                                            | 0.2                    |
| Deferred tax liabilities                       | 16.4                    | 11.2                                            | (5.2)                  |
| Accrued expenses                               | 312.7                   | 294.2                                           | (18.5)                 |
| Long-term debt                                 | 7,073.9                 | 7,618.9                                         | 545.0                  |
| Other liabilities                              | 2,903.4                 | 4,231.8                                         | 1,328.4                |
| Total liabilities                              | ¥ 142,377.0             | ¥ 147,749.6                                     | ¥ 5,372.6              |

Total liabilities increased by ¥5,372.6 billion from the end of the previous fiscal year to ¥147,749.6 billion at March 31, 2008. This increase was due primarily to an increase of ¥2,810.4 billion in trading account liabilities, primarily interest rate-related derivative contracts, and an increase of ¥2,677.8 billion in deposits offset in part by a decrease of ¥1,564.4 billion in debentures. Short-term borrowings, which includes 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, decreased by ¥405.7 billion.

*Deposits*

The following table shows a breakdown of our deposits as of March 31, 2007 and 2008:

|                               | As of March 31,<br>2007 | As of March 31,<br>2008<br>(in billions of yen) | Increase<br>(decrease) |
|-------------------------------|-------------------------|-------------------------------------------------|------------------------|
| Domestic:                     |                         |                                                 |                        |
| Non-interest-bearing deposits | ¥ 13,166.6              | ¥ 10,846.5                                      | ¥ (2,320.1)            |
| Interest-bearing deposits     | 61,012.8                | 66,329.6                                        | 5,316.8                |
| Total domestic deposits       | 74,179.4                | 77,176.1                                        | 2,996.7                |
| Foreign:                      |                         |                                                 |                        |
| Non-interest-bearing deposits | 350.6                   | 412.9                                           | 62.3                   |

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

|                           |            |            |           |
|---------------------------|------------|------------|-----------|
| Interest-bearing deposits | 9,221.3    | 8,840.1    | (381.2)   |
| Total foreign deposits    | 9,571.9    | 9,253.0    | (318.9)   |
| Total deposits            | ¥ 83,751.3 | ¥ 86,429.1 | ¥ 2,677.8 |

**Table of Contents**

Deposits increased by ¥2,677.8 billion from the end of the previous fiscal year to ¥86,429.1 billion at March 31, 2008. Domestic deposits increased by ¥2,996.7 billion to ¥77,176.1 billion due to an increase in interest-bearing deposits by ¥5,316.8 billion, as corporations shifted their deposits from non-interest-bearing to interest-bearing due to the trend of rising interest rates, and as individuals put more of their financial assets in deposits rather than investment products such as investment trusts resulting from the dislocation in the global financial markets. Foreign deposits decreased by ¥318.9 billion from the end of the previous fiscal year to ¥9,253.0 billion due mainly to the appreciation of the yen against the U.S. dollar.

*Debentures*

Debentures decreased by ¥1,564.4 billion from the end of the previous fiscal year to ¥3,159.4 billion at March 31, 2008. 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, 2007 and 2008:

|                                                                                                              | As of March 31,      |                   |                   |                   |                   |                   | Increase (decrease) |                    |                  |
|--------------------------------------------------------------------------------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|--------------------|------------------|
|                                                                                                              | Domestic             | 2007 Foreign      | Total             | Domestic          | 2008 Foreign      | Total             | Domestic            | Foreign            | Total            |
|                                                                                                              | (in billions of yen) |                   |                   |                   |                   |                   |                     |                    |                  |
| Due to trust accounts                                                                                        | ¥ 1,135.4            |                   | ¥ 1,135.4         | ¥ 1,119.9         |                   | ¥ 1,119.9         | ¥ (15.5)            |                    | ¥ (15.5)         |
| Call money and funds purchased, and payables under repurchase agreements and securities lending transactions | 13,196.0             | 12,650.7          | 25,846.7          | 14,701.8          | 10,598.1          | 25,299.9          | 1,505.8             | (2,052.6)          | (546.8)          |
| Commercial paper                                                                                             | 658.1                | 275.5             | 933.6             | 294.0             | 267.0             | 561.0             | (364.1)             | (8.5)              | (372.6)          |
| Other short-term borrowings                                                                                  | 4,080.3              | 203.2             | 4,283.5           | 4,413.9           | 398.8             | 4,812.7           | 333.6               | 195.6              | 529.2            |
| <b>Total short-term borrowings</b>                                                                           | <b>¥ 19,069.8</b>    | <b>¥ 13,129.4</b> | <b>¥ 32,199.2</b> | <b>¥ 20,529.6</b> | <b>¥ 11,263.9</b> | <b>¥ 31,793.5</b> | <b>¥ 1,459.8</b>    | <b>¥ (1,865.5)</b> | <b>¥ (405.7)</b> |

Short-term borrowings decreased by ¥405.7 billion from the end of the previous fiscal year to ¥31,793.5 billion at March 31, 2008. Domestic short-term borrowings, especially payables under securities lending transactions, increased by ¥1,459.8 billion as domestic assets such as trading account assets increased. Foreign short-term borrowings decreased by ¥1,865.5 billion due mainly to a decrease in payables under repurchase agreements.

*Shareholders' Equity*

The following table shows a breakdown of shareholders' equity as of March 31, 2007 and 2008:

|                                                    | As of March 31,      |                  | Increase (decrease) |
|----------------------------------------------------|----------------------|------------------|---------------------|
|                                                    | 2007                 | 2008             |                     |
|                                                    | (in billions of yen) |                  |                     |
| Preferred stock                                    | ¥ 980.4              | ¥ 980.4          | ¥                   |
| Common stock                                       | 3,532.5              | 3,437.4          | (95.1)              |
| Accumulated deficit                                | (2,105.7)            | (2,066.6)        | 39.1                |
| Accumulated other comprehensive income, net of tax | 2,287.8              | 920.1            | (1,367.7)           |
| Treasury stock, at cost                            | (32.3)               | (2.5)            | 29.8                |
| <b>Total shareholders' equity</b>                  | <b>¥ 4,662.7</b>     | <b>¥ 3,268.8</b> | <b>¥ (1,393.9)</b>  |





**Table of Contents**

Shareholders' equity decreased by ¥1,393.9 billion from the end of the previous fiscal year to ¥3,268.8 billion. Common stock decreased by ¥95.1 billion from the end of the previous fiscal year to ¥3,437.4 billion at March 31, 2008 as a result of our repurchase in August and September 2007 and subsequent cancellation of a total of 214,900 shares of our common stock for ¥150.0 billion on the Tokyo Stock Exchange through a trust established for this purpose as well as the cancellation of the shares of common stock that were repurchased from our subsidiary, Mizuho Financial Strategy, in May 2007. See Overview Capital Improvements.

Accumulated deficit decreased by ¥39.1 billion from the end of the previous fiscal year to ¥2,066.6 billion. This decrease was due primarily to net income of ¥228.6 billion for the fiscal year ended March 31, 2008, offset in part by dividend payments of ¥101.2 billion and an increase of ¥85.1 billion as a result of the cancellation of common stock.

Accumulated other comprehensive income, net of tax, decreased by ¥1,367.7 billion from the end of the previous fiscal year to ¥920.1 billion at March 31, 2008 due primarily to a decrease in unrealized net gains on available-for-sale securities of ¥1,111.2 billion.

Treasury stock decreased by ¥29.8 billion from ¥32.3 billion at the end of the previous fiscal year to ¥2.5 billion at March 31, 2008 due to the cancellation of common stock of ¥180.2 billion, offset in part by the repurchase of common stock of ¥150.5 billion.

**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 increased by ¥1,113.4 billion, or 1.3%, from the end of the previous fiscal year to ¥89,588.5 billion as of March 31, 2008. As shown in the following table, our average balance of deposits and debentures combined for the fiscal year ended March 31, 2008 exceeded our average balance of loans for the same period by ¥19,127.8 billion. We invested the excess portion primarily in marketable securities and other high-liquidity assets.

**Average balance for the fiscal year ended March 31, 2008**  
(in billions of yen)

|       |            |            |            |
|-------|------------|------------|------------|
| Loans | ¥ 68,522.5 | Deposits   | ¥ 83,685.0 |
|       |            | Debentures | 3,965.3    |

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 ¥150.0 billion in straight bonds each quarter, or ¥600.0 billion each year, as a replacement for such debentures. We also ceased all new issuances of debentures by Mizuho Bank through its retail branch network in March 2007. We believe the balance of our debentures will decrease significantly in the following years as a result.

**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 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 August 31, 2008:

|                        | As of August 31, 2008 |            |                         |           |            |                       |
|------------------------|-----------------------|------------|-------------------------|-----------|------------|-----------------------|
|                        | 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                       | Aa2       | P-1        | C                     |
| Mizuho Bank            | A+                    | A-1        | B                       | Aa2       | P-1        | C                     |
| Mizuho Trust & Banking | A+                    | A-1        | B                       | Aa2       | P-1        | C                     |

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****Regulatory Capital Requirements**

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

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

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 foundation internal ratings-based approach ( FIRB approach ). Under the FIRB approach, balance sheet assets and off-balance sheet exposures, calculated under Japanese GAAP, are assessed in terms of credit risk according to risk components such as probability of default and loss given default. Probability of default is derived by Mizuho Financial Group's own internal credit experience. In addition to credit risk, banks are required to measure and apply capital charges with respect to their market risks. Market risk is defined as the risk of losses in on- and off-balance-sheet positions arising from movements in market prices. Operational risk, which was introduced under Basel II with

## **Table of Contents**

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 core 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: 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 goodwill and consolidation adjustment accounts. 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 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 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.

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

**Table of Contents****Consolidated Capital Adequacy Ratios**

Our capital adequacy ratios as of March 31, 2007 and 2008 calculated in accordance with Japanese GAAP and guidelines established by the Ministry of Finance and the Financial Services Agency are as set forth in the following table:

|                                               | As of March 31,<br>2007                  | 2008       | Increase<br>(decrease) |
|-----------------------------------------------|------------------------------------------|------------|------------------------|
|                                               | (in billions of yen, except percentages) |            |                        |
| Tier 1 capital                                | ¥ 4,933.6                                | ¥ 4,880.2  | ¥ (53.4)               |
| Tier 2 capital included as qualifying capital | 4,092.6                                  | 3,221.8    | (870.8)                |
| Deductions for total risk-based capital       | (184.8)                                  | (393.7)    | (208.9)                |
| Total risk-based capital                      | ¥ 8,841.4                                | ¥ 7,708.3  | ¥ (1,133.1)            |
| Risk-weighted assets                          | ¥ 70,795.5                               | ¥ 65,872.9 | ¥ (4,922.6)            |
| Tier 1 capital ratio                          | 6.96%                                    | 7.40%      | 0.44%                  |
| Required Tier 1 ratio                         | 4.00                                     | 4.00       |                        |
| Capital adequacy ratio                        | 12.48                                    | 11.70      | (0.78)                 |
| Required capital adequacy ratio               | 8.00                                     | 8.00       |                        |

Note: Percentages in the above table are truncated.

Our capital adequacy ratio as of March 31, 2008 was 11.70%, a decline of 0.78% compared to March 31, 2007. The decline was due mainly to the greater decrease in terms of percentage of total risk-based capital than the decrease in terms of percentage of risk-weighted assets. Our Tier 1 capital ratio as of March 31, 2008 was 7.40%, a rise of 0.44% compared to March 31, 2007. The rise was due mainly to the rate of decrease of risk-weighted assets outweighing the rate of decrease of Tier 1 capital. We believe that we were in compliance with all capital adequacy requirements to which we were subject as of March 31, 2008.

**Capital**

The following table shows a breakdown of our total risk-based capital as of March 31, 2007 and 2008:

|                                                | As of March 31,<br>2007 | 2008      | Increase<br>(decrease) |
|------------------------------------------------|-------------------------|-----------|------------------------|
|                                                | (in billions of yen)    |           |                        |
| <b>Tier 1 capital:</b>                         |                         |           |                        |
| Common stock and preferred stock               | ¥ 1,541.0               | ¥ 1,541.0 |                        |
| Capital surplus                                | 411.1                   | 411.1     | ¥ (0.0)                |
| Retained earnings                              | 1,439.9                 | 1,475.8   | 35.9                   |
| Minority interest in consolidated subsidiaries | 1,726.2                 | 1,733.4   | 7.2                    |
| Treasury stock                                 | (32.3)                  | (2.5)     | 29.8                   |
| Dividends                                      | (101.2)                 | (133.9)   | (32.7)                 |
| Foreign currency translation adjustments       | (39.0)                  | (78.4)    | (39.4)                 |
| Goodwill equivalent                            |                         |           |                        |
| Other                                          | (12.1)                  | (66.3)    | (54.2)                 |
| Total Tier 1 capital                           | 4,933.6                 | 4,880.2   | (53.4)                 |
| <b>Tier 2 capital:</b>                         |                         |           |                        |
| 45% of unrealized gains on other securities    | 1,100.8                 | 289.8     | (811.0)                |

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

|                                                |                  |                  |                    |
|------------------------------------------------|------------------|------------------|--------------------|
| 45% of revaluation reserve for land            | 116.0            | 113.7            | (2.3)              |
| General reserve for possible losses on loans   | 131.6            | 7.9              | (123.7)            |
| Debt capital                                   | 2,744.2          | 2,810.4          | 66.2               |
| <b>Total Tier 2 capital</b>                    | <b>4,092.6</b>   | <b>3,221.8</b>   | <b>(870.8)</b>     |
| <b>Deductions for total risk-based capital</b> | <b>(184.8)</b>   | <b>(393.7)</b>   | <b>(208.9)</b>     |
| <b>Total risk-based capital</b>                | <b>¥ 8,841.4</b> | <b>¥ 7,708.3</b> | <b>¥ (1,133.1)</b> |

**Table of Contents**

Our Tier 1 capital decreased by ¥53.4 billion from the end of the previous fiscal year to ¥4,880.2 billion as of March 31, 2008. Of this decrease, ¥185.5 billion was due to our redemption of non-dilutive preferred securities issued by overseas special purpose companies, ¥150.0 billion was due to repurchases and cancellation of our common stock and ¥133.9 billion was due to dividend payments on common stock paid to shareholders with respect to the fiscal year ended on March 31, 2008. These effects were offset in part by net income of ¥311.2 billion in the fiscal year ended March 31, 2008 and the issuance of non-dilutive preferred securities for ¥274.5 billion during the fiscal year through overseas special purpose companies.

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, 2008, the amount of minority interest in consolidated subsidiaries within our Tier 1 capital that was attributable to such non-dilutive preferred securities was ¥1,539.7 billion. Although such non-dilutive preferred securities are perpetual in term, they are redeemable at our option, subject to prior approval from regulatory authorities, on, and on specified dates after, the relevant initial optional redemption date. The following table shows the initial optional redemption dates for the non-dilutive preferred securities included within our Tier 1 capital as of March 31, 2008 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.

| <b>Initial optional redemption date</b> | <b>Amount of<br/>non-dilutive<br/>preferred securities<br/>included within<br/>Tier 1 capital<br/>(in billions of yen)</b> |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| June 2008                               | ¥ 379.0 <sup>(1)</sup>                                                                                                     |
| June 2009                               | 176.0                                                                                                                      |
| June 2011                               | 79.1 <sup>(2)</sup>                                                                                                        |
| June 2012                               | 171.0                                                                                                                      |
| June 2016                               | 460.1 <sup>(3)</sup>                                                                                                       |
| June 2018                               | 274.5                                                                                                                      |

Notes:

- (1) In June 2008, we redeemed ¥379.0 billion of non-dilutive preferred securities, denominated in dollars (\$2.6 billion) and yen (¥118.5 billion).
  - (2) Denominated in euros ( 500.0 million).
  - (3) Denominated in yen (¥400.0 billion) and dollars (\$600.0 million).
  - (4) In July 2008, we issued ¥303.0 billion of non-dilutive preferred securities with an initial optional redemption date in June 2019.
- 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:

|                                                 | <b>2005</b>              | <b>As of March 31,<br/>2006</b>                 | <b>2007</b> | <b>2008</b> |
|-------------------------------------------------|--------------------------|-------------------------------------------------|-------------|-------------|
|                                                 |                          | <b>(in billions of yen, except percentages)</b> |             |             |
| Preferred stock                                 | ¥ 2,446.8 <sup>(1)</sup> | ¥ 1,580.4 <sup>(1)</sup>                        | ¥ 980.4     | ¥ 980.4     |
| Non-dilutive preferred securities               | 927.9                    | 1,095.7                                         | 1,505.0     | 1,539.7     |
| Percentage within Tier 1 capital <sup>(2)</sup> | 80.9%                    | 58.7%                                           | 50.4%       | 51.6%       |

Notes:

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

- (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) Tier 1 capital on a Basel I basis was used for March 31, 2005 and 2006 figures, and that of on a Basel II basis was used for March 31, 2007 and 2008 figures.



**Table of Contents**

Our Tier 2 capital included as qualifying capital as of March 31, 2008 was ¥3,221.8 billion, a decrease of ¥870.8 billion compared to March 31, 2007. The decrease was due mainly to a decrease in unrealized gains on other securities as a result of declines in domestic stock markets.

As a result of the above, together with deductions of ¥393.7 billion, total risk-based capital as of March 31, 2008 was ¥7,708.3 billion, a decrease of ¥1,133.1 billion compared to March 31, 2007.

**Risk-weighted Assets**

The following table shows a breakdown of our risk-weighted assets as of March 31, 2007 and 2008:

|                                    | As of March 31,<br>2007                      2008<br>(in billions of yen) |            | Increase<br>(decrease) |
|------------------------------------|---------------------------------------------------------------------------|------------|------------------------|
| Risk-weighted assets:              |                                                                           |            |                        |
| On-balance-sheet items             | ¥ 48,718.6                                                                | ¥ 48,988.1 | ¥ 269.5                |
| Off-balance-sheet items            | 11,036.5                                                                  | 11,195.8   | 159.3                  |
| Credit risk assets                 | 59,755.1                                                                  | 60,183.9   | 428.8                  |
| Market risk equivalent assets      | 2,186.5                                                                   | 2,053.0    | (133.5)                |
| Operational risk equivalent assets | 3,877.5                                                                   | 3,636.0    | (241.5)                |
| Adjusted floor amount              | 4,976.4                                                                   |            | (4,976.4)              |
| Total                              | ¥ 70,795.5                                                                | ¥ 65,872.9 | ¥ (4,922.6)            |

Risk-weighted assets as of March 31, 2008 was ¥65,872.9 billion, representing a decrease of ¥4,922.6 billion compared to March 31, 2007. On-balance-sheet items increased by ¥269.5 billion to ¥48,988.1 billion due mainly to an increase in loans to corporate customers outside of Japan. Off-balance-sheet items increased by ¥159.3 billion to ¥11,195.8 billion due mainly to an increase in derivatives transactions. Market risk equivalent assets decreased by ¥133.5 billion to ¥2,053.0 billion due mainly to a decrease in securities trading activities. Operational risk equivalent assets decreased by ¥241.5 billion to ¥3,636.0 billion. We had no adjusted floor amount as of March 31, 2008, following the transitional treatment formula regarding risk-weighted assets in connection with the migration from Basel I to Basel II.

**Table of Contents**

The following table shows required capital by portfolio classification as of March 31, 2008:

|                                                    | Fiscal year ended March 31, 2008 |                                 |
|----------------------------------------------------|----------------------------------|---------------------------------|
|                                                    | Exposure at default              | Required capital <sup>(1)</sup> |
|                                                    | (in billions of yen)             |                                 |
| Credit risk                                        | ¥ 148,517.6                      | ¥ 6,261.6                       |
| Internal ratings-based approach                    | 138,667.2                        | 5,931.0                         |
| Corporate (except specialized lending)             | 55,036.7                         | 3,470.1                         |
| Corporate (specialized lending)                    | 2,909.7                          | 279.0                           |
| Sovereign                                          | 41,705.9                         | 63.7                            |
| Bank                                               | 7,914.3                          | 118.0                           |
| Retail                                             | 12,943.7                         | 555.3                           |
| Residential mortgage                               | 10,309.2                         | 386.7                           |
| Qualifying revolving loans                         | 329.0                            | 23.0                            |
| Other retail                                       | 2,305.5                          | 145.5                           |
| Equities, etc.                                     | 5,086.8                          | 628.0                           |
| Probability of default/Loss given default approach | 1,060.9                          | 234.3                           |
| Market-based approach (simple risk weight method)  | 277.6                            | 75.8                            |
| Market-based approach (internal models approach)   |                                  |                                 |
| Transitional measure applied                       | 3,748.2                          | 317.8                           |
| Regarded-method exposure                           | 1,511.9                          | 359.1                           |
| Purchased receivables                              | 2,852.6                          | 118.8                           |
| Securitizations                                    | 6,484.6                          | 160.5                           |
| Others                                             | 2,220.5                          | 178.0                           |
| Standardized approach                              | 9,850.3                          | 330.6                           |
| Sovereign                                          | 3,672.2                          | 3.3                             |
| Bank                                               | 2,841.0                          | 48.8                            |
| Corporate                                          | 2,453.8                          | 183.2                           |
| Residential mortgage                               | 0.0                              | 0.0                             |
| Securitizations                                    | 67.2                             | 30.4                            |
| Others                                             | 815.8                            | 64.8                            |
| Market risk                                        | n.a.                             | 164.2                           |
| Standardized approach                              | n.a.                             | 112.9                           |
| Interest rate risk                                 | n.a.                             | 84.1                            |
| Equities risk                                      | n.a.                             | 18.1                            |
| Foreign exchange risk                              | n.a.                             | 4.1                             |
| Commodities risk                                   | n.a.                             | 6.4                             |
| Option transactions                                | n.a.                             |                                 |
| Internal models approach                           | n.a.                             | 51.2                            |
| Operational risk (standardized approach)           | n.a.                             | 290.8                           |
| Total required capital <sup>(2)</sup>              | n.a.                             | 5,269.8                         |

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.
- (3) Figures in the above table are truncated.

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

Capital adequacy ratios of our principal banking subsidiaries, on a consolidated basis, as of March 31, 2007 and 2008, calculated in accordance with Japanese GAAP and guidelines established by the Ministry of Finance and the Financial Services Agency, were as set forth in the following table:

|                                   | As of March 31, |       | Increase<br>(decrease) |
|-----------------------------------|-----------------|-------|------------------------|
|                                   | 2007            | 2008  |                        |
| <b>Mizuho Corporate Bank</b>      |                 |       |                        |
| BIS standard:                     |                 |       |                        |
| Tier 1 capital ratio              | 8.56%           | 8.48% | (0.08)%                |
| Capital adequacy ratio            | 14.01           | 12.17 | (1.84)                 |
| <b>Mizuho Bank<sup>(1)</sup></b>  |                 |       |                        |
| Domestic standard:                |                 |       |                        |
| Tier 1 capital ratio              | 7.11            | 7.28  | 0.17                   |
| Capital adequacy ratio            | 11.74           | 11.97 | 0.23                   |
| BIS standard:                     |                 |       |                        |
| Tier 1 capital ratio              | 6.85            | 7.22  | 0.37                   |
| Capital adequacy ratio            | 11.92           | 11.87 | (0.05)                 |
| <b>Mizuho Trust &amp; Banking</b> |                 |       |                        |
| BIS standard:                     |                 |       |                        |
| Tier 1 capital ratio              | 8.96            | 10.16 | 1.20                   |
| Capital adequacy ratio            | 15.69           | 15.87 | 0.18                   |

Notes:

- (1) The Bank for International Settlements 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 Bank for International Settlements standards is included for reference purpose only.
- (2) Percentages in the above table are truncated.

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, 2008.

Our securities subsidiaries in Japan are also subject to the capital adequacy rules of the Financial Services Agency under the Financial Instruments 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 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, 2008, 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, 2007 and 2008:

|                                                 | As of March 31,      |            | Increase   |
|-------------------------------------------------|----------------------|------------|------------|
|                                                 | 2007                 | 2008       | (decrease) |
|                                                 | (in billions of yen) |            |            |
| <b>Guarantees:</b>                              |                      |            |            |
| Performance guarantees                          | ¥ 1,678.7            | ¥ 1,899.8  | ¥ 221.1    |
| Guarantees on loans                             | 1,127.0              | 1,070.8    | (56.2)     |
| Guarantees on securities                        | 24.0                 | 6.6        | (17.4)     |
| Other guarantees                                | 1,057.4              | 1,157.4    | 100.0      |
| Guarantees for the repayment of trust principal | 1,160.0              | 995.3      | (164.7)    |
| Liabilities of trust accounts                   | 6,073.7              | 8,131.7    | 2,058.0    |
| Derivative financial instruments                | 120,008.4            | 95,697.4   | (24,311.0) |
|                                                 |                      |            |            |
|                                                 | As of March 31,      |            | Increase   |
|                                                 | 2007                 | 2008       |            |
|                                                 | (in billions of yen) |            |            |
| <b>Commitments:</b>                             |                      |            |            |
| Commitments to extend credit                    | ¥ 47,904.6           | ¥ 48,670.6 | ¥ 766.0    |
| Commitments to invest in securities             | 136.5                | 149.6      | 13.1       |
| Commercial letters of credit                    | 535.9                | 537.0      | 1.1        |
|                                                 |                      |            |            |
| Total commitments                               | ¥ 48,577.0           | ¥ 49,357.2 | ¥ 780.2    |

See note 23 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.

**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

## **Table of Contents**

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 also provide liquidity support and credit enhancement to the 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 counter party and/or investor for debt and equity instruments.

### ***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.

### ***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 management companies, including our subsidiaries and affiliates, administer and make the investment decisions with respect to such investment funds.

### ***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.

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

**Table of Contents**

expected loss calculation that we do not absorb a majority of the expected losses or residual returns in connection with these trust arrangements and, therefore, the trust accounts are not included in our consolidated financial statements.

**Significant Unconsolidated VIEs**

The tables below summarize our involvement in significant unconsolidated VIEs as of March 31, 2007 and 2008:

| As of March 31, 2007                        | Significant unconsolidated VIEs      |                          |
|---------------------------------------------|--------------------------------------|--------------------------|
|                                             | Total assets<br>(in millions of yen) | Maximum exposure to loss |
| Asset-backed commercial paper/loan programs | ¥ 16,524                             | ¥ 10                     |
| Asset-backed securitizations                | 1,471,549                            | 81,898                   |
| Investments in securitization products      | 34,175                               | 5,165                    |
| Investment funds                            | 1,501,188                            | 176,358                  |
| Trust arrangements and other                | 1,162,482                            | 573,403                  |
| Total                                       | ¥ 4,185,918                          | ¥ 836,834                |

| As of March 31, 2008                        | Significant unconsolidated VIEs      |                          |
|---------------------------------------------|--------------------------------------|--------------------------|
|                                             | Total assets<br>(in millions of yen) | Maximum exposure to loss |
| Asset-backed commercial paper/loan programs | ¥ 1,642,466                          | ¥ 73,962                 |
| Asset-backed securitizations                |                                      |                          |
| 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                |

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, 2008. 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 25 to our consolidated financial statements included elsewhere in this annual report for further descriptions of variable interest entities and securitizations.

**Table of Contents****Tabular Disclosure of Contractual Obligations**

In the normal course of business, we enter into contractual obligations that require future cash payments. The following table sets forth a summary of our contractual cash obligations as of March 31, 2008:

|                         | 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           | ¥ 31,257.3                 | ¥ 2,055.6                            | ¥ 1,424.9                               | ¥ 272.7                                  | ¥ 248.1                                 | ¥ 119.1                 | ¥ 35,377.7 |
| Certificates of deposit | 10,074.9                   | 13.8                                 |                                         |                                          |                                         |                         | 10,088.7   |
| Debentures              | 914.4                      | 891.2                                | 930.5                                   | 229.9                                    | 193.4                                   |                         | 3,159.4    |
| Long-term debt          | 851.3                      | 860.0                                | 473.8                                   | 1,144.5                                  | 1,071.0                                 | 3,218.3                 | 7,618.9    |
| Operating leases        | 43.8                       | 31.1                                 | 27.2                                    | 24.4                                     | 21.7                                    | 33.1                    | 181.3      |
| Total                   | ¥ 43,141.7                 | ¥ 3,851.7                            | ¥ 2,856.4                               | ¥ 1,671.5                                | ¥ 1,534.2                               | ¥ 3,370.5               | ¥ 56,426.0 |

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

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (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 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 and FSP No. FAS157-2, Effective Date of FASB Statement No. 157, 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. The MHFG Group is currently evaluating the potential impact that the adoption of SFAS No. 157 will have on its consolidated results of operations and financial condition.

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 and the MHFG Group adopted SFAS No. 159 for the fiscal year beginning April 1, 2008. The financial assets or liabilities for which the Group elected the fair value option as of the effective date are primarily foreign currency denominated available-for-sale debt 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. As cumulative effect, the MHFG Group expects to record a decrease of approximately ¥23 billion to the beginning balance of Accumulated deficit as of April 1, 2008.

In June 2007, the AICPA issued 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

## **Table of Contents**

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 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. The impact of SFAS No. 141R on the MHFG Group's consolidated results of operations and financial condition will depend on whether there are any business combinations in a future period.

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 ARB No. 51 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 is currently evaluating the potential impact that the adoption of FSP No. FAS140-3 will have on its consolidated results of operations and 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 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



**Table of Contents**

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 MHFG Group does not expect that the adoption of SFAS No.162 will have a material impact on its 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, 2008 |                                    |
|----------------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------|
|                                                                                  | Shareholders<br>equity<br>(in billions of yen)           | Net income<br>(in billions of yen) |
| U.S. GAAP                                                                        | ¥ 3,268.8                                                | ¥ 228.6                            |
| Differences arising from different accounting for:                               |                                                          |                                    |
| 1. Derivative financial instruments and hedging activities                       | 30.9                                                     | (202.7)                            |
| 2. Investments                                                                   | 2.9                                                      | (136.2)                            |
| 3. Loans                                                                         | 134.5                                                    | 20.2                               |
| 4. Allowances for loan losses and off-balance-sheet instruments                  | 32.0                                                     | (109.7)                            |
| 5. Premises and equipment                                                        | (40.9)                                                   | 27.9                               |
| 6. Real estate sales and leasebacks                                              | 75.3                                                     | (19.8)                             |
| 7. Land revaluation                                                              | 189.0                                                    | (5.4)                              |
| 8. Business combinations                                                         | (16.0)                                                   | 24.7                               |
| 9. Non-interest-earning deposits made under government-led restructuring program | 61.2                                                     | (10.4)                             |
| 10. Pension liabilities                                                          | 405.6                                                    | (26.5)                             |
| 11. Consolidation of variable interest entities                                  | (9.7)                                                    | 10.6                               |
| 12. Deferred taxes                                                               | (271.9)                                                  | 489.8                              |
| 13. Other                                                                        | 40.4                                                     | 20.1                               |
| Japanese GAAP                                                                    | ¥ 3,902.1                                                | ¥ 311.2                            |

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

## **Table of Contents**

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.

Changes in the fair value of investments in available-for-sale securities denominated in foreign currencies arising from movements in foreign currency exchange rates are recognized as gains or losses in earnings under Japanese GAAP. Under U.S. GAAP, these fair value movements are included in the total change in the fair value of the available-for-sale securities, which is recognized in other comprehensive income.

Reconciliation amounts for investments in the above table are presented net of taxes.

### **3. Loans**

Under U.S. GAAP, loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income over the contractual life of the relevant loan using the interest method, while 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.

## **Table of Contents**

### **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-homogeneous loans that have not been identified as impaired, the allowance for loan losses is determined based on a formula allowance utilizing historical loss factors, as adjusted, considering recent trends.

The differences between Japanese GAAP and U.S. GAAP arise from the difference in 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. Specifically, in the fiscal year ended March 31, 2007, our consolidated financial statements under U.S. GAAP took into account additional impairments of loans to borrowers whose credit ratings under our internal rating system declined after the accounting closing of our consolidated financial statements under Japanese GAAP.

This reconciling item also includes the differences between U.S. GAAP and Japanese GAAP relating to the allowance for off-balance-sheet instruments. We generally use the same methodology to reserve for losses on these instruments as we do for loans.

### **5. Premises and equipment**

Under U.S. GAAP, the fair value of a non-monetary asset acquired in exchange for another non-monetary asset is generally deemed to be the new cost of the asset acquired in the exchange, and a gain or loss is recognized on the exchange. Under Japanese GAAP, the cost of the asset surrendered is assigned to the newly acquired asset in certain types of exchange transactions, resulting in no gains or losses. In addition, the difference in carrying value of assets acquired in a non-monetary exchange results in a difference in the depreciation schedule between U.S. GAAP and Japanese GAAP.

### **6. Real estate sales and leasebacks**

Our principal banking subsidiaries entered into sale and leaseback transactions in prior years with respect to land and buildings used as their headquarters. Each sale of such real estate is accounted for as a sale under Japanese GAAP with profits on the sale recorded in earnings. Under U.S. GAAP, the profits are deferred and amortized within the respective lease periods as the subsidiaries continue to occupy the buildings under operating leases.

### **7. Land revaluation**

Under Japanese GAAP, we revalued our holdings of land during the fiscal year ended March 31, 1998 pursuant to the Law Concerning Revaluation of Land (Law No. 34 of 1998). The revaluation gains are recorded directly in equity, and the related deferred tax liabilities are also recognized. Under U.S. GAAP, there is no applicable provision that allows for the revaluation of land other than for impairments, and accordingly the revaluation gains are reversed.

### **8. Business combinations**

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

## **Table of Contents**

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. 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 25 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. In determining the realization of the tax benefits, possible sources of taxable income including prudent and feasible tax planning strategies are considered. 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, 2008:

| <b>Name</b>            | <b>Current positions and</b>                                 |           |                                                                                                                                                                           | <b>Expiration of</b>                                |
|------------------------|--------------------------------------------------------------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| <b>(date of birth)</b> | <b>principal outside positions</b>                           |           | <b>Business experience</b>                                                                                                                                                | <b>current term</b>                                 |
| Terunobu Maeda         | President & CEO (Representative Director (since Jan. 2003))  | Apr. 1968 | Joined The Fuji Bank, Limited                                                                                                                                             | as director or<br>corporate<br>auditor<br>June 2009 |
| (Jan. 2, 1945)         |                                                              | 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. (current)                                                                                                                 |                                                     |
| Takashi Tsukamoto      | Deputy President (Representative Director (since June 2008)) | Apr. 1974 | Joined The Dai-Ichi Kangyo Bank, Limited                                                                                                                                  | June 2010                                           |
| (Aug. 2, 1950)         |                                                              | Apr. 2002 | Executive Officer/General Manager of Human Resources Division of Mizuho Corporate Bank, Ltd.                                                                              |                                                     |
|                        | Head of Financial Control and Accounting Group               | Mar. 2003 | Managing Executive Officer/Head of Risk Management Group, Head of Human Resources Group and General Manager of Post-retirement Counseling of Mizuho Financial Group, Inc. |                                                     |
|                        | Chief Financial Officer                                      |           |                                                                                                                                                                           |                                                     |

**Table of Contents**

| Name                                | Current positions and                                                                                                                                                                    | Expiration of<br>current term<br>as director or<br>corporate<br>auditor |                                                                                                                                        |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| (date of birth)                     | principal outside positions                                                                                                                                                              | Business experience                                                     |                                                                                                                                        |
| Hiroshi Motoyama<br>(June 15, 1954) | Managing Director (since June 2007)<br><br>Head of Strategic Planning Group and<br>Head of IT, Systems & Operations Group<br><br>Chief Strategy Officer and Chief<br>Information Officer | Feb. 2004                                                               | Managing Executive Officer/Head of Risk Management Group and Head of Human Resources Group                                             |
|                                     |                                                                                                                                                                                          | Apr. 2004                                                               | Managing Executive Officer/Head of Europe, Middle East and Africa of Mizuho Corporate Bank, Ltd.                                       |
|                                     |                                                                                                                                                                                          | Mar. 2006                                                               | Managing Director/Chief Strategy Officer and Chief Financial Officer                                                                   |
|                                     |                                                                                                                                                                                          | Apr. 2007                                                               | Deputy President                                                                                                                       |
|                                     |                                                                                                                                                                                          | Apr. 2008                                                               | Deputy President-Executive Officer/Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc.                      |
|                                     |                                                                                                                                                                                          | Apr. 2008                                                               | President & CEO of Mizuho Financial Strategy Co., Ltd. (current)                                                                       |
|                                     |                                                                                                                                                                                          | June 2008                                                               | Deputy President/Head of Financial Control and Accounting Group of Mizuho Financial Group, Inc. (current)                              |
|                                     |                                                                                                                                                                                          | Apr. 1977                                                               | Joined The Industrial Bank of Japan, Limited                                                                                           |
|                                     |                                                                                                                                                                                          | Apr. 2002                                                               | Joint General Manager of Human Resources Division of Mizuho Bank, Ltd.                                                                 |
|                                     |                                                                                                                                                                                          | Dec. 2002                                                               | General Manager of Corporate Banking Division No. 9 of Mizuho Corporate Bank, Ltd.                                                     |
|                                     |                                                                                                                                                                                          | Apr. 2004                                                               | Executive Officer/General Manager of IT & Systems Planning Division                                                                    |
|                                     |                                                                                                                                                                                          | Apr. 2007                                                               | Managing Executive Officer/Head of Strategic Planning Group and Head of IT, Systems & Operations Group of Mizuho Financial Group, Inc. |

**Table of Contents**

| Name                             | Current positions and                          | Expiration of<br>current term<br>as director or<br>corporate<br>auditor |                                                                                                                                                                                                                                                                                                                |
|----------------------------------|------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (date of birth)                  | principal outside positions                    |                                                                         |                                                                                                                                                                                                                                                                                                                |
| Tsuneo Morita<br>(Apr. 29, 1954) | Managing Director (since June 2008)            | June 2007                                                               | Managing Director/Head of Strategic Planning Group and Head of IT, Systems & Operations Group (current)                                                                                                                                                                                                        |
|                                  |                                                | Apr. 1978<br>Apr. 2002                                                  |                                                                                                                                                                                                                                                                                                                |
|                                  | Head of Internal Audit Group                   | Apr. 2003                                                               | Joined The Fuji Bank, Limited<br>General Manager of Kichijoji Branch of Mizuho Bank, Ltd.<br>Senior Manager of Administration of Mizuho Financial Group, Inc.<br>General Manager for Administration<br>General Manager of Administration<br>Executive Officer/General Manager of Administration                |
|                                  |                                                | July 2003                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                | Aug. 2003                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                | Mar. 2006                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  | Chief Auditor                                  | Apr. 2008                                                               | Managing Executive Officer/Head of Internal Audit Group                                                                                                                                                                                                                                                        |
|                                  |                                                | June 2008                                                               |                                                                                                                                                                                                                                                                                                                |
| Hiroshi Saito<br>(Mar. 29, 1944) | Director (since Jan. 2003)                     | Apr. 1966                                                               | Joined The Industrial Bank of Japan, Limited<br>Director/General Manager of Corporate Banking Department No. 6                                                                                                                                                                                                 |
|                                  |                                                | June 1994                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  | President & CEO of Mizuho Corporate Bank, Ltd. | May 1995                                                                | Director/General Manager of Tokyo Branch<br>Managing Director<br>Managing Director/Head of Corporate Banking Unit<br>Managing Director<br>Managing Executive Officer/Head of Corporate and Financial Institutions Banking Business Unit of Mizuho Holdings, Inc. (present Mizuho Financial Strategy Co., Ltd.) |
|                                  |                                                | Feb. 1997                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                | June 1999                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                | June 2000                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                | Sep. 2000                                                               |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                |                                                                         |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                |                                                                         |                                                                                                                                                                                                                                                                                                                |
|                                  |                                                |                                                                         |                                                                                                                                                                                                                                                                                                                |

**Table of Contents**

| Name                                  | Current positions and                                                  | Expiration of<br>current term<br>as director or<br>corporate<br>auditor |                                                                                                                                     |
|---------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| (date of birth)                       | principal outside positions                                            | Business experience                                                     |                                                                                                                                     |
| Seiji Sugiyama<br><br>(Apr. 17, 1947) | Director (since June 2003)<br><br>President & CEO of Mizuho Bank, Ltd. | Jan. 2002                                                               | Director and Managing Executive Officer/Head of Corporate and Financial Institutions Banking Business Unit                          |
|                                       |                                                                        | Apr. 2002                                                               | Director (until Apr. 2007)                                                                                                          |
|                                       |                                                                        | Apr. 2002                                                               | President & CEO of Mizuho Corporate Bank, Ltd. (current)                                                                            |
|                                       |                                                                        | Jan. 2003                                                               | Director of Mizuho Financial Group, Inc. (current)                                                                                  |
|                                       |                                                                        | July 1971                                                               | Joined The Nippon Kangyo Bank, Limited                                                                                              |
|                                       |                                                                        | June 1999                                                               | Director/General Manager of Human Resources Office of The Dai-Ichi Kangyo Bank, Limited                                             |
|                                       |                                                                        | May 2000                                                                | Managing Director/General Manager of Corporate Banking Business Division I and Head of Customer & Consumer Banking Company          |
|                                       |                                                                        | June 2000                                                               | Managing Executive Officer/General Manager of Corporate Banking Business Division I and Head of Customer & Consumer Banking Company |
|                                       |                                                                        | July 2000                                                               | Managing Executive Officer/Head of Customer & Consumer Banking Company                                                              |
|                                       |                                                                        | June 2001                                                               | Managing Executive Officer/Head of Trust and Asset Management Business Unit of Mizuho Holdings, Inc.                                |
|                                       |                                                                        | Apr. 2002                                                               | Managing Executive Officer/Chief Compliance Officer of Mizuho Corporate Bank, Ltd.                                                  |
|                                       |                                                                        | June 2002                                                               | Managing Executive Officer/Chief Strategy Officer                                                                                   |
|                                       |                                                                        | Mar. 2003                                                               | Deputy President-Executive Officer/Head of IT, Systems & Operations Group of Mizuho Financial Group, Inc.                           |



**Table of Contents**

| Name                                                   | Current positions and                                                                                 | Expiration of<br>current term<br>as director or<br>corporate<br>auditor                                     |           |
|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------|
| (date of birth)                                        | principal outside positions                                                                           | Business experience                                                                                         |           |
| Akihiko Nomiyama <sup>(1)</sup><br><br>(June 15, 1934) | Director (since June 2007)<br><br>Special Advisor of NIPPON MINING HOLDINGS, INC.                     | June 2003 Deputy President/Head of IT, Systems & Operations Group                                           | June 2009 |
|                                                        |                                                                                                       | Mar. 2004 Director (current)                                                                                |           |
|                                                        |                                                                                                       | Mar. 2004 President & CEO of Mizuho Bank, Ltd. (current)                                                    |           |
|                                                        |                                                                                                       | Mar. 2004 Director of Mizuho Holdings, Inc. (present Mizuho Financial Strategy Co., Ltd.) (until Apr. 2007) |           |
|                                                        |                                                                                                       | Apr. 1957 Joined Nippon Mining Co., Ltd.                                                                    |           |
|                                                        |                                                                                                       | June 1984 Director                                                                                          |           |
|                                                        |                                                                                                       | June 1989 Managing Director                                                                                 |           |
|                                                        |                                                                                                       | Dec. 1992 Managing Director of Nikko Kyodo Co., Ltd.                                                        |           |
|                                                        |                                                                                                       | Dec. 1993 Managing Director of Japan Energy Corporation                                                     |           |
|                                                        |                                                                                                       | June 1994 Senior Managing Director                                                                          |           |
|                                                        |                                                                                                       | June 1996 President and CEO (Representative Director)                                                       |           |
|                                                        |                                                                                                       | 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><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.                                                                          | June 2009 |
|                                                        |                                                                                                       | Dec. 1961 Joined Showa Denko K.K.                                                                           |           |
|                                                        |                                                                                                       | May 1988 General Manager of Corporate Planning Division                                                     |           |
|                                                        |                                                                                                       | Mar. 1989 Director/General Manager of Corporate Planning Division                                           |           |

**Table of Contents**

| Name                            | Current positions and               | Expiration of<br>current term<br>as director or<br>corporate<br>auditor |                                                                                                            |
|---------------------------------|-------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| (date of birth)                 | principal outside positions         |                                                                         |                                                                                                            |
|                                 |                                     | Business experience                                                     |                                                                                                            |
|                                 |                                     | Mar. 1993                                                               | Managing Director                                                                                          |
|                                 |                                     | Mar. 1995                                                               | Senior Managing Director                                                                                   |
|                                 |                                     | Mar. 1997                                                               | President and Chief Executive Officer                                                                      |
|                                 |                                     | Jan. 2005                                                               | Representative Director and Chairman of the Board of Directors                                             |
|                                 |                                     | 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 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                                                                                              |
|                                 |                                     | Apr. 2002                                                               | President (Representative Director) of Nissan Real Estate Development Corporation                          |
|                                 |                                     | June 2005                                                               | Counselor                                                                                                  |
|                                 |                                     | July 2006                                                               | Counselor of Nissan Network Holdings Co., Ltd. (until June 2007)                                           |
|                                 |                                     | June 2007                                                               | Director of Mizuho Financial Group, Inc. (current)                                                         |
| Yoshiaki Sugita                 | Corporate Auditor (since June 2005) | Apr. 1970                                                               | Joined The Fuji Bank, Limited                                                                              |
|                                 |                                     | June 1998                                                               | Director/General Manager of Systems Planning Division and General Manager of Technology Strategic Planning |
|                                 |                                     | Nov. 1998                                                               | Director/General Manager of Systems Planning Division                                                      |
|                                 |                                     | Apr. 2000                                                               | Director/General Manager of IT Planning Division                                                           |

**Table of Contents**

| Name            | Current positions and               | Expiration of<br>current term<br>as director or<br>corporate<br>auditor |                                                                                                       |
|-----------------|-------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| (date of birth) | principal outside positions         | Business experience                                                     |                                                                                                       |
|                 |                                     | June 2000                                                               | Executive Officer/General Manager of IT Planning Division                                             |
|                 |                                     | Dec. 2000                                                               | Executive Officer/General Manager of IT & Systems Division                                            |
|                 |                                     | Apr. 2002                                                               | Advisor of Mizuho Financial Group                                                                     |
|                 |                                     | June 2002                                                               | Executive Officer/Assistant to Head of IT, Systems & Operations Group of Mizuho Holdings, Inc.        |
|                 |                                     | Mar. 2003                                                               | Executive Officer/Assistant to Head of IT, Systems & Operations Group of Mizuho Financial Group, Inc. |
|                 |                                     | Apr. 2005                                                               | Managing Executive Officer/Head of IT, Systems & Operations Group                                     |
|                 |                                     | June 2005                                                               | Corporate Auditor of Mizuho Corporate Bank, Ltd. (until Mar. 2006)                                    |
|                 |                                     | June 2005                                                               | Corporate Auditor of Mizuho Financial Group, Inc. (current)                                           |
|                 |                                     | June 2005                                                               | Corporate Auditor of Mizuho Holdings, Inc. (until Mar. 2006)                                          |
|                 |                                     | Apr. 1976                                                               | Joined The Industrial Bank of Japan, Limited                                                          |
| Tsuneo Muneoka  | Corporate Auditor (since June 2008) | Apr. 2002                                                               | General Manager of Financial Planning Division of Mizuho Bank, Ltd.                                   |
|                 |                                     | Apr. 2004                                                               | Executive Officer/General Manager of Financial Planning Division                                      |
|                 |                                     | Apr. 2005                                                               | Managing Executive Officer                                                                            |
|                 |                                     | Apr. 2008                                                               | Advisor                                                                                               |
|                 |                                     | June 2008                                                               | Corporate Auditor of Mizuho Financial Group, Inc. (current)                                           |

**Table of Contents**

| <b>Name</b>                  | <b>Current positions and</b>                     |           | <b>Business experience</b>                                                    | <b>Expiration of<br/>current term<br/>as director or<br/>corporate<br/>auditor</b> |
|------------------------------|--------------------------------------------------|-----------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <b>(date of birth)</b>       | <b>principal outside positions</b>               |           |                                                                               |                                                                                    |
| Yukio Nozaki <sup>(2)</sup>  | Corporate Auditor (since Jan. 2003)              | Apr. 1956 | Assistant Judge of the Tokyo District Court                                   | June 2011                                                                          |
| (Aug. 19, 1931)              | 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                                                           |                                                                                    |
|                              |                                                  | 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> | Corporate Auditor (since June 2006)              | Apr. 1959 | Joined Deloitte Haskins & Sells, Tokyo Office                                 | June 2010                                                                          |
| (Sep. 11, 1934)              |                                                  | 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)                                |                                                                                    |

**Table of Contents**

| Name                                                 | Current positions and                                       |                     |                                                                                                                      | Expiration of                                          |
|------------------------------------------------------|-------------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|
| (date of birth)                                      | principal outside positions                                 | Business experience |                                                                                                                      | current term<br>as director or<br>corporate<br>auditor |
| Masami Ishizaka <sup>(2)</sup><br><br>(Dec. 5, 1939) | Corporate Auditor (since June 2008)                         | June 2002           | President of the non-profit organization, Japanese Institute of International Accounting Education (until June 2006) | June 2012                                              |
|                                                      |                                                             | 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)                                                          |                                                        |
|                                                      |                                                             | Apr. 1963           | Joined Ministry of Finance                                                                                           |                                                        |
|                                                      |                                                             | June 1993           | Director-General of the Financial Bureau                                                                             |                                                        |
|                                                      |                                                             | July 1994           | Director-General of the Planning and Co-ordination Bureau of Environment Agency                                      |                                                        |
|                                                      |                                                             | July 1995           | Administrative Vice Minister                                                                                         |                                                        |
|                                                      |                                                             | July 1996           | Vice Chairman of Automobile Insurance Rating Organization of Japan                                                   |                                                        |
|                                                      |                                                             | July 1998           | Executive Vice President of Japan National Oil Corporation                                                           |                                                        |
|                                                      |                                                             | Mar. 2004           | Advisor                                                                                                              |                                                        |
|                                                      |                                                             | July 2004           | Vice Chairman of The General Insurance Association of Japan                                                          |                                                        |
|                                                      |                                                             | Sep. 2007           | Chairman of Okura Zaimu Kyokai (current)                                                                             |                                                        |
| June 2008                                            | Corporate Auditor of Mizuho Financial Group, Inc. (current) |                     |                                                                                                                      |                                                        |

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.

**Table of Contents****Executive Officers**

The following table provides information about our executive officers as of June 30, 2008, other than information regarding those that are also directors and listed above:

| <b>Name</b>                          | <b>Current positions and</b>                 |           |                                                                                                                                                                |
|--------------------------------------|----------------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>(date of birth)</b>               | <b>principal outside positions</b>           |           | <b>Business experience</b>                                                                                                                                     |
| Hajime Saito<br>(July 7, 1956)       | Managing Executive Officer (since Apr. 2008) | Apr. 1979 | Joined The Dai-Ichi Kangyo Bank, Limited                                                                                                                       |
|                                      | Head of Risk Management Group                | Apr. 2002 | Deputy General Manager of Human Resources Planning of Mizuho Holdings, Inc.                                                                                    |
|                                      | Head of Human Resources Group                |           |                                                                                                                                                                |
|                                      | Head of Compliance Group                     | Mar. 2003 | Deputy General Manager of Human Resources of Mizuho Financial Group, Inc.                                                                                      |
|                                      | Chief Risk Officer                           | Oct. 2003 | Senior Manager of Financial Planning                                                                                                                           |
|                                      |                                              | Apr. 2004 | General Manager of Financial Planning                                                                                                                          |
|                                      | Chief Human Resources Officer                |           |                                                                                                                                                                |
|                                      | Chief Compliance Officer                     |           |                                                                                                                                                                |
|                                      |                                              | 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. (current) |
| Masanori Murakami<br>(Dec. 25, 1955) | Executive Officer (since Apr. 2007)          | Apr. 1978 | Joined The Industrial Bank of Japan, Limited                                                                                                                   |
|                                      |                                              | Apr. 2002 | Deputy General Manager of Corporate Banking Coordination Division of Mizuho Corporate Bank, Ltd.                                                               |
|                                      | General Manager of Corporate Communications  | Dec. 2002 | Senior Manager of Syndicated Finance Administration Division                                                                                                   |
|                                      |                                              | Apr. 2003 | General Manager of Syndicated Finance Administration Division                                                                                                  |
|                                      |                                              | Oct. 2004 | General Manager of Syndicated Finance Division                                                                                                                 |
|                                      |                                              | Apr. 2007 | Executive Officer/General Manager of Corporate Communications of Mizuho Financial Group, Inc. (current)                                                        |

**Table of Contents**

| <b>Name</b>            | <b>Current positions and</b>                |           |                                                                             |
|------------------------|---------------------------------------------|-----------|-----------------------------------------------------------------------------|
| <b>(date of birth)</b> | <b>principal outside positions</b>          |           | <b>Business experience</b>                                                  |
| Hidemi Hiroi           | Executive Officer (since Apr. 2007)         | Apr. 1979 | Joined The Industrial Bank of Japan, Limited                                |
|                        |                                             | Apr. 2002 | Senior Manager of Corporate Banking                                         |
| (Nov. 16, 1954)        | General Manager of Group Strategic Planning |           | Coordination Division of Mizuho Corporate Bank, Ltd.                        |
|                        |                                             | Dec. 2002 | Joint General Manager of Corporate Banking                                  |
|                        |                                             |           | Coordination Division                                                       |
|                        |                                             | Apr. 2003 | General Manager of Hiroshima Corporate Banking Division                     |
|                        |                                             | Apr. 2005 | General Manager of Group Strategic Planning of Mizuho Financial Group, Inc. |
|                        |                                             | Apr. 2007 | Executive Officer/General Manager of Group Strategic Planning (current)     |
| Toshitsugu Okabe       | Executive Officer (since Apr. 2008)         | Apr. 1980 | Joined The Fuji Bank, Limited                                               |
|                        |                                             | Apr. 2002 | Head of Social Responsibility Compliance office of Mizuho Bank, Ltd.        |
| (May 2, 1956)          | General Manager of Executive Secretariat    |           |                                                                             |
|                        |                                             | May 2003  | General Manager of Azabu Branch                                             |
|                        |                                             | July 2005 | General Manager for Executive Secretariat of Mizuho Financial Group, Inc.   |
|                        |                                             | Oct. 2005 | General Manager of Executive Secretariat                                    |
|                        |                                             | Apr. 2008 | Executive Officer/General Manager of Executive Secretariat (current)        |

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.

## **Table of Contents**

The aggregate compensation, including bonuses but excluding retirement allowances, paid by Mizuho Financial Group and subsidiaries to our directors and to our corporate auditors during the fiscal year ended March 31, 2008 was ¥417 million and ¥121 million, respectively.

The amount of reserves set aside by Mizuho Financial Group and subsidiaries for the payment of retirement allowances for directors and corporate auditors for the fiscal year ended March 31, 2008 was ¥284 million and ¥24 million, respectively.

We abolished the retirement allowances program for directors and officers by resolution in our ordinary general meeting of shareholders held on June 26, 2008. We, however, obtained shareholders' approval for a payment of a lump-sum retirement allowances to current directors and corporate auditors with respect to the amount of retirement allowances corresponding to the years of service up through the close of such ordinary general meeting of shareholders, and the lump-sum retirement allowances will be paid at the time of retirement of each director or corporate auditor. We do not plan to seek additional shareholders' approval in the future on the payment of these retirement allowances.

In addition, we have obtained shareholders' approval for the introduction of stock compensation-type stock options (stock acquisition rights) for the directors (excluding the outside directors) at the ordinary general meeting of shareholders held on June 26, 2008. Pursuant to such program, the directors (excluding the outside directors) will be offered stock acquisition rights to acquire shares of our common stock. The maximum number of shares to be issued or transferred upon the exercise of the stock acquisition rights issued to the directors (excluding the outside directors) within one year after each ordinary general meeting of shareholders shall be a total of 500 shares of common stock per year. We may appropriately adjust the number of shares to be issued or transferred upon the exercise of each stock acquisition right in the event an allotment of shares or fraction of a share without consideration is made or other events that require an adjustment of the number of shares occur. The amount to be paid upon allotment of one stock acquisition right shall be an amount determined by the board of directors based on the fair value of such stock acquisition right. The exercise price of the stock acquisition rights will be ¥1 per share. As with the other terms and conditions of the stock acquisition rights, the period during which the stock acquisition rights may be exercised shall be determined by the board of directors and shall be a period to begin no earlier than the date of the allotment of such stock acquisition rights and end no later than 20 years from such date.

### **6.C. Board Practices**

Pursuant to our articles of incorporation, we maintain a corporate governance system consisting of general meetings of shareholders, individual directors, board of directors, individual corporate auditors, board of corporate auditors and an accounting auditor as its primary components.

Our board of directors has the ultimate responsibility for the administration of our affairs. Our articles of incorporation provide for a board of directors consisting of not more than 15 members, in order to facilitate efficient and responsive decision making, and provide for not more than six corporate auditors. All directors and corporate auditors are appointed by our shareholders at general meetings. The normal term of office is two years for directors and four years for corporate auditors after their respective appointment, but directors and corporate auditors may serve any number of consecutive terms. Our board of directors designates, from among its members, representative directors and appoints a president. Our board of directors may also appoint a chairman, a deputy chairman, deputy presidents, senior managing directors and managing directors. Each representative director has the authority to represent us in the conduct of our affairs.

While one of our corporate auditors is a certified public accountant, our corporate auditors are not required to be certified public accountants. None of the corporate auditors may at the same time be directors, accounting participants, executive officers, or managers or employees of the company or any of its subsidiaries and at least one-half of them must be persons who have not been directors, accounting participants, executive officers or any other employees of us or any of our subsidiaries at any time prior to their appointment as corporate auditors.



## **Table of Contents**

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 directors, 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 in this annual report.

The rights of holders of American Depositary Receipts, or ADRs, which evidence ADSs, including such ADR holders' rights relating to corporate governance practices, are governed by the deposit agreement, which is included as Exhibit 2.3 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, 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.

## **Table of Contents**

The following table shows the significant differences between the corporate governance practices followed by NYSE-listed U.S. companies under Section 303A of the NYSE Listed Company Manual and those followed by us. The information set forth below is current as of June 30, 2008.

| <b>Corporate governance practices followed<br/>by NYSE-listed U.S. companies</b>                                                                                                                                                                                                                                                                            | <b>Corporate governance practices followed by us</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.</p>                                                                                                                                                                                             | <p>Under the Company Law, which became effective on May 1, 2006, a large company which is a public company must have a corporate governance system based on either a board of corporate auditors or committees. Under the Company Law, a large company means a company with stated capital of ¥500 million or more or with a total amount of ¥20 billion or more stated in the liability section of their latest balance sheets in Japan, and a public company means a company for which any class of its shares can be transferred under its articles of incorporation without approval of the board of directors. The vast majority of large Japanese companies, including us, employ the corporate auditor system.</p>                                                                    |
| <p>The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.</p>                                                                                                                                                                                                                   | <p>While the Company Law requires companies with a board of directors to have a minimum of three directors, it does not require companies that employ the corporate auditor system, such as us, to have outside directors. The Company Law defines outside director as a non-managing director (i) who was not a managing director, executive officer, manager or any other employee of the company or any of its subsidiaries at any time in the past and (ii) who is not currently a managing director, executive officer, manager or any other employee of the company or any of its subsidiaries. Currently, we have nine directors, three of whom satisfy the requirements for an outside director under the Company Law. The normal term of office for each director is two years.</p> |
| <p>A NYSE-listed U.S. company must have an audit committee with responsibilities described under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 of the U.S. Securities Exchange Act of 1934, as amended. The audit committee must be composed entirely of independent directors and have at least three members.</p> | <p>Japanese law does not require us to hold regular meetings without management. As a company that employs the corporate auditor system, each of our corporate auditors and our board of directors monitors management, and such monitoring by our corporate auditors and board of directors functions as our management-oversight system.</p> <p>Our board of corporate auditors is a legally separate and independent body from our board of directors. 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: to monitor the performance of the directors and review and express</p>                                                                   |

## Table of Contents

### **Corporate governance practices followed by NYSE-listed U.S. companies**

### **Corporate governance practices followed by us**

opinions on the method of auditing by our independent public accounting firm and on such accounting firm's audit reports for the protection of the company's shareholders.

Under the Company Law, the board of corporate auditors may determine the auditing policies, method of investigating the conditions of the business and the assets of a company, and may resolve other matters concerning the execution of the corporate auditor's duties, prepare a report of the board of corporate auditors and give consent to proposals of the nomination of corporate auditors and accounting auditors.

Under the Company Law, companies which employ a board of corporate auditors, including us, are required to have at least one half of their corporate auditors be outside corporate auditors who must meet independence requirements under the Company Law. The Company Law defines "outside corporate auditor" as a corporate auditor who was not a director, accounting participant, executive officer, manager or any other employee of the company or any of its subsidiaries at any time in the past. Currently, we have five corporate auditors, three of whom satisfy the requirements for an "outside corporate auditor" under the Company Law. The normal term of office for each of our corporate auditors is four years. Under the Company Law, none of the corporate auditors may at the same time be directors, managers or employees of the company or any of its 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.

The Company Law provides that a large company must appoint an accounting auditor at a general meeting of shareholders. However, the Company Law also provides that, in order to submit a proposal concerning an appointment of an accounting auditor to a general meeting of shareholders, the board of directors must obtain the consent of the board of corporate auditors and that the board of corporate auditors may, by resolution, demand that the board of directors include the appointment of an accounting

## **Table of Contents**

### **Corporate governance practices followed by NYSE-listed U.S. companies**

### **Corporate governance practices followed by us**

auditor in the agenda of a general meeting of shareholders or demand that the directors submit a proposal concerning the appointment of a certain accounting auditor that is recommended by the board of corporate auditors. The Company Law provides that the board of corporate auditors may, by unanimous resolution, dismiss an accounting auditor for causes enumerated in the Company Law such as breach of his or her duties. The Company Law also provides that in order to submit a proposal concerning a dismissal of an accounting auditor to a general meeting of shareholders, the directors must obtain the consent of the board of corporate auditors and that the board of corporate auditors may, by resolution, demand that the directors include the dismissal of a certain accounting auditor in the agenda of a general meeting of shareholders. The board of corporate auditors may audit in its own right if it believes that the manner or result of an audit by the accounting auditors is not reasonable. To this end, a corporate auditor may, if necessary for the performance of his or her duties, request the accounting auditors to provide a report on their duties. Further, it is also provided that the accounting auditors must submit an audit report directly to the board of corporate auditors and the corporate auditors may demand the accounting auditors to provide an explanation with respect to their audit report. As such, in accordance with the Company Law, our board of corporate auditors is 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.

Under Japanese Law, neither the corporate auditors nor the board of corporate auditors has the statutory power to establish procedures for the receipt, retention, and treatment of complaints and the confidential, anonymous submission of concerns by employees. Thus, our board of directors has established such procedures. Under our regulations of corporate auditors, our board of corporate auditors is required to confirm that such procedures are appropriately established. Such procedures include the receipt 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

## Table of Contents

### **Corporate governance practices followed by NYSE-listed U.S. companies**

A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.

### **Corporate governance practices followed by us**

audits by an outside accounting auditor and our internal audit division. Corporate auditors are also able to investigate the status of our internal control system, including such procedures, at any time and state his or her opinion at a meeting of the board of directors if he or she considers it necessary.

Each of our corporate auditors has the authority under the Company Law to engage independent counsel and other advisers if such engagement is necessary to carry out his or her duties. Each corporate auditor may require us to pay any and all expenses necessary for carrying out his or her duties, including compensation of any advisers employed by him or her and ordinary administrative expenses. Similarly, each of our corporate auditors and our board of corporate auditors has the authority under our regulations of the board of corporate auditors to engage independent advisors, including accountants and legal counsel, as necessary.

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.

Our directors and corporate auditors must be appointed at a general meeting of shareholders in accordance with the Company Law. A proposal to a general meeting of shareholders by the board of directors to appoint a corporate auditor must be approved by a resolution of the board of corporate auditors. The board of corporate auditors is empowered to adopt a resolution requesting that the board of directors submit a proposal for appointment of a corporate auditor to the general meeting of shareholders. Corporate auditors have the right to state their opinion concerning appointment, dismissal and resignation of a corporate auditor at the general meeting of shareholders.

Although we, as a company with corporate auditors, are not required to establish a nominating committee under the Company Law, we have voluntarily established a nominating committee consisting of six directors, three of whom are outside directors.

## **Table of Contents**

### **Corporate governance practices followed by NYSE-listed U.S. companies**

A NYSE-listed U.S. company must have a compensation committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The compensation committee must be composed entirely of independent directors.

A NYSE-listed U.S. company must adopt a code of business conduct and ethics and must post the code on its website.

A NYSE-listed U.S. company must adopt corporate governance guidelines and must post the guidelines on its website.

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

### **Corporate governance practices followed by us**

Japanese law does not require us, a company with corporate auditors, to establish a compensation committee. We have, however, voluntarily established a compensation committee consisting of six directors, three of whom are outside directors.

The Company Law requires that the total amount of remuneration to be paid to all directors and the total amount of remuneration to be paid to all corporate auditors 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 and the distribution of remuneration among corporate auditors is determined by consultation among our corporate auditors.

Under Japanese law, including the Company Law and the Financial Instruments and Exchange Law of Japan, and the rules of financial instruments exchanges in Japan on which we are listed, we are not required to adopt a code of business conduct and ethics for directors, officers and employees. We maintain the Mizuho Code of Conduct as our standard for corporate conduct, covering all of our directors, officers and employees.

Under the Company Law, a large company with a board of directors, including us, is required to establish an internal control system and disclose the existence and present conditions of such internal control system in its business report. In addition, a listed company should disclose its internal control system in its annual securities report and certain other disclosure documents in accordance with the Financial Instruments and Exchange Law of Japan and regulations thereunder, and applicable Japanese financial instruments exchange rules in respect of timely disclosure. English translations of disclosure documents under financial instruments exchange rules are posted on our website.

Under the Company Law, if we desire to adopt an equity compensation plan under which stock acquisition rights are granted with specially favorable conditions, except where such rights are granted to all of our shareholders on a *pro rata* basis, then such a plan must be approved by a special resolution adopted at a general meeting of shareholders, where the quorum is, under our articles of incorporation, one-third of the total number of voting rights of the

**Table of Contents****Corporate governance practices followed  
by NYSE-listed U.S. companies**

A NYSE-listed U.S. company must have an internal audit function, which must be the sole responsibility of the audit committee and may not be allocated to a different committee.

**6.D. Employees**

As of March 31, 2006, 2007 and 2008, we had 45,758, 47,449 and 49,114 employees, respectively, on a consolidated basis, including overseas local staff but excluding advisers and temporary employees. We also had an average of approximately 19,805 temporary employees during the fiscal year ended March 31, 2008.

The following tables show our full-time employees as of March 31, 2008 and average number of temporary employees for the fiscal year ended March 31, 2008, each broken down based on business segment and geographical location:

| <b>Business segment</b>                | <b>Number of<br/>full-time employees</b> | <b>Average number of<br/>temporary employees</b> |
|----------------------------------------|------------------------------------------|--------------------------------------------------|
| Global Corporate Group                 | 12,188                                   | 1,334                                            |
| Global Retail Group                    | 27,148                                   | 17,521                                           |
| Global Asset & Wealth Management Group | 5,236                                    | 572                                              |
| Others                                 | 4,542                                    | 378                                              |
| <b>Total</b>                           | <b>49,114</b>                            | <b>19,805</b>                                    |

| <b>Location</b>                           | <b>Percentage of<br/>full-time employees</b> | <b>Average percentage of<br/>temporary employees</b> |
|-------------------------------------------|----------------------------------------------|------------------------------------------------------|
| Japan                                     | 94.3%                                        | 99.6%                                                |
| Americas                                  | 1.4                                          | 0.0                                                  |
| Europe                                    | 1.5                                          | 0.3                                                  |
| Asia/Oceania (excluding Japan) and others | 2.8                                          | 0.1                                                  |
| <b>Total</b>                              | <b>100.0%</b>                                | <b>100.0%</b>                                        |

Most of our full-time non-management employees in Japan are members of a labor union. Outside Japan, some of our employees are members of local unions. We consider our labor relations with employees to be good.

**Table of Contents****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, 2008:

| <b>Directors</b>  | <b>Number of shares owned</b> |
|-------------------|-------------------------------|
| Terunobu Maeda    | 113                           |
| Takashi Tsukamoto | 37                            |
| Hiroshi Motoyama  | 2                             |
| Tsuneo Morita     | 13                            |
| Hiroshi Saito     | 29                            |
| Seiji Sugiyama    | 28                            |
| Akihiko Nomiyama  |                               |
| Mitsuo Ohashi     |                               |
| Kanemitsu Anraku  | 6                             |

| <b>Corporate Auditors</b> | <b>Number of shares owned</b> |
|---------------------------|-------------------------------|
| Yoshiaki Sugita           | 33                            |
| Tsuneo Muneoka            | 8                             |
| Yukio Nozaki              | 60                            |
| Masahiro Seki             | 1                             |
| Masami Ishizaka           | 24                            |

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. 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, 2008:

| <b>Plan</b>                                | <b>As of March 31, 2008</b>             | <b>Number of shares owned</b> |
|--------------------------------------------|-----------------------------------------|-------------------------------|
| Mizuho Employee Stock Ownership Plan       | <b>Employer companies</b>               |                               |
|                                            | Mizuho Financial Group                  |                               |
|                                            | Mizuho Bank                             |                               |
|                                            | Mizuho Corporate Bank                   |                               |
|                                            | Mizuho Asset Management                 |                               |
|                                            | Mizuho Research Institute               |                               |
|                                            | Mizuho Information & Research Institute | 44,945                        |
| Mizuho Group Employee Stock Ownership Plan | Mizuho Securities                       |                               |
|                                            | Mizuho Capital                          | 385                           |
| <b>Total</b>                               |                                         | <b>45,330</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, 2008:

|                                                                                                                                                      | <b>As of March 31, 2008</b>       |                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------|
|                                                                                                                                                      | <b>Number of<br/>shares owned</b> | <b>Percentage of<br/>issued shares<sup>(1)</sup></b> |
| Japan Trustee Services Bank, Ltd. (trustee account)                                                                                                  | 700,643                           | 6.15%                                                |
| The Master Trust Bank of Japan, Ltd. (trustee account)                                                                                               | 595,358                           | 5.22                                                 |
| The Dai-ichi Mutual Life Insurance Company                                                                                                           | 279,158                           | 2.45                                                 |
| Japan Trustee Services Bank, Ltd. (trustee account 4)                                                                                                | 226,316                           | 1.99                                                 |
| BNY GCM Client Account JPRD ISG (FE-AC)                                                                                                              | 194,330                           | 1.71                                                 |
| Morgan Stanley & Co. International plc                                                                                                               | 144,106                           | 1.26                                                 |
| Trust & Custody Services Bank, Ltd. (Meiji Yasuda Life Insurance Company Retirement Benefit<br>Trust Account re-entrusted by Mizuho Trust & Banking) | 137,000                           | 1.20                                                 |
| Hero & Co.                                                                                                                                           | 133,558                           | 1.17                                                 |
| Nippon Life Insurance Company                                                                                                                        | 132,631                           | 1.16                                                 |
| Deutsche Bank AG, London 610                                                                                                                         | 101,270                           | 0.89                                                 |
| <b>Total</b>                                                                                                                                         | <b>2,644,370</b>                  | <b>23.20%</b>                                        |

Notes:

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

(2) Share ownership figures in the above table are rounded to the nearest full share.

On May 28, 2007, we repurchased and cancelled 261,041 shares of our common stock held by Mizuho Financial Strategy, a wholly-owned subsidiary of ours.

As of March 31, 2008, there were 163 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 9% 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, 2008 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, 2008, as appearing on the register of preferred shareholders:

| Name                                            | As of March 31, 2008   |                             |
|-------------------------------------------------|------------------------|-----------------------------|
|                                                 | Number of shares owned | Percentage of issued shares |
| Deutsche Bank AG, London 610                    | 48,630                 | 4.96%                       |
| Morgan Stanley & Co. International plc          | 32,795                 | 3.34                        |
| UBS AG London A/C Ipb Segregated Client Account | 27,045                 | 2.76                        |
| The Dai-ichi Mutual Life Insurance Company      | 27,000                 | 2.75                        |
| BNP Paribas London Branch for BNPPPB Evotok     | 25,600                 | 2.61                        |
| Meiji Yasuda Life Insurance Company             | 25,000                 | 2.55                        |
| Morgan Stanley & Co. Inc.                       | 19,290                 | 1.97                        |
| Lehman Brothers International (Europe)          | 19,260                 | 1.96                        |
| Sompo Japan Insurance Inc.                      | 19,000                 | 1.94                        |
| Fukoku Mutual Life Insurance Company            | 15,000                 | 1.53                        |
| Total                                           | 258,620                | 26.38%                      |

As of March 31, 2008, there was one record holder of our preferred stock with an address in the United States.

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 shares                | Date of repurchase | Number of shares repurchased | Original issue price<br>(in billions of yen) | Repurchase price |
|------------------------------------------|--------------------|------------------------------|----------------------------------------------|------------------|
| Second series class II preferred stock   | August 29, 2005    | 61,400                       | ¥ 122.8                                      | ¥ 115.3          |
| Third series class III preferred stock   | August 29, 2005    | 100,000                      | 200.0                                        | 187.6            |
| 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            |
| Seventh series class VII preferred stock | October 12, 2005   | 125,000                      | 250.0                                        | 250.7            |
| Eighth series class VIII preferred stock | August 29, 2005    | 59,300                       | 118.6                                        | 156.4            |
| Tenth series class X preferred stock     | August 29, 2005    | 140,000                      | 175.0                                        | 233.7            |

To our knowledge, we are not directly or indirectly owned or controlled by any another 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, 2008, 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, 2008, 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, 2008.

During the fiscal year ended March 31, 2008, 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 have continued to accumulate net income and will place our management emphasis on return on equity from the perspective of effective utilization of our capital and consider returning profits to our shareholders while maintaining and strengthening our capital base.

Based on this policy, in view of our consolidated financial results, the level of retained earnings and other factors, we increased the year-end cash dividend per share of common stock for the fiscal year ended March 31, 2008 by ¥3,000 from the previous fiscal year to ¥10,000. We also made dividend payments on preferred stock 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 based upon our consolidated financial results for the relevant fiscal year and other factors, 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 dividends may be made by resolution of our board of directors.

#### **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                               |
| 2007:                                 |               |          |                                       |
| Third quarter (from November 8, 2006) | 15.35         | 13.71    | 35,089                                |
| Fourth quarter                        | 15.13         | 12.74    | 52,517                                |
| 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                               |
| Most recent six months:               |               |          |                                       |
| March                                 | 8.49          | 7.01     | 207,720                               |
| April                                 | 10.59         | 7.44     | 212,457                               |
| May                                   | 10.78         | 9.74     | 258,297                               |
| June                                  | 11.45         | 9.19     | 500,787                               |
| July                                  | 11.33         | 8.75     | 494,328                               |
| August                                | 9.69          | 8.12     | 340,254                               |
| September (through September 3)       | 8.68          | 8.31     | 368,264                               |

**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.

**Table of Contents**

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      |                                       |
| 2004                                | ¥ 455,000       | ¥ 58,300 | 180,447                               |
| 2005                                | 560,000         | 391,000  | 90,873                                |
| 2006                                | 969,000         | 469,000  | 93,074                                |
| 2007                                | 1,030,000       | 733,000  | 78,245                                |
| 2008                                | 911,000         | 360,000  | 120,603                               |
| 2007:                               |                 |          |                                       |
| First quarter                       | 1,030,000       | 827,000  | 93,471                                |
| Second quarter                      | 1,010,000       | 861,000  | 63,819                                |
| Third quarter                       | 958,000         | 791,000  | 71,806                                |
| Fourth quarter                      | 917,000         | 733,000  | 84,415                                |
| 2008:                               |                 |          |                                       |
| First quarter                       | 911,000         | 707,000  | 83,015                                |
| Second quarter                      | 876,000         | 586,000  | 121,468                               |
| Third quarter                       | 727,000         | 499,000  | 128,624                               |
| Fourth quarter                      | 539,000         | 360,000  | 150,764                               |
| 2009:                               |                 |          |                                       |
| First quarter                       | 606,000         | 364,000  | 218,046                               |
| Most recent six months:             |                 |          |                                       |
| March                               | 429,000         | 360,000  | 154,507                               |
| April                               | 560,000         | 364,000  | 274,150                               |
| May                                 | 567,000         | 500,000  | 214,310                               |
| June                                | 606,000         | 491,000  | 165,500                               |
| July                                | 597,000         | 460,000  | 187,176                               |
| August                              | 516,000         | 440,000  | 135,974                               |
| September (through September 4)     | 474,000         | 440,000  | 119,325                               |

**9.B. Plan of Distribution**

Not applicable.

**9.C. Markets**

The principal trading market for our shares of common stock is the First Section of the Tokyo Stock Exchange. Our shares have been listed on the First Section of the Tokyo Stock Exchange 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, each representing one five-hundredth of a share of our common stock, have been listed on the New York Stock Exchange since November 8, 2006 and are quoted under the ticker symbol MFG.

Allotments of 999 shares for each share of our common stock, as approved at the ordinary general shareholders meeting held on June 26, 2008, are scheduled to be made effective January 4, 2009, upon which the ratio of ADSs to shares of our common stock will be changed to each ADS representing two shares of our common stock.

**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***

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

Under the Company Law, distribution of cash or other assets by a joint stock corporation to its shareholders, including dividends, takes the form of distribution of Surplus (as defined in Restriction on Distribution of 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 ¥20,000 (or ¥20, after the effectiveness of the allotment of shares or fractions of a share without consideration (as described in *Fractional Shares and Unit Share System* )) per share of eleventh series class XI preferred stock and ¥30,000 (or ¥30, after the effectiveness of the allotment of shares or fractions of a share without consideration) 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.

## Table of Contents

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

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 currently have no intention to opt for becoming such a company with respect to the fiscal year ending March 31, 2008.

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

## **Table of Contents**

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.

### ***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.

Generally, shareholders do not need to exchange share certificates for new ones following a stock split, but certificates representing the additional shares of common stock resulting from the stock split will be issued to shareholders. Before a stock split, we must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date.

### ***Fractional Shares and Unit Share System***

#### ***Fractional Shares Before Effectiveness of the Allotment of Shares or Fractions of a Share without Consideration***

Holders of fractional shares constituting one-hundredth of one share or any integral multiple thereof are registered in our register of fractional shares. Fractional shares do not carry voting rights, but holders thereof are entitled to receive dividends and certain other economic rights. No certificate is issued representing fractional shares. As the transfer of shares generally requires delivery of the share certificates therefor, fractional shares are normally not transferable. Registered holders of fractional shares may at any time request us to purchase such fractional shares at the current market price as determined pursuant to the Commercial Code, applicable as an interim measure. In addition, registered holders of fractional shares may require us to sell them a number of fractional shares, of which number, when combined with the number already held by such holder, shall become one share; provided that we are obliged to comply with such request only when we own a sufficient number of shares to accommodate the desired sale and purchase. As of March 31, 2008, there were 21,456.66 fractional shares of our common stock. The Company Law abolished the above fractional share system, except to the extent fractional shares were outstanding at the time of enactment of the Company Law in which case the interim measure described above is applicable.

#### ***Allotment of Shares or Fractions of a Share without Consideration***

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 the Settlement Rationalization Law ) scheduled to become effective in January 2009, all listed shares are to become eligible for

**Table of Contents**

book-entry transfer. Because fractional shares will not be eligible for book-entry transfer and will no longer be handled under the new book-entry transfer system after the implementation of the electronic share certificate system, it was resolved at our ordinary general meeting of shareholders held on June 26, 2008 that allotment of shares or fractions of a share without consideration will be made to all shareholders and holders of fractional shares (the allotment of shares or fractions of a share without consideration) pursuant to the provisions of Article 88 of the Law Concerning Adjustment and Coordination of Relevant Laws in Association with the Enforcement of the Company Law (Law No. 87 of 2005, the Adjustment Law). The allotment of shares or fractions of a share without consideration shall be made by allotting the same type of shares and fractions of a share to the shareholders and the holders of fractional shares, respectively, that are registered or recorded in the register of shareholders, the register of beneficial shareholders or the register of fractional shares, as the case may be, as of the end of the day immediately preceding the date on which the allotment of shares or fractions of a share without consideration becomes effective. The number of shares and fractions of a share to be allotted shall be in proportion to the number of shares of common stock, shares of each class of preferred stock and fractional shares held by the shareholders and the holders of fractional shares, 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. The allotment of shares or fractions of a share without consideration is to become effective on the day immediately preceding the date the Settlement Rationalization Law becomes effective.

In addition to abolishing the fractional share system, it was also resolved at our ordinary general meeting of shareholders held on June 26, 2008 that partial amendment to the articles of incorporation and partial amendment to the terms and conditions of the eleventh series class XI preferred stock and of the thirteenth series class XIII preferred stock pursuant to Article 88, Paragraph 5 of the Adjustment Law were to be made in order to adopt the unit share system. Subject to the effectiveness of the allotment of shares or fractions of a share without consideration, we will adopt the unit share system. The number of shares constituting 1 unit of shares at this stage shall be 1,000 with respect to common stock and each class of preferred stock pursuant to Article 88, Paragraph 5, Item 1 of the Adjustment Law. In order to lower the minimum investment amount to one-tenth (1/10) in conjunction with the adoption of the unit share system, our board of directors, at their meeting held on May 15, 2008, resolved to make an amendment to the articles of incorporation, pursuant to which the number of shares constituting one unit of shares will be reduced from 1,000 to 100 pursuant to Article 195 of the Company Law, the effective date being the day immediately preceding the date the Settlement Rationalization Law becomes effective. Therefore, the number of shares constituting one unit of shares will become 100, with respect to the common stock and each class of preferred stock, on the day immediately preceding the date the Settlement Rationalization Law becomes effective.

*Unit Share System*

As mentioned above, we are scheduled to adopt the unit share system, under which 100 shares of common stock and each class of preferred stock shall each constitute one unit beginning the day immediately preceding the date the Settlement Rationalization Law becomes effective. Under the unit share system, shareholders will have one voting right for each unit of 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, after the aforementioned amendment, provide that the holders of shares constituting less than a full unit will not have shareholder rights, except for those specified in the Company Law or 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. Because our articles of incorporation, after the aforementioned amendment, provide that the holders of shares constituting less than a full unit will not have the shareholder right requiring us to record in the register of shareholders such matters that are recorded in the register of shareholders related to acquisition of shares, the holders of shares constituting less than a full unit may not assert their acquisitions of fractions of a unit against us and any third party, and therefore all fractions of a unit will generally

## **Table of Contents**

be untransferable. Holders of shares constituting less than a full unit may at any time request us to purchase such shares at the current market price as determined pursuant to the Company Law, 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 the desired sale and purchase. The board of directors may reduce the number of shares constituting less than a unit or cease to use the unit share system by amendments to the articles of incorporation without shareholders' approval even though amendments to the articles of incorporation generally require a special resolution of the general meeting of shareholders.

### ***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***

Before we adopt the unit share system as described in "Fractional Shares and Unit Share System," a holder of shares of common stock is entitled to one voting right for each such share, except that neither we, nor a corporation or other entity, more than one-quarter of the total voting rights of which are directly or indirectly held by us, may exercise its voting rights with respect to the shares of common stock held by it. After we adopt the unit share system, our shareholders will 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;



## **Table of Contents**

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);
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.

### ***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***

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

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.

## **Table of Contents**

### ***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).

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 of 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.



## **Table of Contents**

### ***Transfer of Shares***

The Settlement Rationalization Law is scheduled to become effective in January 2009, and a new central clearing system for shares of listed companies will be established. Share certificates will no longer be issued or used beginning such date.

Before the effective date of the Settlement Rationalization Law, transfers of shares of common stock in our company, which is a company that issues share certificates, are effected by delivery of the share certificates, but in order to assert shareholders' rights against us, the transferee must have its name and address registered in our register of shareholders. For this purpose, shareholders are required to file their names, addresses and seals with our transfer agent. Foreign shareholders may file specimen signatures in lieu of seals. Non-resident shareholders are required to appoint standing proxies in Japan or provide a mailing address in Japan. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. On the effective date of the Settlement Rationalization Law, all existing share certificates of listed companies will become null and void. Beginning the effective date, the transfer of such shares of common stock will be effected through entry in books maintained under the new central clearing system. Registrations of the transferees of such shares in our register of shareholders will be made pursuant to notices issued by the new book-entry transfer institution.

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.

The central clearing system for share certificates under the Law Concerning Central Clearing of Share Certificates and Other Securities of Japan applies to common stock. Before the effective date of the Settlement Rationalization Law, pursuant to this system, a holder of common stock is able to choose, at its discretion, to participate in this system and all certificates for shares of common stock elected to be put into this system are deposited with JASDEC (through a participating institution having a clearing account with JASDEC, if the holder is not such a participating institution) and all such shares are registered in the name of JASDEC in our register of shareholders. Each participating shareholder will, in turn, be registered in our register of beneficial shareholders and treated in the same way as shareholders registered in our register of shareholders. In connection with a transfer of shares of common stock held under this system, entry of the share transfer in the books maintained by JASDEC for the participating institutions or the books maintained by each participating institution for its customers, or both, has the same effect as delivery of share certificates. On the effective date of the Settlement Rationalization Law, a new central clearing system will be established and will become responsible for handling the shares of all Japanese companies listed on any Japanese stock exchange, including shares of our common stock.

### **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, both of which were amended by resolution at our ordinary general meeting of shareholders held on June 26, 2008, as described in Common Stock Fractional Shares and Unit Share System.

### **General**

Under our articles of incorporation, we are authorized to issue 1,398,500 (or 1,398,500,000, after the effectiveness of the allotment of shares or fractions of a share without consideration) shares of class XI preferred

## **Table of Contents**

stock, 1,500,000 (or 1,500,000,000, after the effectiveness of the allotment of shares or fractions of a share without consideration) shares of class XII preferred stock and 1,500,000 (or 1,500,000,000, after the effectiveness of the allotment of shares or fractions of a share without consideration) shares of class XIII preferred stock.

As of March 31, 2008, 943,740 shares of eleventh series class XI preferred stock and 36,690 shares of thirteenth series class XIII preferred stock were outstanding and there were no fractional shares of each series of preferred stock.

The same type of shares of preferred stock will be respectively allotted to the shareholders of preferred stock who are registered or recorded in the register of shareholders or the register of beneficial shareholders as of the end of the day immediately preceding the day on which the allotment of shares or fractions of a share without consideration becomes effective, in proportion to the number of shares of each class of preferred stock held by the shareholders, without any additional consideration, and such allotment will be made at the rate of 999 shares per 1 share. In addition, we are scheduled to adopt the unit share system in respect of preferred stock as well as common stock, where 100 shares of each class of preferred stock shall each constitute one unit beginning the day immediately preceding the date the Settlement Rationalization Law becomes effective. See Common Stock Fractional Shares and Unit Share System.

### ***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 ¥20,000 (or ¥20, after the effectiveness of the allotment of shares or fractions of a share without consideration) per share, and in the event we pay an interim dividend, holders are entitled to receive ¥10,000 (or ¥10, after the effectiveness of the allotment of shares or fractions of a share without consideration) in preference to common shares.

Thirteenth series class XIII preferred stock bears an annual non-cumulative dividend of ¥30,000 (or ¥30, after the effectiveness of the allotment of shares or fractions of a share without consideration) per share, and in the event we pay an interim dividend, holders are entitled to receive ¥15,000 (or ¥15, after the effectiveness of the allotment of shares or fractions of a share without consideration) 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

## **Table of Contents**

our residual assets upon liquidation a distribution of ¥1,000,000 (or ¥1,000, after the effectiveness of the allotment of shares or fractions of a share without consideration) 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 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 shares (or holders of units, after the effectiveness of the allotment of shares or fractions of a share without consideration) of our preferred stock will be entitled to receive notice of, and to vote at, general meetings of shareholders:

from the commencement of any ordinary general meeting of shareholders if an agenda for approval to declare a preferred dividend is not submitted to such meeting; or

from the close of any ordinary general meeting of shareholders if a proposed resolution to declare a preferred dividend is not approved at such meeting,

until in each case such time as a resolution of an ordinary general meeting of shareholders declaring a preferred dividend is approved.

A separate resolution of a meeting of the holders of the preferred stock is required in order to approve the following matters which would prejudice the interests of the holders of the relevant preferred stock:

- (i) an amendment to the articles of incorporation to add new classes of shares to be issued, alter the terms of the shares or increase the number of authorized number of shares or authorized number of any class of shares, with certain exceptions;
- (ii) consolidation or split of shares;
- (iii) pro rated allocation of shares or stock acquisition rights to shareholders without any consideration;
- (iv) granting pre-emptive rights for new shares or stock acquisition rights;
- (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.



## **Table of Contents**

### ***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 in arrears 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 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.

Our articles of incorporation also provide that class XI preferred stock outstanding on the last day of the acquisition period will be mandatorily acquired with shares of common stock on the immediately following day at the then-current market price per share of our common stock.

Eleventh series class XI preferred stock may, at the option of the holder thereof, be acquired with shares of common stock at any time from July 1, 2008 to June 30, 2016 at a market price per share of our common stock as at the commencement date of the acquisition period, subject to anti-dilution adjustments and annual resets to the market price of our common stock on July 1 of each year. For the purpose of determining the initial conversion price, the reset of the conversion price and the mandatory conversion price, the market price is deemed to be 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 commencement date of the conversion period, the relevant reset date or the mandatory conversion date, respectively. The conversion price is subject to a floor price of ¥50,000 (or ¥50, after the effectiveness of the allotment of shares or fractions of a share without consideration), which is also subject to anti-dilution adjustments.

### **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

## **Table of Contents**

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.

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



## **Table of Contents**

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.

### **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 we will withhold such tax 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 March 31, 2009 and (ii) 15% for dividends due and payable on or after April 1, 2009.

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 us, to the relevant tax authority before payment of dividends.

## **Table of Contents**

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 Depositary or its Agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends), together with certain other documents. To claim this reduced rate or exemption, non-resident holders of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the 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.

## **Table of Contents**

As used herein, a U.S. holder is a beneficial owner of shares or ADSs, as the case may be, that is, for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;

an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons as described in Section 7701(a)(30) of the Code or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership holds shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares or ADSs, you should consult your tax advisor.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

We urge U.S. holders to consult their own tax advisors concerning the U.S. federal, state and local and other tax consequences to them of the purchase, ownership and disposition of shares or ADSs.

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 depositary, 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



## **Table of Contents**

a subsequent disposition of the shares or ADSs. Then, to the extent such distribution exceeds such U.S. holder's tax basis, such excess will be treated as capital gain. However, we do not expect to keep earnings and profits in accordance with U.S. federal income tax principles. Therefore, U.S. holders should expect that a distribution will generally be treated as a dividend.

The amount of the dividend paid in Japanese yen will be the U.S. dollar value of the Japanese yen payments received. This value will be determined at the spot Japanese yen/U.S. dollar rate on the date the dividend is received by the depositary 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, 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.



## **Table of Contents**

### ***Taxation of Capital Gains***

Subject to the discussion under U.S. Taxation Passive Foreign Investment Company Rules below, upon a sale or other disposition of shares or ADSs, a U.S. holder will recognize gain or loss in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. holder's tax basis, determined in U.S. dollars, in such shares or ADSs. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the U.S. holder's holding period for such shares or ADSs exceeds one year. A U.S. holder's tax basis in its shares or ADSs will generally be the cost to the holder of such shares or ADSs. Any such gain or loss realized by a U.S. holder upon disposal of the shares or ADSs will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

### ***Passive Foreign Investment Company Rules***

Based on our projected composition of income and valuation of assets, including goodwill, we do not believe that we will be a passive foreign investment company (PFIC) for this year and do not expect to become one in the future, although there can be no assurance in this regard. However, PFIC status is a factual determination that is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in valuation or composition of our income or assets. In addition, this determination is based in part upon certain proposed U.S. Treasury regulations that are not yet in effect (the Proposed Regulations) and are subject to change in the future. The Proposed Regulations and other administrative pronouncements from the 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 common stock 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 common stock 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 the proceeds from the sale, exchange or redemption of the shares 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.

## **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 is 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. In addition, we are planning and preparing to apply advanced approaches for calculating credit risk and operational risk that can reflect our risk profiles more appropriately.

#### **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.

##### *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

## **Table of Contents**

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 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.

## **Table of Contents**

### *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.

### *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

## **Table of Contents**

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 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. To control credit concentration in certain companies, Mizuho Trust & Banking and Mizuho Securities have set credit limits according to their customers' creditworthiness and control their portfolios in an appropriate manner by adhering to these limits.

**Table of Contents**

**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:



## **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

## **Table of Contents**

additional risk indices, carry out stress tests and set stop loss limits as needed. They monitor their market liquidity risk for individual financial products in the market while taking turnover and other factors into consideration.

### ***Liquidity Risk Management Structure***

#### ***Liquidity Risk Management of the Mizuho Group***

Our liquidity risk management structure is generally the same as the market risk management structure described above. However, the head of the Financial Control & Accounting Group of Mizuho Financial Group is additionally responsible for matters relating to planning and running cash flow management operations, while the Financial Planning Division is responsible for monitoring and adjusting the cash flow management situation and for planning and implementing cash flow management. Reports on the cash flow situation are submitted to the ALM & market risk management committee, the executive management committee and the chief executive officer.

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***

A steep rise in the U.S. subprime loan delinquency rate caused a sharp drop in the price of related securitization products. Thereafter, the price of securitization and other products, including securitization products not directly related to subprime loans, declined sharply in global financial markets as market liquidity was diminished. During the fiscal year ended March 31, 2008, the global financial markets thus experienced a significant stress situation as a result of such market dislocation.

Because market risk measurements and management using the value-at-risk method is based on historical data, they are subject to limitations in such market environment. We thus (i) strengthened the management of maximum exposure limits for securitization products and (ii) conducted stress testing based on diminished market liquidity for securitization products.

**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, 2008, and the corresponding paired distribution of profits and losses:

We had no cases 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. We also added 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>As of March 31, 2008<br/>(in billions of yen)</b> |      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------|
| Assumed maximum loss result calculated by stress testing (holding period: one month)                                                                                                           | ¥                                                    | 48.2 |
| 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) | ¥                                                    | 42.4 |

**Table of Contents****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.

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 8.8% 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.

| Results of calculations under the outlier framework | Amount of loss | Broadly-defined capital<br>(in billions of yen, except percentages) | Loss ratio to capital |
|-----------------------------------------------------|----------------|---------------------------------------------------------------------|-----------------------|
| As of March 31, 2006                                | ¥ 161.3        | ¥ 8,993.2                                                           | 1.8%                  |
| As of March 31, 2007                                | 626.1          | 8,841.3                                                             | 7.1                   |
| As of March 31, 2008                                | 679.3          | 7,708.3                                                             | 8.8                   |
| Effect of yen interest rate                         | 391.2          |                                                                     |                       |
| Effect of dollar interest rate                      | 230.2          |                                                                     |                       |
| Effect of euro interest rate                        | 44.3           |                                                                     |                       |

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, 2006, 2007 and 2008 and as of March 31, 2006, 2007 and 2008:

| Risk category    | Fiscal year ended March 31, 2006 |         |                                 | As of<br>March 31, 2006 |
|------------------|----------------------------------|---------|---------------------------------|-------------------------|
|                  | Daily average                    | Maximum | Minimum<br>(in billions of yen) |                         |
| Interest rate    | ¥ 1.7                            | ¥ 2.7   | ¥ 1.1                           | ¥ 2.4                   |
| Foreign exchange | 1.1                              | 1.8     | 0.3                             | 0.9                     |
| Equities         | 1.4                              | 3.2     | 0.5                             | 3.0                     |
| Commodities      | 0.2                              | 1.7     | 0.0                             | 0.1                     |
| Total            | ¥ 3.2                            | ¥ 5.5   | ¥ 2.0                           | ¥ 5.1                   |

| Risk category    | Fiscal year ended March 31, 2007 |         |                                 | As of<br>March 31, 2007 |
|------------------|----------------------------------|---------|---------------------------------|-------------------------|
|                  | Daily average                    | Maximum | Minimum<br>(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                     |
| Total            | ¥ 4.3                            | ¥ 6.5   | ¥ 3.2                           | ¥ 3.9                   |

| Risk category    | Fiscal year ended March 31, 2008 |         |                                 | As of<br>March 31, 2008 |
|------------------|----------------------------------|---------|---------------------------------|-------------------------|
|                  | Daily average                    | Maximum | Minimum<br>(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                     |
| Total            | ¥ 4.4                            | ¥ 7.9   | ¥ 3.0                           | ¥ 6.7                   |

The following graph shows VaR figures of our trading activities for the fiscal year ended March 31, 2008:

## Table of Contents

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

|                                                       | Fiscal years ended March 31,                 |          |      |          |      |          |
|-------------------------------------------------------|----------------------------------------------|----------|------|----------|------|----------|
|                                                       | 2006                                         |          | 2007 |          | 2008 |          |
|                                                       | (in billions of yen, except number of cases) |          |      |          |      |          |
| Maximum                                               | ¥                                            | 5.5      | ¥    | 6.5      | ¥    | 7.9      |
| Minimum                                               |                                              | 2.0      |      | 3.2      |      | 3.0      |
| Average                                               |                                              | 3.2      |      | 4.3      |      | 4.4      |
| The number of cases where profits/losses exceeded VaR |                                              | no cases |      | no cases |      | no cases |
| <i>Non-trading Activities</i>                         |                                              |          |      |          |      |          |

The VaR related to our banking activities is based on the same conditions as those of trading activities, but the holding period is one month.

The graph below shows the VaR related to our banking activities excluding our strategic equity portfolio for the year ended March 31, 2008.

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

|         | Fiscal years ended March 31,<br>2006 2007 2008 |         |         |
|---------|------------------------------------------------|---------|---------|
|         | (in billions of yen)                           |         |         |
| Maximum | ¥ 247.2                                        | ¥ 251.5 | ¥ 303.9 |
| Minimum | 152.8                                          | 103.1   | 160.5   |
| Average | 213.9                                          | 179.4   | 226.8   |

**Table of Contents**

VaR is a commonly used market risk management technique. However, VaR models have the following shortcomings:

By its nature as a statistical approach, VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, particularly potential future events that are extreme in nature.

VaR may underestimate the probability of extreme market movements.

The use of a 99.0% confidence level does not take account of, nor makes any statement about, any losses that might occur beyond this confidence level.

VaR does not capture all complex effects of various risk factors on the value of positions and portfolios and could underestimate potential losses.

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.

|                        | 2006   | As of March 31,<br>2007<br>(in billions of yen) | 2008   | Change |
|------------------------|--------|-------------------------------------------------|--------|--------|
| Up to one year         | ¥ (7)  | ¥ (6)                                           | ¥ (7)  | ¥ (1)  |
| From one to five years | (14)   | (21)                                            | (14)   | 7      |
| Over five years        | (6)    | (20)                                            | (27)   | (7)    |
| Total                  | ¥ (27) | ¥ (48)                                          | ¥ (48) | ¥ (0)  |

**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:

|                                                  | 2007    | As of March 31,<br>2008<br>(in billions of yen) | Change   |
|--------------------------------------------------|---------|-------------------------------------------------|----------|
| Calculated using standardized measurement method | ¥ 138.2 | ¥ 112.9                                         | ¥ (25.3) |
| Calculated using internal models                 | 36.7    | 51.2                                            | 14.5     |



|                              |         |   |       |   |        |
|------------------------------|---------|---|-------|---|--------|
| Total market risk equivalent | ¥ 174.9 | ¥ | 164.2 | ¥ | (10.7) |
|------------------------------|---------|---|-------|---|--------|

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;

**Table of Contents**

confidence interval: one-tailed 99.0%;

holding period of 10 days; and

historical observation period of one year.

**Operational Risk Management**

We define operational risk as the risk of loss that we may incur resulting from inadequate or failed internal processes, people and systems or from external events. We recognize that operational risk includes information technology risk, operations risk, legal risk, human resources risk, tangible asset risk, regulatory change risk and reputational risk. We have determined risk management policies concerning risk management structures and methods for each kind of risk. Mizuho 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>                                                                                                                                    |

Improve the effectiveness of emergency responses by holding drills.

## Table of Contents

|                                                                                                                                                                                               | Definition                                                                                                                                                                                                                                                                                               | Principal Risk Management Methods                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 asset maintenance.                                                                                                                  | <p>Manage the planning and implementation of construction projects related to the repair and replacement of facilities.</p> <p>Identify and evaluate the status of damage to tangible assets caused by natural disasters, etc., and respond appropriately to such damage.</p>                                                                                                  |
| Regulatory Change Risk                                                                                                                                                                        | Risk that the group may incur losses due to changes in various regulations or systems, such as those related to law, taxation and accounting.                                                                                                                                                            | <p>Understand important changes in regulations or systems that have significant influence on our business operations or financial condition in a timely and accurate manner.</p> <p>Analyze degree of influence of regulatory changes and establish countermeasures.</p> <p>Continuously monitor our regulatory change risk management mentioned above.</p>                    |
| Reputational Risk                                                                                                                                                                             | Risk that the group may incur losses due to damage to our credibility or the value of the Mizuho brand when market participants or others learn about, or the media reports on, various adverse events, including actual materialization of risks or false rumors.                                       | <p>Establish framework to identify and manage, on an integrated basis, information that may have a serious impact on group management and respond to such risk in a manner appropriate to its scale and nature.</p> <p>Swiftly identify rumors and devise appropriate responses depending on the urgency and possible impact of the situation to minimize possible losses.</p> |
| We also recognize and manage Information Security Risk and Compliance Risk, which constitute a combination of more than one of the above components of operational risk, as operational risk. |                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                |

## **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.

**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 Exchange Act) as of March 31, 2008. 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, 2008 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.

Our management evaluated the effectiveness of our internal control over financial reporting as of March 31, 2008 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, 2008.





**Table of Contents**

Our independent registered public accounting firm, Ernst & Young ShinNihon LLC has issued an attestation report on our internal control over financial reporting as of March 31, 2008, 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, 2007 and 2008 are presented in the following table:

|                                   | Fiscal year ended March 31, |                |
|-----------------------------------|-----------------------------|----------------|
|                                   | 2007                        | 2008           |
|                                   | (in millions of yen)        |                |
| Audit fees <sup>(1)</sup>         | ¥ 3,970                     | ¥ 5,730        |
| Audit-related fees <sup>(2)</sup> | 1,143                       | 656            |
| Tax fees <sup>(3)</sup>           | 60                          | 100            |
| All other fees <sup>(4)</sup>     | 3                           | 50             |
| <b>Total</b>                      | <b>¥ 5,176</b>              | <b>¥ 6,536</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. Audit fees for the fiscal year ended March 31, 2008 were significantly higher than the audit fees for the fiscal year ended March 31, 2007. The increase was due mainly to an audit of internal control over financial reporting, which was implemented in the fiscal year ended March 31, 2008 pursuant to Section 404 of the Sarbanes-Oxley Act.

- (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.

## **Table of Contents**

- (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, 2008:

|                                   | <b>Total number of<br/>shares purchased</b> | <b>Average price<br/>paid per share</b> | <b>Total number of<br/>shares purchased<br/>as part of publicly<br/>announced plans<br/>or programs</b> | <b>Maximum<br/>number of shares<br/>that may yet be<br/>purchased under<br/>the plans or<br/>programs</b> |
|-----------------------------------|---------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| April 1 to April 30, 2007         | 32.34                                       | ¥ 760,670                               |                                                                                                         |                                                                                                           |
| May 1 to May 31, 2007             | 57.39                                       | 768,526                                 |                                                                                                         |                                                                                                           |
| June 1 to June 30, 2007           | 70.05                                       | 878,906                                 |                                                                                                         | 250,000                                                                                                   |
| July 1 to July 31, 2007           | 176.20                                      | 854,515                                 |                                                                                                         | 250,000                                                                                                   |
| August 1 to August 31, 2007       | 154,615.79                                  | 690,687                                 | 154,534                                                                                                 | 95,466                                                                                                    |
| September 1 to September 30, 2007 | 60,415.06                                   | 715,987                                 | 60,366                                                                                                  |                                                                                                           |
| October 1 to October 31, 2007     | 57.06                                       | 658,567                                 |                                                                                                         |                                                                                                           |
| November 1 to November 30, 2007   | 36.41                                       | 573,154                                 |                                                                                                         |                                                                                                           |
| December 1 to December 31, 2007   | 63.80                                       | 575,542                                 |                                                                                                         |                                                                                                           |
| January 1 to January 31, 2008     | 40.75                                       | 508,752                                 |                                                                                                         |                                                                                                           |
| February 1 to February 28, 2008   | 25.80                                       | 452,289                                 |                                                                                                         |                                                                                                           |
| March 1 to March 31, 2008         | 22.65                                       | 398,810                                 |                                                                                                         |                                                                                                           |
| <b>Total</b>                      | <b>215,613.30</b>                           | <b>¥ 697,846</b>                        | <b>214,900</b>                                                                                          |                                                                                                           |

Notes:

- (1) A total of 713.30 shares were purchased other than through a publicly announced plan or program during the fiscal year ended March 31, 2008, due to our purchase of fractional shares from registered holders of fractional shares at the current market price of those shares.
- (2) In addition to the purchases shown in the table above, on May 28, 2007, we repurchased and cancelled 261,040.83 shares of our common stock held by Mizuho Financial Strategy.
- (3) On May 22, 2007, our board of directors resolved to acquire up to 250 thousand shares of our common stock for an aggregate purchase price of ¥150 billion during the period from June 1, 2007 to November 30, 2007. In accordance with such resolution, we acquired 214,900 shares for an aggregate purchase price of ¥149,954,228,000 and announced the conclusion of such acquisition on September 6, 2007.
- (4) On May 15, 2008, our board of directors resolved to acquire up to 600 thousand 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 shares for an aggregate purchase price of ¥149,990,515,000 and announced the conclusion of such acquisition on July 24, 2008.

**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 Number</b> | <b>Description of Exhibits</b>                                                                                                                                                                                            |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1                   | Articles of Incorporation of Mizuho Financial Group, Inc., dated June 26, 2008 (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 November 16, 2007 (English Translation)                                                                                                                 |
| 2.1                   | Specimen of common stock certificates*                                                                                                                                                                                    |
| 2.2                   | Form of American Depositary Receipt*                                                                                                                                                                                      |
| 2.3                   | 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                    | 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, 2006, 2007 and 2008. 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.

|                                                                                                                    | 2006               |                                    |                  | 2007               |                                    |                  | 2008               |                                    |                  |
|--------------------------------------------------------------------------------------------------------------------|--------------------|------------------------------------|------------------|--------------------|------------------------------------|------------------|--------------------|------------------------------------|------------------|
|                                                                                                                    | Average<br>balance | Interest and<br>dividend<br>income | Average<br>yield | Average<br>balance | Interest and<br>dividend<br>income | Average<br>yield | Average<br>balance | Interest and<br>dividend<br>income | Average<br>yield |
| (in millions of yen, except percentages)                                                                           |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Assets:                                                                                                            |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Interest-earning assets:                                                                                           |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Interest-bearing deposits in<br>other banks:                                                                       |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Domestic                                                                                                           | 876,669            | 25,256                             | 2.88%            | 585,726            | 29,729                             | 5.08%            | 779,287            | 24,792                             | 3.18%            |
| Foreign                                                                                                            | 623,755            | 25,753                             | 4.13%            | 1,231,120          | 46,856                             | 3.81%            | 1,439,143          | 53,552                             | 3.72%            |
| Total                                                                                                              | 1,500,424          | 51,009                             | 3.40%            | 1,816,846          | 76,585                             | 4.22%            | 2,218,430          | 78,344                             | 3.53%            |
| Call loans and funds sold, and<br>receivables under resale<br>agreements and securities<br>borrowing transactions: |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Domestic                                                                                                           | 7,695,098          | 5,108                              | 0.07%            | 7,965,490          | 25,396                             | 0.32%            | 7,543,809          | 49,240                             | 0.65%            |
| Foreign                                                                                                            | 7,284,547          | 262,218                            | 3.60%            | 9,574,941          | 477,841                            | 4.99%            | 11,259,822         | 534,762                            | 4.75%            |
| Total                                                                                                              | 14,979,645         | 267,326                            | 1.78%            | 17,540,431         | 503,237                            | 2.87%            | 18,803,631         | 584,002                            | 3.11%            |
| Trading account assets:                                                                                            |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Domestic                                                                                                           | 7,832,031          | 20,494                             | 0.26%            | 6,695,053          | 19,877                             | 0.30%            | 7,388,942          | 34,140                             | 0.46%            |
| Foreign                                                                                                            | 3,906,496          | 40,794                             | 1.04%            | 3,865,653          | 49,603                             | 1.28%            | 4,337,103          | 50,286                             | 1.16%            |
| Total                                                                                                              | 11,738,527         | 61,288                             | 0.52%            | 10,560,706         | 69,480                             | 0.66%            | 11,726,045         | 84,426                             | 0.72%            |
| Investments:                                                                                                       |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Domestic                                                                                                           | 30,404,607         | 155,345                            | 0.51%            | 28,106,504         | 234,150                            | 0.83%            | 27,900,453         | 282,028                            | 1.01%            |
| Foreign                                                                                                            | 7,566,952          | 295,141                            | 3.90%            | 8,882,618          | 378,751                            | 4.26%            | 9,840,043          | 446,558                            | 4.54%            |
| Total                                                                                                              | 37,971,559         | 450,486                            | 1.19%            | 36,989,122         | 612,901                            | 1.66%            | 37,740,496         | 728,586                            | 1.93%            |
| Loans (Note):                                                                                                      |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Domestic                                                                                                           | 58,348,102         | 836,483                            | 1.43%            | 58,401,018         | 899,095                            | 1.54%            | 57,661,789         | 1,020,208                          | 1.77%            |
| Foreign                                                                                                            | 7,269,244          | 291,315                            | 4.01%            | 9,641,893          | 478,009                            | 4.96%            | 10,860,713         | 614,694                            | 5.66%            |
| Total                                                                                                              | 65,617,346         | 1,127,798                          | 1.72%            | 68,042,911         | 1,377,104                          | 2.02%            | 68,522,502         | 1,634,902                          | 2.39%            |
| Total interest-earning assets:                                                                                     |                    |                                    |                  |                    |                                    |                  |                    |                                    |                  |
| Domestic                                                                                                           | 105,156,507        | 1,042,686                          | 0.99%            | 101,753,791        | 1,208,247                          | 1.19%            | 101,274,280        | 1,410,408                          | 1.39%            |
| Foreign                                                                                                            | 26,650,994         | 915,221                            | 3.43%            | 33,196,225         | 1,431,060                          | 4.31%            | 37,736,824         | 1,699,852                          | 4.50%            |
| Total                                                                                                              | 131,807,501        | 1,957,907                          | 1.49%            | 134,950,016        | 2,639,307                          | 1.96%            | 139,011,104        | 3,110,260                          | 2.24%            |



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

|                                  |             |             |             |
|----------------------------------|-------------|-------------|-------------|
| Noninterest-earning assets:      |             |             |             |
| Cash and due from banks          | 4,929,162   | 2,208,468   | 1,922,379   |
| Other noninterest-earning assets | 6,106,938   | 6,323,847   | 7,247,988   |
| Allowance for loan losses        | (1,566,891) | (1,248,843) | (1,088,628) |
| Total noninterest-earning assets | 9,469,209   | 7,283,472   | 8,081,739   |
| Total average assets             | 141,276,710 | 142,233,488 | 147,092,843 |

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.

A-2

**Table of Contents**

Within total average assets, the percentage attributable to foreign activities was 20.3%, 24.1% and 26.7%, respectively, for the fiscal years ended March 31, 2006, 2007 and 2008.

|                                                                              | 2006            |                  |              | 2007            |                  |              | 2008            |                  |              |
|------------------------------------------------------------------------------|-----------------|------------------|--------------|-----------------|------------------|--------------|-----------------|------------------|--------------|
|                                                                              | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate | Average balance | Interest expense | Average rate |
| (in millions of yen, except percentages)                                     |                 |                  |              |                 |                  |              |                 |                  |              |
| <b>Liabilities and shareholders equity:</b>                                  |                 |                  |              |                 |                  |              |                 |                  |              |
| Interest-bearing liabilities:                                                |                 |                  |              |                 |                  |              |                 |                  |              |
| Deposits:                                                                    |                 |                  |              |                 |                  |              |                 |                  |              |
| Domestic                                                                     | 60,741,984      | 121,644          | 0.20%        | 62,072,831      | 234,520          | 0.38%        | 64,295,733      | 337,497          | 0.52%        |
| Foreign                                                                      | 5,489,960       | 154,530          | 2.81%        | 8,675,000       | 349,091          | 4.02%        | 9,349,287       | 416,683          | 4.46%        |
| Total                                                                        | 66,231,944      | 276,174          | 0.42%        | 70,747,831      | 583,611          | 0.82%        | 73,645,020      | 754,180          | 1.02%        |
| Debentures Domestic                                                          | 7,256,478       | 48,208           | 0.66%        | 5,629,233       | 34,083           | 0.61%        | 3,965,305       | 23,746           | 0.60%        |
| Short-term borrowings (Note):                                                |                 |                  |              |                 |                  |              |                 |                  |              |
| Domestic                                                                     | 21,047,835      | 37,380           | 0.18%        | 19,220,281      | 81,708           | 0.43%        | 19,043,323      | 158,289          | 0.83%        |
| Foreign                                                                      | 11,007,913      | 388,755          | 3.53%        | 12,651,419      | 620,465          | 4.90%        | 15,538,508      | 737,405          | 4.75%        |
| Total                                                                        | 32,055,748      | 426,135          | 1.33%        | 31,871,700      | 702,173          | 2.20%        | 34,581,831      | 895,694          | 2.59%        |
| Trading account liabilities:                                                 |                 |                  |              |                 |                  |              |                 |                  |              |
| Domestic                                                                     | 5,145,935       | 33,736           | 0.66%        | 4,658,215       | 13,680           | 0.29%        | 4,232,390       | 8,213            | 0.19%        |
| Foreign                                                                      | 3,254,557       | 19,103           | 0.59%        | 3,597,178       | 58,020           | 1.61%        | 3,361,223       | 18,894           | 0.56%        |
| Total                                                                        | 8,400,492       | 52,839           | 0.63%        | 8,255,393       | 71,700           | 0.87%        | 7,593,613       | 27,107           | 0.36%        |
| Long-term debt:                                                              |                 |                  |              |                 |                  |              |                 |                  |              |
| Domestic                                                                     | 6,430,593       | 126,063          | 1.96%        | 5,796,640       | 161,332          | 2.78%        | 7,548,752       | 187,500          | 2.48%        |
| Foreign                                                                      | 734,500         | 15,476           | 2.11%        | 455,893         | 18,490           | 4.06%        | 784,674         | 23,295           | 2.97%        |
| Total                                                                        | 7,165,093       | 141,539          | 1.98%        | 6,252,533       | 179,822          | 2.88%        | 8,333,426       | 210,795          | 2.53%        |
| Total interest-bearing liabilities:                                          |                 |                  |              |                 |                  |              |                 |                  |              |
| Domestic                                                                     | 100,622,825     | 367,031          | 0.36%        | 97,377,200      | 525,323          | 0.54%        | 99,085,503      | 715,245          | 0.72%        |
| Foreign                                                                      | 20,486,930      | 577,864          | 2.82%        | 25,379,490      | 1,046,066        | 4.12%        | 29,033,692      | 1,196,277        | 4.12%        |
| Total                                                                        | 121,109,755     | 944,895          | 0.78%        | 122,756,690     | 1,571,389        | 1.28%        | 128,119,195     | 1,911,522        | 1.49%        |
| Noninterest-bearing liabilities                                              | 16,343,314      |                  |              | 15,390,390      |                  |              | 14,960,520      |                  |              |
| Shareholders equity                                                          | 3,823,641       |                  |              | 4,086,408       |                  |              | 4,013,128       |                  |              |
| Total average liabilities and shareholders equity                            | 141,276,710     |                  |              | 142,233,488     |                  |              | 147,092,843     |                  |              |
| Net interest income and average interest rate spread                         |                 |                  |              |                 |                  |              |                 |                  |              |
|                                                                              |                 | 1,013,012        | 0.71%        |                 | 1,067,918        | 0.68%        |                 | 1,198,738        | 0.75%        |
| Net interest income as a percentage of average total interest-earning assets |                 |                  |              |                 |                  |              |                 |                  |              |
|                                                                              |                 |                  | 0.77%        |                 |                  | 0.79%        |                 |                  | 0.86%        |

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.

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

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 15.9%, 19.0% and 21.2%, respectively, for the fiscal years ended March 31, 2006, 2007 and 2008.

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, 2007 compared to the fiscal year ended March 31, 2006 and the fiscal year ended March 31, 2008 compared to the fiscal year ended March 31, 2007. 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, 2007<br>versus<br>fiscal year ended March 31, 2006<br>Increase (decrease)<br>due to changes in |         |                                       | Fiscal year ended March 31, 2008<br>versus<br>fiscal year ended March 31, 2007<br>Increase (decrease)<br>due to changes in |          |               |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------|---------------|
|                                                                                                           | Volume                                                                                                                     | Yield   | Net<br>change<br>(in millions of yen) | Volume                                                                                                                     | Yield    | Net<br>change |
| Interest and dividend income:                                                                             |                                                                                                                            |         |                                       |                                                                                                                            |          |               |
| Interest-bearing deposits in other banks:                                                                 |                                                                                                                            |         |                                       |                                                                                                                            |          |               |
| Domestic                                                                                                  | (3,453)                                                                                                                    | 7,926   | 4,473                                 | 6,158                                                                                                                      | (11,095) | (4,937)       |
| Foreign                                                                                                   | 22,945                                                                                                                     | (1,842) | 21,103                                | 7,741                                                                                                                      | (1,045)  | 6,696         |
| Total                                                                                                     | 19,492                                                                                                                     | 6,084   | 25,576                                | 13,899                                                                                                                     | (12,140) | 1,759         |
| Call loans and funds sold, and receivables under resale agreements and securities borrowing transactions: |                                                                                                                            |         |                                       |                                                                                                                            |          |               |
| Domestic                                                                                                  | 186                                                                                                                        | 20,102  | 20,288                                | (1,344)                                                                                                                    | 25,188   | 23,844        |
| Foreign                                                                                                   | 96,738                                                                                                                     | 118,885 | 215,623                               | 80,020                                                                                                                     | (23,099) | 56,921        |
| Total                                                                                                     | 96,924                                                                                                                     | 138,987 | 235,911                               | 78,676                                                                                                                     | 2,089    | 80,765        |
| Trading account assets:                                                                                   |                                                                                                                            |         |                                       |                                                                                                                            |          |               |
| Domestic                                                                                                  | (8,466)                                                                                                                    | 7,849   | (617)                                 | 2,240                                                                                                                      | 12,023   | 14,263        |
| Foreign                                                                                                   | (421)                                                                                                                      | 9,230   | 8,809                                 | 5,466                                                                                                                      | (4,783)  | 683           |
| Total                                                                                                     | (8,887)                                                                                                                    | 17,079  | 8,192                                 | 7,706                                                                                                                      | 7,240    | 14,946        |
| Investments:                                                                                              |                                                                                                                            |         |                                       |                                                                                                                            |          |               |
| Domestic                                                                                                  | (10,733)                                                                                                                   | 89,538  | 78,805                                | (1,717)                                                                                                                    | 49,595   | 47,878        |
| Foreign                                                                                                   | 54,430                                                                                                                     | 29,180  | 83,610                                | 42,469                                                                                                                     | 25,338   | 67,807        |
| Total                                                                                                     | 43,697                                                                                                                     | 118,718 | 162,415                               | 40,752                                                                                                                     | 74,933   | 115,685       |
| Loans:                                                                                                    |                                                                                                                            |         |                                       |                                                                                                                            |          |               |
| Domestic                                                                                                  | 759                                                                                                                        | 61,853  | 62,612                                | (11,381)                                                                                                                   | 132,494  | 121,113       |
| Foreign                                                                                                   | 108,142                                                                                                                    | 78,552  | 186,694                               | 64,461                                                                                                                     | 72,224   | 136,685       |
| Total                                                                                                     | 108,901                                                                                                                    | 140,405 | 249,306                               | 53,080                                                                                                                     | 204,718  | 257,798       |
| Total interest and dividend income:                                                                       |                                                                                                                            |         |                                       |                                                                                                                            |          |               |
| Domestic                                                                                                  | (21,707)                                                                                                                   | 187,268 | 165,561                               | (6,044)                                                                                                                    | 208,205  | 202,161       |
| Foreign                                                                                                   | 281,834                                                                                                                    | 234,005 | 515,839                               | 200,157                                                                                                                    | 68,635   | 268,792       |
| Total                                                                                                     | 260,127                                                                                                                    | 421,273 | 681,400                               | 194,113                                                                                                                    | 276,840  | 470,953       |



**Table of Contents**

|                                     | Fiscal year ended March 31, 2007<br>versus<br>fiscal year ended March 31, 2006<br>Increase (decrease)<br>due to changes in |                 |                                       | Fiscal year ended March 31, 2008<br>versus<br>fiscal year ended March 31, 2007<br>Increase (decrease)<br>due to changes in |                 |                 |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                     | Volume                                                                                                                     | Rate            | Net<br>change<br>(in millions of yen) | Volume                                                                                                                     | Rate            | Net<br>change   |
| <b>Interest expense:</b>            |                                                                                                                            |                 |                                       |                                                                                                                            |                 |                 |
| Deposits:                           |                                                                                                                            |                 |                                       |                                                                                                                            |                 |                 |
| Domestic                            | 2,722                                                                                                                      | 110,154         | 112,876                               | 8,674                                                                                                                      | 94,303          | 102,977         |
| Foreign                             | 111,782                                                                                                                    | 82,779          | 194,561                               | 28,358                                                                                                                     | 39,234          | 67,592          |
| <b>Total</b>                        | <b>114,504</b>                                                                                                             | <b>192,933</b>  | <b>307,437</b>                        | <b>37,032</b>                                                                                                              | <b>133,537</b>  | <b>170,569</b>  |
| Debentures Domestic                 | (10,124)                                                                                                                   | (4,001)         | (14,125)                              | (9,968)                                                                                                                    | (369)           | (10,337)        |
| Short-term borrowings:              |                                                                                                                            |                 |                                       |                                                                                                                            |                 |                 |
| Domestic                            | (2,945)                                                                                                                    | 47,273          | 44,328                                | (752)                                                                                                                      | 77,333          | 76,581          |
| Foreign                             | 64,302                                                                                                                     | 167,408         | 231,710                               | 137,012                                                                                                                    | (20,072)        | 116,940         |
| <b>Total</b>                        | <b>61,357</b>                                                                                                              | <b>214,681</b>  | <b>276,038</b>                        | <b>136,260</b>                                                                                                             | <b>57,261</b>   | <b>193,521</b>  |
| <b>Trading account liabilities:</b> |                                                                                                                            |                 |                                       |                                                                                                                            |                 |                 |
| Domestic                            | (2,939)                                                                                                                    | (17,117)        | (20,056)                              | (1,160)                                                                                                                    | (4,307)         | (5,467)         |
| Foreign                             | 2,211                                                                                                                      | 36,706          | 38,917                                | (3,579)                                                                                                                    | (35,547)        | (39,126)        |
| <b>Total</b>                        | <b>(728)</b>                                                                                                               | <b>19,589</b>   | <b>18,861</b>                         | <b>(4,739)</b>                                                                                                             | <b>(39,854)</b> | <b>(44,593)</b> |
| <b>Long-term debt:</b>              |                                                                                                                            |                 |                                       |                                                                                                                            |                 |                 |
| Domestic                            | (10,826)                                                                                                                   | 46,095          | 35,269                                | 43,520                                                                                                                     | (17,352)        | 26,168          |
| Foreign                             | (2,096)                                                                                                                    | 5,110           | 3,014                                 | 9,761                                                                                                                      | (4,956)         | 4,805           |
| <b>Total</b>                        | <b>(12,922)</b>                                                                                                            | <b>51,205</b>   | <b>38,283</b>                         | <b>53,281</b>                                                                                                              | <b>(22,308)</b> | <b>30,973</b>   |
| <b>Total interest expense:</b>      |                                                                                                                            |                 |                                       |                                                                                                                            |                 |                 |
| Domestic                            | (24,112)                                                                                                                   | 182,404         | 158,292                               | 40,314                                                                                                                     | 149,608         | 189,922         |
| Foreign                             | 176,199                                                                                                                    | 292,003         | 468,202                               | 171,552                                                                                                                    | (21,341)        | 150,211         |
| <b>Total</b>                        | <b>152,087</b>                                                                                                             | <b>474,407</b>  | <b>626,494</b>                        | <b>211,866</b>                                                                                                             | <b>128,267</b>  | <b>340,133</b>  |
| <b>Net interest income:</b>         |                                                                                                                            |                 |                                       |                                                                                                                            |                 |                 |
| Domestic                            | 2,405                                                                                                                      | 4,864           | 7,269                                 | (46,358)                                                                                                                   | 58,597          | 12,239          |
| Foreign                             | 105,635                                                                                                                    | (57,998)        | 47,637                                | 28,605                                                                                                                     | 89,976          | 118,581         |
| <b>Total</b>                        | <b>108,040</b>                                                                                                             | <b>(53,134)</b> | <b>54,906</b>                         | <b>(17,753)</b>                                                                                                            | <b>148,573</b>  | <b>130,820</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, 2006, 2007 and 2008:

|                                                  | 2006              |            |                                        | 2007              |                                    |                                        | 2008              |            |                                        |
|--------------------------------------------------|-------------------|------------|----------------------------------------|-------------------|------------------------------------|----------------------------------------|-------------------|------------|----------------------------------------|
|                                                  | Amortized<br>cost | Fair value | Net<br>unrealized<br>gains<br>(losses) | Amortized<br>cost | Fair value<br>(in millions of yen) | Net<br>unrealized<br>gains<br>(losses) | Amortized<br>cost | Fair value | Net<br>unrealized<br>gains<br>(losses) |
| Available-for-sale securities: <sup>(1)</sup>    |                   |            |                                        |                   |                                    |                                        |                   |            |                                        |
| Domestic:                                        |                   |            |                                        |                   |                                    |                                        |                   |            |                                        |
| Japanese government bonds                        | 19,522,100        | 19,291,447 | (230,653)                              | 14,524,884        | 14,516,016                         | (8,868)                                | 16,216,080        | 16,212,421 | (3,659)                                |
| Agency mortgage-backed securities <sup>(2)</sup> | 207,595           | 203,047    | (4,548)                                | 261,629           | 258,645                            | (2,984)                                | 251,028           | 251,519    | 491                                    |
| Corporate bonds and other debt securities        | 4,324,059         | 4,284,509  | (39,550)                               | 5,392,064         | 5,371,722                          | (20,342)                               | 5,566,096         | 5,573,470  | 7,374                                  |
| Equity securities (marketable)                   | 2,391,200         | 6,011,532  | 3,620,332                              | 2,514,198         | 6,169,088                          | 3,654,890                              | 2,501,616         | 4,391,998  | 1,890,382                              |
| Total domestic                                   | 26,444,954        | 29,790,535 | 3,345,581                              | 22,692,775        | 26,315,471                         | 3,622,696                              | 24,534,820        | 26,429,408 | 1,894,588                              |
| Foreign:                                         |                   |            |                                        |                   |                                    |                                        |                   |            |                                        |
| U.S. Treasury bonds                              | 1,172,281         | 1,173,801  | 1,520                                  | 2,044,045         | 2,051,847                          | 7,802                                  | 2,571,051         | 2,549,932  | (21,119)                               |
| Other foreign gov't bonds                        | 1,677,222         | 1,695,649  | 18,427                                 | 2,866,136         | 2,996,479                          | 130,343                                | 1,768,307         | 1,867,778  | 99,471                                 |
| Agency mortgage-backed securities <sup>(3)</sup> | 1,750,068         | 1,810,545  | 60,477                                 | 2,181,798         | 2,228,921                          | 47,123                                 | 1,311,319         | 1,269,227  | (42,092)                               |
| Corporate bonds and other debt securities        | 1,666,987         | 1,665,210  | (1,777)                                | 2,196,570         | 2,183,109                          | (13,461)                               | 2,160,272         | 2,134,779  | (25,493)                               |
| Equity securities (marketable)                   | 37,615            | 57,109     | 19,494                                 | 76,861            | 94,840                             | 17,979                                 | 117,904           | 120,514    | 2,610                                  |
| Total foreign                                    | 6,304,173         | 6,402,314  | 98,141                                 | 9,365,410         | 9,555,196                          | 189,786                                | 7,928,853         | 7,942,230  | 13,377                                 |
| Total                                            | 32,749,127        | 36,192,849 | 3,443,722                              | 32,058,185        | 35,870,667                         | 3,812,482                              | 32,463,673        | 34,371,638 | 1,907,965                              |
| Held-to-maturity securities:                     |                   |            |                                        |                   |                                    |                                        |                   |            |                                        |
| Domestic:                                        |                   |            |                                        |                   |                                    |                                        |                   |            |                                        |
| Japanese government bonds                        | 1,168,206         | 1,163,791  | (4,415)                                | 969,069           | 967,192                            | (1,877)                                | 489,978           | 490,078    | 100                                    |
| Corporate bonds and other debt securities        | 51,435            | 51,081     | (354)                                  | 49,971            | 49,797                             | (174)                                  | 48,546            | 48,550     | 4                                      |
| Total domestic                                   | 1,219,641         | 1,214,872  | (4,769)                                | 1,019,040         | 1,016,989                          | (2,051)                                | 538,524           | 538,628    | 104                                    |
| Foreign:                                         |                   |            |                                        |                   |                                    |                                        |                   |            |                                        |
| U.S. Treasury bonds                              | 316,508           | 305,606    | (10,902)                               | 318,579           | 312,394                            | (6,185)                                | 240,391           | 245,144    | 4,753                                  |
| Total foreign                                    | 316,508           | 305,606    | (10,902)                               | 318,579           | 312,394                            | (6,185)                                | 240,391           | 245,144    | 4,753                                  |
| Total                                            | 1,536,149         | 1,520,478  | (15,671)                               | 1,337,619         | 1,329,383                          | (8,236)                                | 778,915           | 783,772    | 4,857                                  |

## 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.
- (3) Over 99 percent of foreign agency mortgage-backed securities are Government National Mortgage Association or Ginnie Mae securities, which are guaranteed by the United States government.





**Table of Contents**

The following table shows the book values, contractual maturities and weighted average yields of available-for-sale and held-to-maturity debt securities at March 31, 2008. 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                 | 8,040,361        | 0.48% | 5,468,849                         | 0.65% | 1,234,164                                   | 1.03% | 1,469,047       | 1.07% | 16,212,421 | 0.63% |
| Agency mortgage-backed securities         |                  | %     |                                   | %     |                                             | %     | 251,519         | 1.90% | 251,519    | 1.90% |
| Corporate bonds and other debt securities | 621,649          | 1.00% | 2,251,058                         | 1.16% | 1,271,827                                   | 1.39% | 1,428,936       | 1.40% | 5,573,470  | 1.25% |
| Total domestic                            | 8,662,010        | 0.52% | 7,719,907                         | 0.80% | 2,505,991                                   | 1.21% | 3,149,502       | 1.28% | 22,037,410 | 0.80% |
| Foreign:                                  |                  |       |                                   |       |                                             |       |                 |       |            |       |
| U.S. Treasury bonds                       | 383,627          | 1.95% | 1,780,761                         | 2.55% | 368,096                                     | 3.12% | 17,448          | 4.22% | 2,549,932  | 2.56% |
| Other foreign gov t bonds                 | 370,919          | 2.54% | 872,476                           | 3.29% | 588,744                                     | 3.71% | 35,639          | 3.70% | 1,867,778  | 3.29% |
| Agency mortgage-backed securities         | 2,096            | 5.00% | 3,133                             | 6.51% | 62                                          | 5.90% | 1,263,936       | 5.28% | 1,269,227  | 5.28% |
| Corporate bonds and other debt securities | 218,151          | 3.15% | 1,152,589                         | 3.73% | 377,598                                     | 4.15% | 386,441         | 2.58% | 2,134,779  | 3.53% |
| Total foreign                             | 974,793          | 2.45% | 3,808,959                         | 3.08% | 1,334,500                                   | 3.67% | 1,703,464       | 4.63% | 7,821,716  | 3.45% |
| Total                                     | 9,636,803        | 0.71% | 11,528,866                        | 1.54% | 3,840,491                                   | 2.07% | 4,852,966       | 2.48% | 29,859,126 | 1.50% |
| Held-to-maturity securities:              |                  |       |                                   |       |                                             |       |                 |       |            |       |
| Domestic:                                 |                  |       |                                   |       |                                             |       |                 |       |            |       |
| Japanese government bonds                 | 439,876          | 0.53% | 50,102                            | 0.52% |                                             | %     |                 | %     | 489,978    | 0.52% |
| Corporate bonds and other debt securities | 36,028           | 0.75% | 12,518                            | 0.75% |                                             | %     |                 | %     | 48,546     | 0.75% |
| Total domestic                            | 475,904          | 0.54% | 62,620                            | 0.56% |                                             | %     |                 | %     | 538,524    | 0.55% |
| Foreign:                                  |                  |       |                                   |       |                                             |       |                 |       |            |       |
| U.S. Treasury bonds                       | 120,174          | 3.29% | 120,217                           | 3.61% |                                             | %     |                 | %     | 240,391    | 3.45% |
| Total foreign                             | 120,174          | 3.29% | 120,217                           | 3.61% |                                             | %     |                 | %     | 240,391    | 3.45% |
| Total                                     | 596,078          | 1.10% | 182,837                           | 2.57% |                                             | %     |                 | %     | 778,915    | 1.44% |

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 in which the aggregate book value exceeded 10% of the Group's shareholders' equity at March 31, 2008:

|                         | Amortized cost<br>(in millions of yen) | Fair value |
|-------------------------|----------------------------------------|------------|
| German government bonds | 1,031,715                              | 1,078,802  |

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, 2004, 2005, 2006, 2007 and 2008.

|                                                  | 2004       | 2005       | 2006<br>(in millions of yen) | 2007       | 2008       |
|--------------------------------------------------|------------|------------|------------------------------|------------|------------|
| Domestic: <sup>(1)</sup>                         |            |            |                              |            |            |
| Manufacturing                                    | 9,219,534  | 7,943,154  | 7,792,723                    | 7,662,036  | 7,806,714  |
| Construction                                     | 2,047,612  | 1,745,172  | 1,563,511                    | 1,502,442  | 1,429,596  |
| Real estate                                      | 6,906,237  | 6,616,466  | 7,046,668                    | 6,647,086  | 6,489,603  |
| Services                                         | 8,983,810  | 6,904,944  | 6,308,198                    | 6,120,059  | 5,566,161  |
| Wholesale and retail                             | 8,161,628  | 7,337,985  | 6,929,994                    | 6,356,583  | 6,100,129  |
| Transportation                                   | 2,983,403  | 2,854,582  | 2,789,525                    | 2,594,601  | 2,516,266  |
| Banks and other financial institutions           | 7,897,622  | 6,201,142  | 6,540,940                    | 4,286,617  | 4,355,610  |
| Government and public institutions               | 1,581,739  | 3,456,814  | 4,574,072                    | 6,099,359  | 5,807,510  |
| Other industries <sup>(2)</sup>                  | 4,344,988  | 4,703,022  | 5,184,264                    | 5,451,861  | 5,061,023  |
| Individuals:                                     |            |            |                              |            |            |
| Mortgage loans                                   | 10,895,420 | 10,536,877 | 10,655,069                   | 11,025,079 | 11,122,393 |
| Other                                            | 1,285,310  | 1,384,540  | 1,317,167                    | 1,338,493  | 1,204,350  |
| Total domestic                                   | 64,307,303 | 59,684,698 | 60,702,131                   | 59,084,216 | 57,459,355 |
| Foreign:                                         |            |            |                              |            |            |
| Commercial and industrial                        | 4,760,209  | 5,033,023  | 6,104,658                    | 7,963,577  | 8,815,166  |
| Banks and other financial institutions           | 386,681    | 671,678    | 1,437,166                    | 1,675,503  | 1,544,938  |
| Government and public institutions               | 152,133    | 161,330    | 330,987                      | 366,292    | 414,688    |
| Other <sup>(2)</sup>                             | 46,356     | 77,568     | 205,411                      | 184,898    | 93,852     |
| Total foreign                                    | 5,345,379  | 5,943,599  | 8,078,222                    | 10,190,270 | 10,868,644 |
| Total                                            | 69,652,682 | 65,628,297 | 68,780,353                   | 69,274,486 | 68,327,999 |
| Less: Unearned income and deferred loan fees net | 51,309     | 58,961     | 69,392                       | 91,619     | 106,192    |
| Total loans before allowance for loan losses     | 69,601,373 | 65,569,336 | 68,710,961                   | 69,182,867 | 68,221,807 |

## 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, 2008:

|                                        | One year or<br>less | Maturity<br>After one year<br>through<br>five years<br>(in millions of yen) | After<br>five years | Total      |
|----------------------------------------|---------------------|-----------------------------------------------------------------------------|---------------------|------------|
| Domestic:                              |                     |                                                                             |                     |            |
| Manufacturing                          | 4,745,039           | 2,564,764                                                                   | 496,911             | 7,806,714  |
| Construction                           | 744,858             | 578,429                                                                     | 106,309             | 1,429,596  |
| Real estate                            | 2,586,698           | 2,778,659                                                                   | 1,124,246           | 6,489,603  |
| Services                               | 2,319,868           | 2,401,744                                                                   | 844,549             | 5,566,161  |
| Wholesale and retail                   | 4,066,718           | 1,757,110                                                                   | 276,301             | 6,100,129  |
| Transportation                         | 757,902             | 1,226,208                                                                   | 532,156             | 2,516,266  |
| Banks and other financial institutions | 2,215,180           | 1,580,209                                                                   | 560,221             | 4,355,610  |
| Government and public institutions     | 5,267,375           | 327,449                                                                     | 212,686             | 5,807,510  |
| Other industries                       | 3,812,934           | 928,232                                                                     | 319,857             | 5,061,023  |
| Individuals                            | 1,434,025           | 2,480,593                                                                   | 8,412,125           | 12,326,743 |
| Total domestic                         | 27,950,597          | 16,623,397                                                                  | 12,885,361          | 57,459,355 |
| Foreign:                               |                     |                                                                             |                     |            |
| Total foreign                          | 3,873,614           | 5,034,167                                                                   | 1,960,863           | 10,868,644 |
| Total                                  | 31,824,211          | 21,657,564                                                                  | 14,846,224          | 68,327,999 |

Of the above loans due after one year, loans which had floating rates and fixed rates at March 31, 2008 were as follows:

|                | (in millions of yen) |
|----------------|----------------------|
| Floating rates | 24,463,859           |
| Fixed rates    | 12,039,929           |
| Total          | 36,503,788           |

**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, 2004, 2005, 2006, 2007 and 2008 by domicile and industry of borrower:

|                                        | 2004             | 2005             | 2006<br>(in millions of yen) | 2007             | 2008             |
|----------------------------------------|------------------|------------------|------------------------------|------------------|------------------|
| <b>Domestic:</b>                       |                  |                  |                              |                  |                  |
| Manufacturing                          | 556,251          | 133,109          | 106,094                      | 96,759           | 160,819          |
| Construction                           | 182,003          | 98,314           | 53,213                       | 71,577           | 88,081           |
| Real estate                            | 531,860          | 316,843          | 188,474                      | 118,985          | 106,326          |
| Services                               | 504,868          | 292,016          | 140,044                      | 167,599          | 199,954          |
| Wholesale and retail                   | 877,944          | 410,529          | 202,758                      | 216,744          | 243,325          |
| Transportation                         | 60,382           | 220,812          | 315,784                      | 371,283          | 114,978          |
| Banks and other financial institutions | 77,505           | 8,445            | 4,876                        | 292,753          | 178,122          |
| Other industries                       | 161,802          | 50,531           | 8,686                        | 8,619            | 11,354           |
| Individuals                            | 280,179          | 231,990          | 139,678                      | 137,226          | 146,018          |
| <b>Total domestic</b>                  | <b>3,232,794</b> | <b>1,762,589</b> | <b>1,159,607</b>             | <b>1,481,545</b> | <b>1,248,977</b> |
| <b>Foreign:</b>                        |                  |                  |                              |                  |                  |
| <b>Total foreign</b>                   | <b>136,696</b>   | <b>80,724</b>    | <b>69,810</b>                | <b>47,321</b>    | <b>46,497</b>    |
| <b>Total impaired loans</b>            | <b>3,369,490</b> | <b>1,843,313</b> | <b>1,229,417</b>             | <b>1,528,866</b> | <b>1,295,474</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, 2008 would have been ¥41,374 million, of which ¥27,993 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, 2008 was ¥5,665 million, of which ¥5,006 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, 2006:

|                | Public<br>institutions                   | Banks   | Others    | Total     | % of total<br>assets | Undrawn<br>commitments |
|----------------|------------------------------------------|---------|-----------|-----------|----------------------|------------------------|
|                | (in millions of yen, except percentages) |         |           |           |                      |                        |
| United States  | 3,843,210                                | 952,236 | 1,901,044 | 6,696,490 | 4.60%                | 2,306,077              |
| United Kingdom | 70,582                                   | 345,156 | 1,185,540 | 1,601,278 | 1.10%                | 488,205                |
| Germany        | 828,374                                  | 346,213 | 347,087   | 1,521,674 | 1.05%                | 330,608                |



**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, 2007:

|                                          | Public<br>institutions | Banks     | Others    | Total     | % of total<br>assets | Undrawn<br>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                |

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:

|                                          | Public<br>institutions | Banks   | Others    | Total     | % of total<br>assets | Undrawn<br>commitments |
|------------------------------------------|------------------------|---------|-----------|-----------|----------------------|------------------------|
| (in millions of yen, except percentages) |                        |         |           |           |                      |                        |
| 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                |

A-11

**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 and 2008:

|                                                       | 2005                                     | 2006      | 2007    | 2008     |
|-------------------------------------------------------|------------------------------------------|-----------|---------|----------|
|                                                       | (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  |
| Provision (credit) for loan losses                    | 55,035                                   | (157,666) | 182,115 | (57,766) |
| <b>Charge-offs:</b>                                   |                                          |           |         |          |
| <b>Domestic:</b>                                      |                                          |           |         |          |
| Manufacturing                                         | 64,580                                   | 38,325    | 11,119  | 31,546   |
| Construction                                          | 20,424                                   | 11,073    | 2,672   | 8,272    |
| Real estate                                           | 312,526                                  | 85,264    | 4,722   | 3,729    |
| Services                                              | 118,836                                  | 28,661    | 18,037  | 88,897   |
| Wholesale and retail                                  | 221,326                                  | 44,763    | 25,737  | 40,681   |
| Transportation                                        | 20,028                                   | 5,463     | 319     | 3,796    |
| Banks and other financial institutions                | 10,403                                   | 553       | 6,028   | 53,207   |
| Other industries                                      | 12,592                                   | 12,254    | 5,413   | 12,903   |
| Individuals                                           | 88,036                                   | 63,702    | 18,010  | 17,389   |
| Total domestic                                        | 868,751                                  | 290,058   | 92,057  | 260,420  |
| Total foreign                                         | 7,336                                    | 15,671    | 18,555  | 10,822   |
| Total charge-offs                                     | 876,087                                  | 305,729   | 110,612 | 271,242  |
| <b>Recoveries:</b>                                    |                                          |           |         |          |
| <b>Domestic:</b>                                      |                                          |           |         |          |
| Manufacturing                                         | 5,394                                    | 3,589     | 3,335   | 2,313    |
| Construction                                          | 9,431                                    | 6,464     | 2,360   | 909      |
| Real estate                                           | 22,010                                   | 20,992    | 3,222   | 13,780   |
| Services                                              | 8,478                                    | 10,241    | 12,405  | 7,405    |
| Wholesale and retail                                  | 12,202                                   | 10,622    | 4,666   | 7,349    |
| Transportation                                        | 1,556                                    | 49        | 185     | 153      |
| Banks and other financial institutions                | 2,871                                    | 1,023     | 225     | 3,582    |
| Other industries                                      | 3,480                                    | 1,896     | 2,447   | 1,415    |
| Individuals                                           | 9,498                                    | 6,361     | 3,377   | 2,760    |
| Total domestic                                        | 74,920                                   | 61,237    | 32,222  | 39,666   |
| Total foreign                                         | 14,820                                   | 12,654    | 25,799  | 7,709    |
| Total recoveries                                      | 89,740                                   | 73,891    | 58,021  | 47,375   |
| Net charge-offs                                       | 786,347                                  | 231,838   | 52,591  | 223,867  |
| Others (Note)                                         | 2,300                                    | (5,330)   | 4,302   | (14,711) |
| Balance at end of fiscal year                         | 1,207,155                                | 812,321   | 946,147 | 649,803  |
| Ratio of net charge-offs to average loans outstanding | 1.19%                                    | 0.35%     | 0.08%   | 0.33%    |



Note: Others include primarily foreign exchange translation.

A-12

**Table of Contents**

Quantitative information under U.S. GAAP regarding loan loss experience for the fiscal year ended March 31, 2004 is not available. However, the MHFG Group observed the following trends during such fiscal year. The Group incurred significant provisions for loan losses in the fiscal year ended March 31, 2003 due to the significant amount of impaired loans accumulated after the collapse of the bubble economy. The general quality of the Group's loan portfolio began to improve starting in the fiscal year ended March 31, 2003, and the amount of its provision for loan losses peaked by the end of such fiscal year and decreased dramatically in subsequent fiscal years, with a reversal of the provision for loan losses being recorded in the fiscal year ended March 31, 2006. Similarly, the amount of its net charge-offs peaked in the fiscal year ended March 31, 2003 and decreased significantly in subsequent fiscal years with a small fluctuation.

The following table shows an allocation of the MHFG Group's allowance for loan losses by domicile and industry of borrower at March 31, 2004, 2005, 2006, 2007 and 2008:

|                                        | 2004                                     |                                            | 2005      |                                            | 2006    |                                            | 2007    |                                            | 2008    |                                            |
|----------------------------------------|------------------------------------------|--------------------------------------------|-----------|--------------------------------------------|---------|--------------------------------------------|---------|--------------------------------------------|---------|--------------------------------------------|
|                                        | 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                          | 225,527                                  | 13.24%                                     | 88,365    | 12.10%                                     | 62,218  | 11.33%                                     | 61,001  | 11.06%                                     | 74,884  | 11.43%                                     |
| Construction                           | 70,478                                   | 2.94%                                      | 64,203    | 2.66%                                      | 28,040  | 2.27%                                      | 30,436  | 2.17%                                      | 31,414  | 2.09%                                      |
| Real estate                            | 347,050                                  | 9.92%                                      | 152,085   | 10.08%                                     | 74,063  | 10.24%                                     | 57,202  | 9.60%                                      | 49,249  | 9.50%                                      |
| Services                               | 252,666                                  | 12.90%                                     | 172,316   | 10.52%                                     | 91,499  | 9.17%                                      | 106,538 | 8.83%                                      | 89,434  | 8.15%                                      |
| Wholesale and retail                   | 422,316                                  | 11.72%                                     | 254,487   | 11.18%                                     | 143,580 | 10.08%                                     | 115,816 | 9.18%                                      | 117,282 | 8.93%                                      |
| Transportation                         | 32,760                                   | 4.28%                                      | 69,649    | 4.35%                                      | 114,837 | 4.06%                                      | 142,073 | 3.75%                                      | 40,820  | 3.68%                                      |
| Banks and other financial institutions | 168,556                                  | 11.34%                                     | 115,619   | 9.45%                                      | 85,360  | 9.51%                                      | 218,957 | 6.19%                                      | 74,232  | 6.37%                                      |
| Other industries (Note)                | 73,954                                   | 8.50%                                      | 27,838    | 12.43%                                     | 9,363   | 14.19%                                     | 12,942  | 16.66%                                     | 9,952   | 15.90%                                     |
| Individuals                            | 233,798                                  | 17.49%                                     | 190,079   | 18.17%                                     | 138,528 | 17.41%                                     | 151,713 | 17.85%                                     | 118,977 | 18.04%                                     |
| Mortgage loans                         | 154,910                                  | 15.64%                                     | 116,042   | 16.06%                                     | 107,014 | 15.49%                                     | 114,556 | 15.92%                                     | 85,715  | 16.28%                                     |
| Other                                  | 78,888                                   | 1.85%                                      | 74,037    | 2.11%                                      | 31,514  | 1.92%                                      | 37,157  | 1.93%                                      | 33,262  | 1.76%                                      |
| Total domestic                         | 1,827,105                                | 92.33%                                     | 1,134,641 | 90.94%                                     | 747,488 | 88.26%                                     | 896,678 | 85.29%                                     | 606,244 | 84.09%                                     |
| Total foreign                          | 109,062                                  | 7.67%                                      | 72,514    | 9.06%                                      | 64,833  | 11.74%                                     | 49,469  | 14.71%                                     | 43,559  | 15.91%                                     |
| Total allowance for loan losses        | 1,936,167                                | 100.00%                                    | 1,207,155 | 100.00%                                    | 812,321 | 100.00%                                    | 946,147 | 100.00%                                    | 649,803 | 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, 2006, 2007 and 2008:

|                                                                       | 2006                                     |                 | 2007              |                 | 2008              |                 |
|-----------------------------------------------------------------------|------------------------------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
|                                                                       | Average<br>amount                        | Average<br>rate | Average<br>amount | Average<br>rate | Average<br>amount | Average<br>rate |
|                                                                       | (in millions of yen, except percentages) |                 |                   |                 |                   |                 |
| Domestic offices:                                                     |                                          |                 |                   |                 |                   |                 |
| Noninterest-bearing demand deposits                                   | 12,447,179                               | %               | 11,562,000        | %               | 9,679,670         | %               |
| Interest-bearing demand deposits                                      | 25,603,238                               | 0.08%           | 26,706,460        | 0.20%           | 27,477,845        | 0.31%           |
| Deposits at notice (Note)                                             | 699,977                                  | 0.00%           | 635,558           | 0.08%           | 599,924           | 0.20%           |
| Time deposits                                                         | 25,690,710                               | 0.38%           | 25,859,005        | 0.60%           | 27,476,772        | 0.71%           |
| Certificates of deposit                                               | 8,748,059                                | 0.03%           | 8,871,808         | 0.28%           | 8,670,242         | 0.65%           |
| Foreign offices, principally from banks located in foreign countries: |                                          |                 |                   |                 |                   |                 |
| Noninterest-bearing demand deposits                                   | 315,370                                  | %               | 363,386           | %               | 360,275           | %               |
| Interest-bearing deposits, principally time deposits                  | 4,944,456                                | 2.70%           | 7,096,152         | 3.75%           | 8,051,392         | 4.17%           |
| Certificates of deposit                                               | 545,504                                  | 3.88%           | 1,578,848         | 5.26%           | 1,368,845         | 5.93%           |
| Total                                                                 | 78,994,493                               | 0.35%           | 82,673,217        | 0.71%           | 83,684,965        | 0.90%           |

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, 2006, 2007 and 2008 were ¥869,967 million, ¥905,214 million and ¥1,131,912 million, respectively.

At March 31, 2008, the balance and remaining maturities of time deposits and certificates of deposit issued by domestic offices in amounts of ¥10 million (approximately US\$100 thousand at the Federal Reserve Bank of New York's noon buying rate on March 31, 2008) 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<br>deposits | Certificates of<br>deposit<br>(in millions of yen) | Total      |
|--------------------------------------------|------------------|----------------------------------------------------|------------|
| Domestic offices:                          |                  |                                                    |            |
| Due in three months or less                | 10,222,888       | 8,669,050                                          | 18,891,938 |
| Due after three months through six months  | 3,686,943        | 226,160                                            | 3,913,103  |
| Due after six months through twelve months | 2,977,737        | 95,600                                             | 3,073,337  |
| Due after twelve months                    | 1,812,151        | 2,230                                              | 1,814,381  |
| Total                                      | 18,699,719       | 8,993,040                                          | 27,692,759 |
| Foreign offices                            | 6,806,250        | 1,078,242                                          | 7,884,492  |
| Total                                      | 25,505,969       | 10,071,282                                         | 35,577,251 |

**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, 2006, 2007 and 2008:

|                                                                                                               | 2006                                     | 2007       | 2008       |
|---------------------------------------------------------------------------------------------------------------|------------------------------------------|------------|------------|
|                                                                                                               | (in millions of yen, except percentages) |            |            |
| Due to trust accounts:                                                                                        |                                          |            |            |
| Average balance outstanding during the fiscal year                                                            | 1,355,656                                | 1,205,615  | 1,210,106  |
| Maximum balance outstanding at any month-end during the fiscal year                                           | 1,498,596                                | 1,278,373  | 1,265,679  |
| Balance at end of fiscal year                                                                                 | 1,354,890                                | 1,135,359  | 1,119,947  |
| Weighted average interest rate during the fiscal year                                                         | 0.41%                                    | 0.49%      | 0.73%      |
| Weighted average interest rate on balance at end of fiscal year                                               | 0.37%                                    | 0.67%      | 0.70%      |
| Call money and funds purchased, and payables under repurchase agreements and securities lending transactions: |                                          |            |            |
| Average balance outstanding during the fiscal year                                                            | 25,151,310                               | 25,626,096 | 28,537,793 |
| Maximum balance outstanding at any month-end during the fiscal year                                           | 26,234,873                               | 28,682,820 | 32,299,976 |
| Balance at end of fiscal year                                                                                 | 23,619,505                               | 25,846,647 | 25,299,859 |
| Weighted average interest rate during the fiscal year                                                         | 1.62%                                    | 2.57%      | 2.87%      |
| Weighted average interest rate on balance at end of fiscal year                                               | 1.55%                                    | 2.45%      | 2.46%      |
| Commercial paper and other short-term borrowings:                                                             |                                          |            |            |
| Average balance outstanding during the fiscal year                                                            | 5,548,782                                | 5,039,989  | 4,833,932  |
| Maximum balance outstanding at any month-end during the fiscal year                                           | 9,004,697                                | 5,570,739  | 7,048,189  |
| Balance at end of fiscal year                                                                                 | 7,259,094                                | 5,217,057  | 5,373,729  |
| Weighted average interest rate during the fiscal year                                                         | 0.18%                                    | 0.74%      | 1.38%      |
| Weighted average interest rate on balance at end of fiscal year                                               | 0.20%                                    | 1.02%      | 0.83%      |

**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, 2007 and 2008</u>                                                | F-4         |
| <u>Consolidated Statements of Income for the fiscal years ended March 31, 2006, 2007 and 2008</u>               | F-6         |
| <u>Consolidated Statements of Comprehensive Income for the fiscal years ended March 31, 2006, 2007 and 2008</u> | F-7         |
| <u>Consolidated Statements of Shareholders' Equity for the fiscal years ended March 31, 2006, 2007 and 2008</u> | F-8         |
| <u>Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2006, 2007 and 2008</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, 2008 and 2007, 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, 2008. 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, 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, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 2, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

September 2, 2008

**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, 2008, 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, 2008, 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, 2008 and 2007, 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, 2008 and our report dated September 2, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

September 2, 2008

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****MARCH 31, 2007 AND 2008**

|                                                                                                                                                                                       | <b>2007</b>                 | <b>2008</b>        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------|
|                                                                                                                                                                                       | <b>(in millions of yen)</b> |                    |
| <b>Assets:</b>                                                                                                                                                                        |                             |                    |
| Cash and due from banks (Note 9)                                                                                                                                                      | 3,075,860                   | 2,085,847          |
| Interest-bearing deposits in other banks (Note 9)                                                                                                                                     | 1,052,296                   | 1,549,746          |
| Call loans and funds sold                                                                                                                                                             | 309,671                     | 257,741            |
| Receivables under resale agreements                                                                                                                                                   | 9,430,398                   | 7,235,200          |
| Receivables under securities borrowing transactions                                                                                                                                   | 8,624,211                   | 9,069,138          |
| Trading account assets (including assets pledged that secured parties are permitted to sell or repledge of ¥3,138,495 million in 2007 and ¥3,545,201 million in 2008) (Notes 3 and 9) | 13,950,333                  | 20,552,404         |
| Investments (Notes 4 and 9):                                                                                                                                                          |                             |                    |
| Available-for-sale securities (including assets pledged that secured parties are permitted to sell or repledge of ¥7,655,490 million in 2007 and ¥8,097,839 million in 2008)          | 35,870,667                  | 34,371,638         |
| Held-to-maturity securities                                                                                                                                                           | 1,337,619                   | 778,915            |
| Other investments                                                                                                                                                                     | 793,410                     | 1,005,195          |
| Loans (Notes 5, 6 and 9)                                                                                                                                                              | 69,182,867                  | 68,221,807         |
| Allowance for loan losses                                                                                                                                                             | (946,147)                   | (649,803)          |
| Loans, net of allowance                                                                                                                                                               | 68,236,720                  | 67,572,004         |
| Premises and equipment net (Note 7)                                                                                                                                                   | 847,523                     | 852,393            |
| Due from customers on acceptances                                                                                                                                                     | 57,662                      | 62,255             |
| Accrued income                                                                                                                                                                        | 440,495                     | 380,592            |
| Goodwill (Note 8)                                                                                                                                                                     | 39,559                      | 15,016             |
| Deferred tax assets (Note 20)                                                                                                                                                         | 618,665                     | 923,572            |
| Other assets (Notes 9, 14 and 21)                                                                                                                                                     | 2,696,190                   | 4,606,100          |
| <b>Total assets</b>                                                                                                                                                                   | <b>147,381,279</b>          | <b>151,317,756</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, 2007 AND 2008**

|                                                                                                                                                                                 | 2007                 | 2008               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|
|                                                                                                                                                                                 | (in millions of yen) |                    |
| <b>Liabilities and shareholders' equity:</b>                                                                                                                                    |                      |                    |
| Deposits (Notes 9 and 10):                                                                                                                                                      |                      |                    |
| Domestic:                                                                                                                                                                       |                      |                    |
| Noninterest-bearing deposits                                                                                                                                                    | 13,166,585           | 10,846,443         |
| Interest-bearing deposits                                                                                                                                                       | 61,012,820           | 66,329,605         |
| Foreign:                                                                                                                                                                        |                      |                    |
| Noninterest-bearing deposits                                                                                                                                                    | 350,553              | 412,869            |
| Interest-bearing deposits                                                                                                                                                       | 9,221,346            | 8,840,148          |
| Debentures (Note 11)                                                                                                                                                            | 4,723,806            | 3,159,443          |
| Due to trust accounts (Note 12)                                                                                                                                                 | 1,135,359            | 1,119,947          |
| Call money and funds purchased                                                                                                                                                  | 6,924,136            | 6,693,712          |
| Payables under repurchase agreements                                                                                                                                            | 12,821,753           | 11,511,020         |
| Payables under securities lending transactions                                                                                                                                  | 6,100,758            | 7,095,127          |
| Commercial paper                                                                                                                                                                | 933,564              | 560,966            |
| Other short-term borrowings                                                                                                                                                     | 4,283,493            | 4,812,763          |
| Trading account liabilities (Note 3)                                                                                                                                            | 11,310,010           | 14,120,440         |
| Bank acceptances outstanding                                                                                                                                                    | 57,662               | 62,255             |
| Income taxes payable (Note 20)                                                                                                                                                  | 28,650               | 28,800             |
| Deferred tax liabilities (Note 20)                                                                                                                                              | 16,368               | 11,200             |
| Accrued expenses                                                                                                                                                                | 312,680              | 294,190            |
| Long-term debt (including structured notes accounted for at fair value of ¥142,924 million in 2007, and ¥178,233 million in 2008) (Note 13)                                     | 7,073,936            | 7,618,910          |
| Other liabilities (Notes 14 and 23)                                                                                                                                             | 2,903,497            | 4,231,761          |
| <b>Total liabilities</b>                                                                                                                                                        | <b>142,376,976</b>   | <b>147,749,599</b> |
| Commitments and contingencies (Note 23)                                                                                                                                         |                      |                    |
| Minority interest in consolidated subsidiaries (Note 24)                                                                                                                        | 341,603              | 299,357            |
| Shareholders' equity (Note 18):                                                                                                                                                 |                      |                    |
| Preferred stock (Note 15)                                                                                                                                                       | 980,430              | 980,430            |
| Common stock - no par value, authorized 24,868,200 shares in 2007, and 24,392,259 shares in 2008, and issued 11,872,195 shares in 2007, and 11,396,255 shares in 2008 (Note 16) | 3,532,492            | 3,437,420          |
| Accumulated deficit (Note 17)                                                                                                                                                   | (2,105,719)          | (2,066,604)        |
| Accumulated other comprehensive income, net of tax                                                                                                                              | 2,287,827            | 920,062            |
| Less: Treasury stock, at cost - Common stock 265,040 shares in 2007, and 4,585 shares in 2008                                                                                   | (32,330)             | (2,508)            |
| <b>Total shareholders' equity</b>                                                                                                                                               | <b>4,662,700</b>     | <b>3,268,800</b>   |
| <b>Total liabilities, minority interest and shareholders' equity</b>                                                                                                            | <b>147,381,279</b>   | <b>151,317,756</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, 2006, 2007 and 2008**

|                                                                           | 2006      | 2007<br>(in millions of yen) | 2008      |
|---------------------------------------------------------------------------|-----------|------------------------------|-----------|
| <b>Interest and dividend income:</b>                                      |           |                              |           |
| Loans, including fees (Note 5)                                            | 1,127,798 | 1,377,104                    | 1,634,902 |
| Investments:                                                              |           |                              |           |
| Interest                                                                  | 359,408   | 518,968                      | 637,455   |
| Dividends                                                                 | 91,078    | 93,933                       | 91,131    |
| Trading account assets                                                    | 61,288    | 69,480                       | 84,426    |
| Call loans and funds sold                                                 | 9,753     | 19,107                       | 13,568    |
| Receivables under resale agreements and securities borrowing transactions | 257,573   | 484,130                      | 570,434   |
| Deposits                                                                  | 51,009    | 76,585                       | 78,344    |
| Total interest and dividend income                                        | 1,957,907 | 2,639,307                    | 3,110,260 |
| <b>Interest expense:</b>                                                  |           |                              |           |
| Deposits                                                                  | 276,174   | 583,611                      | 754,180   |
| Debentures                                                                | 48,208    | 34,083                       | 23,746    |
| Trading account liabilities                                               | 52,839    | 71,700                       | 27,107    |
| Call money and funds purchased                                            | 6,290     | 31,072                       | 59,829    |
| Payables under repurchase agreements and securities lending transactions  | 400,645   | 627,880                      | 760,367   |
| Other short-term borrowings                                               | 19,200    | 43,221                       | 75,498    |
| Long-term debt                                                            | 141,539   | 179,822                      | 210,795   |
| Total interest expense                                                    | 944,895   | 1,571,389                    | 1,911,522 |
| Net interest income                                                       | 1,013,012 | 1,067,918                    | 1,198,738 |
| Provision (credit) for loan losses (Notes 5 and 6)                        | (157,666) | 182,115                      | (57,766)  |
| Net interest income after provision (credit) for loan losses              | 1,170,678 | 885,803                      | 1,256,504 |
| <b>Noninterest income:</b>                                                |           |                              |           |
| Fees and commissions (Note 26)                                            | 688,686   | 682,999                      | 633,064   |
| Foreign exchange gains (losses) net (Note 3)                              | (110,674) | (51,304)                     | 296,732   |
| Trading account gains net (Note 3)                                        | 20,342    | 389,890                      | 135,955   |
| Investment gains (losses) net (Note 4)                                    | 143,482   | (185,972)                    | (191,314) |
| Gains on disposal of premises and equipment                               | 65,473    | 64,612                       | 37,264    |
| Other noninterest income (Notes 21, 24 and 30)                            | 187,847   | 295,723                      | 183,242   |
| Total noninterest income                                                  | 995,156   | 1,195,948                    | 1,094,943 |
| <b>Noninterest expenses:</b>                                              |           |                              |           |
| Salaries and employee benefits (Note 21)                                  | 435,181   | 416,676                      | 436,100   |
| General and administrative expenses                                       | 455,653   | 481,008                      | 508,749   |
| Impairment of goodwill (Note 8)                                           |           |                              | 50,258    |
| Occupancy expenses                                                        | 178,190   | 172,480                      | 196,735   |
| Fees and commission expenses                                              | 96,127    | 111,624                      | 111,172   |
| Provision (credit) for losses on off-balance-sheet instruments (Note 23)  | 34,023    | (37,821)                     | 5,090     |
| Minority interest in consolidated subsidiaries (Note 24)                  | 69,051    | 27,791                       | (53,656)  |

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

|                                             |           |           |           |
|---------------------------------------------|-----------|-----------|-----------|
| Other noninterest expenses (Note 30)        | 186,079   | 122,890   | 196,205   |
| Total noninterest expenses                  | 1,454,304 | 1,294,648 | 1,450,653 |
| Income before income tax expense (benefit)  | 711,530   | 787,103   | 900,794   |
| Income tax expense (benefit) (Note 20)      | (374,142) | 163,221   | 672,176   |
| Net income                                  | 1,085,672 | 623,882   | 228,618   |
| <b>(in yen)</b>                             |           |           |           |
| <b>Earnings per common share (Note 19):</b> |           |           |           |
| Basic net income per common share           | 93,778.71 | 51,725.68 | 18,174.55 |
| Diluted net income per common share         | 82,748.82 | 48,709.38 | 16,768.67 |

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, 2006, 2007 AND 2008**

|                                                                              | <b>Gains (losses)<br/>before income tax<br/>expense (benefit)</b> | <b>Income tax<br/>(expense) benefit<br/>(in millions of yen)</b> | <b>Gains (Losses)<br/>net of income tax<br/>expense (benefit)</b> |
|------------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Fiscal year ended March 31, 2006</b>                                      |                                                                   |                                                                  |                                                                   |
| Net income                                                                   |                                                                   |                                                                  | 1,085,672                                                         |
| Other comprehensive income (loss):                                           |                                                                   |                                                                  |                                                                   |
| Unrealized net gains (losses) on available-for-sale securities (Note 20):    |                                                                   |                                                                  |                                                                   |
| Unrealized holding gains (losses)                                            | 1,500,614                                                         | (609,588)                                                        | 891,026                                                           |
| Less: reclassification adjustments for losses (gains) included in net income | (44,767)                                                          | 18,183                                                           | (26,584)                                                          |
| <b>Total</b>                                                                 | <b>1,455,847</b>                                                  | <b>(591,405)</b>                                                 | <b>864,442</b>                                                    |
| Foreign currency translation adjustments:                                    |                                                                   |                                                                  |                                                                   |
| Foreign currency translation adjustments                                     | 17,370                                                            |                                                                  | 17,370                                                            |
| Less: reclassification adjustments for losses (gains) included in net income | (529)                                                             |                                                                  | (529)                                                             |
| <b>Total</b>                                                                 | <b>16,841</b>                                                     |                                                                  | <b>16,841</b>                                                     |
| Minimum pension liability adjustments (Notes 20 and 21)                      | (1,599)                                                           | 650                                                              | (949)                                                             |
| <b>Total other comprehensive income (loss)</b>                               | <b>1,471,089</b>                                                  | <b>(590,755)</b>                                                 | <b>880,334</b>                                                    |
| <b>Total comprehensive income</b>                                            |                                                                   |                                                                  | <b>1,966,006</b>                                                  |
| <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 (Notes 20 and 21)                      | 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>                                      |                                                                   |                                                                  |                                                                   |

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

|                                                                              |             |         |             |
|------------------------------------------------------------------------------|-------------|---------|-------------|
| 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)   |
| Total                                                                        | (1,867,120) | 755,958 | (1,111,162) |
| Foreign currency translation adjustments:                                    |             |         |             |
| Foreign currency translation adjustments                                     | (13,722)    |         | (13,722)    |
| Less: reclassification adjustments for losses (gains) included in net income |             |         |             |
| Total                                                                        | (13,722)    |         | (13,722)    |
| 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)     |
| Total                                                                        | (406,706)   | 163,825 | (242,881)   |
| Total other comprehensive income (loss)                                      | (2,287,548) | 919,783 | (1,367,765) |
| Total comprehensive income (loss)                                            |             |         | (1,139,147) |

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, 2006, 2007 AND 2008**

|                                                                           | 2006        | 2007<br>(in millions of yen) | 2008        |
|---------------------------------------------------------------------------|-------------|------------------------------|-------------|
| <b>Preferred stock (Note 15):</b>                                         |             |                              |             |
| Balance at beginning of fiscal year                                       | 2,769,468   | 1,580,430                    | 980,430     |
| Change during year                                                        | (1,189,038) | (600,000)                    |             |
| Balance at end of fiscal year                                             | 1,580,430   | 980,430                      | 980,430     |
| <b>Common stock (Note 16):</b>                                            |             |                              |             |
| Balance at beginning of fiscal year                                       | 3,105,754   | 3,547,726                    | 3,532,492   |
| Cancellation of common stock                                              |             | (15,266)                     | (95,055)    |
| Gains on sales of treasury stock                                          | 441,972     | 32                           |             |
| Other                                                                     |             |                              | (17)        |
| Balance at end of fiscal year                                             | 3,547,726   | 3,532,492                    | 3,437,420   |
| <b>Accumulated deficit (Note 17):</b>                                     |             |                              |             |
| Balance at beginning of fiscal year, previously reported                  | (3,642,945) | (2,647,768)                  | (2,105,719) |
| Cumulative effect of change in accounting principles, net of tax (Note 2) |             | 1,514                        | (2,597)     |
| Balance at beginning of fiscal year, adjusted                             | (3,642,945) | (2,646,254)                  | (2,108,316) |
| Net income                                                                | 1,085,672   | 623,882                      | 228,618     |
| Dividends declared                                                        | (75,884)    | (79,850)                     | (101,230)   |
| Cancellation of preferred stock                                           | (14,611)    | (3,497)                      |             |
| Cancellation of common stock                                              |             |                              | (85,134)    |
| Other                                                                     |             |                              | (542)       |
| Balance at end of fiscal year                                             | (2,647,768) | (2,105,719)                  | (2,066,604) |
| <b>Accumulated other comprehensive income, net of tax:</b>                |             |                              |             |
| Unrealized net gains on available-for-sale securities (Note 4):           |             |                              |             |
| Balance at beginning of fiscal year                                       | 1,131,730   | 1,996,172                    | 2,214,375   |
| Change during year                                                        | 864,442     | 218,203                      | (1,111,162) |
| Balance at end of fiscal year                                             | 1,996,172   | 2,214,375                    | 1,103,213   |
| Foreign currency translation adjustments:                                 |             |                              |             |
| Balance at beginning of fiscal year                                       | (99,924)    | (83,083)                     | (57,403)    |
| Change during year                                                        | 16,841      | 25,680                       | (13,722)    |
| Balance at end of fiscal year                                             | (83,083)    | (57,403)                     | (71,125)    |
| Minimum pension liability adjustments (Note 21):                          |             |                              |             |
| Balance at beginning of fiscal year                                       |             | (949)                        |             |
| Change during year                                                        | (949)       | 257                          |             |
| Adjustments to initially apply SFAS No.158                                |             | 692                          |             |
| Balance at end of fiscal year                                             |             | (949)                        |             |

|                                                 |           |           |           |
|-------------------------------------------------|-----------|-----------|-----------|
| <b>Pension liability adjustments (Note 21):</b> |           |           |           |
| Balance at beginning of fiscal year             |           |           | 130,855   |
| Adjustments to initially apply SFAS No.158      |           | 130,855   |           |
| Change during year                              |           |           | (242,881) |
| Balance at end of fiscal year                   |           | 130,855   | (112,026) |
| Balance at end of fiscal year                   | 1,912,140 | 2,287,827 | 920,062   |
| <b>Treasury stock, at cost:</b>                 |           |           |           |
| Balance at beginning of fiscal year             | (394,555) | (46,814)  | (32,330)  |
| Purchases of treasury stock                     | (944,321) | (604,331) | (150,464) |
| Sales of treasury stock                         | 88,416    | 51        | 100       |
| Cancellation of treasury stock                  | 1,203,649 | 618,764   | 180,189   |
| Other                                           | (3)       | 0         | (3)       |
| Balance at end of fiscal year                   | (46,814)  | (32,330)  | (2,508)   |
| Total shareholders' equity                      | 4,345,714 | 4,662,700 | 3,268,800 |

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, 2006, 2007 AND 2008**

|                                                                                                                            | 2006 (Note)          | 2007 (Note)  | 2008         |
|----------------------------------------------------------------------------------------------------------------------------|----------------------|--------------|--------------|
|                                                                                                                            | (in millions of yen) |              |              |
| <b>Cash flows from operating activities:</b>                                                                               |                      |              |              |
| Net income                                                                                                                 | 1,085,672            | 623,882      | 228,618      |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities:                                |                      |              |              |
| Depreciation and amortization                                                                                              | 136,553              | 140,313      | 169,925      |
| Provision (credit) for loan losses                                                                                         | (157,666)            | 182,115      | (57,766)     |
| Investment losses (gains) net                                                                                              | (143,482)            | 185,972      | 191,314      |
| Foreign exchange losses (gains) net                                                                                        | 43,045               | 14,236       | (77,285)     |
| Deferred income tax expense (benefit)                                                                                      | (444,542)            | 112,920      | 626,993      |
| Net change in trading account assets                                                                                       | 786,215              | (1,390,731)  | (7,361,861)  |
| Net change in trading account liabilities                                                                                  | 426,115              | 675,331      | 3,121,154    |
| Net change in loans held for sale                                                                                          |                      | (213,374)    | (508,544)    |
| Net change in accrued income                                                                                               | (65,075)             | (96,777)     | 42,176       |
| Net change in accrued expenses                                                                                             | 7,510                | 59,603       | (3,685)      |
| Other net                                                                                                                  | (64,547)             | 17,351       | 50,813       |
| Net cash provided by (used in) operating activities                                                                        | 1,609,798            | 310,841      | (3,578,148)  |
| <b>Cash flows from investing activities:</b>                                                                               |                      |              |              |
| Proceeds from sales of available-for-sale securities                                                                       | 29,549,504           | 34,491,806   | 67,552,771   |
| Proceeds from maturities of available-for-sale securities                                                                  | 36,810,931           | 28,138,385   | 17,172,457   |
| Purchases of available-for-sale securities                                                                                 | (68,306,435)         | (60,485,825) | (85,919,342) |
| Proceeds from maturities of held-to-maturity securities                                                                    | 1,264                | 201,365      | 511,008      |
| Purchases of held-to-maturity securities                                                                                   | (50,175)             |              |              |
| Proceeds from sales of other investments                                                                                   | 142,599              | 266,003      | 278,151      |
| Purchases of other investments                                                                                             | (93,307)             | (196,911)    | (306,014)    |
| Proceeds from sales of loans                                                                                               | 314,146              | 201,639      | 225,456      |
| Net change in loans                                                                                                        | (3,340,472)          | (271,298)    | (1,063,414)  |
| Net change in interest-bearing deposits in other banks                                                                     | (418,710)            | 645,437      | (469,747)    |
| Net change in call loans and funds sold, and receivables under resale agreements and securities borrowing transactions     | (994,455)            | (2,562,649)  | 419,782      |
| Proceeds from sales of premises and equipment                                                                              | 69,381               | 72,415       | 37,895       |
| Purchases of premises and equipment                                                                                        | (163,934)            | (188,191)    | (215,259)    |
| Other net                                                                                                                  | 27,539               |              |              |
| Net cash provided by (used in) investing activities                                                                        | (6,452,124)          | 312,176      | (1,776,256)  |
| <b>Cash flows from financing activities:</b>                                                                               |                      |              |              |
| Net change in deposits                                                                                                     | 1,951,000            | 514,431      | 3,955,538    |
| Net change in debentures                                                                                                   | (1,198,692)          | (1,864,194)  | (1,564,759)  |
| Net change in call money and funds purchased, and payables under repurchase agreements and securities lending transactions | 2,192,832            | 1,626,322    | 1,227,192    |
| Net change in due to trust accounts                                                                                        | (12,680)             | (219,531)    | (15,412)     |
| Net change in commercial paper and other short-term borrowings                                                             | (418,349)            | (2,071,272)  | (190,847)    |
| Proceeds from issuance of long-term debt                                                                                   | 1,457,917            | 2,296,461    | 2,114,094    |
| Repayment of long-term debt                                                                                                | (914,569)            | (643,282)    | (914,274)    |
| Proceeds from minority interest                                                                                            | 58,756               | 38,153       | 49,805       |
| Payment to minority interest                                                                                               |                      |              | (12,603)     |
| Proceeds from sales of treasury stock                                                                                      | 530,388              | 83           | 99           |
| Purchases of treasury stock                                                                                                | (944,321)            | (604,331)    | (150,464)    |
| Dividends paid                                                                                                             | (75,725)             | (79,793)     | (101,115)    |
| Dividends paid to minority interest                                                                                        | (21,714)             | (8,143)      | (12,659)     |



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

|                                                            |             |             |           |
|------------------------------------------------------------|-------------|-------------|-----------|
| Net cash provided by (used in) financing activities        | 2,604,843   | (1,015,096) | 4,384,595 |
| Effect of exchange rate changes on cash and due from banks | 14,623      | 8,267       | (20,204)  |
| Net increase (decrease) in cash and due from banks         | (2,222,860) | (383,812)   | (990,013) |
| Cash and due from banks at beginning of fiscal year        | 5,682,532   | 3,459,672   | 3,075,860 |
| Cash and due from banks at end of fiscal year              | 3,459,672   | 3,075,860   | 2,085,847 |

See the accompanying Notes to the Consolidated Financial Statements.

F-9

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****FOR THE FISCAL YEARS ENDED MARCH 31, 2006, 2007 AND 2008**

|                                                          | <b>2006 (Note)</b>          | <b>2007 (Note)</b> | <b>2008</b> |
|----------------------------------------------------------|-----------------------------|--------------------|-------------|
|                                                          | <b>(in millions of yen)</b> |                    |             |
| <b>Supplemental disclosure of cash flow information:</b> |                             |                    |             |
| Interest paid                                            | 937,680                     | 1,468,041          | 1,905,955   |
| Income taxes paid (refunded), net                        | 243,135                     | 51,246             | (47,426)    |
| Noncash investing activities:                            |                             |                    |             |
| Transfer from loans into other investments               | 29,046                      |                    | 92,409      |
| Investment in capital leases                             | 7,109                       | 6,996              | 3,805       |

Note: Certain amounts in the prior periods 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 investment 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 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.

##### *Accounting change*

Effective April 1, 2007, the MHFG Group has changed the declining-balance method for depreciating premises and equipment from the fixed-percentage-on-declining base application to the 250% declining-balance application, along with the reduction of the related salvage values. This application was adopted to reflect the current pattern of asset usage. The above change, which was made on a prospective basis, resulted in a decrease in net income of ¥27,288 million, and in basic and diluted net income per common share of ¥2,376.99 and ¥2,011.18 respectively, for the fiscal year ended March 31, 2008.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*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.

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, 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.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Trading securities and trading securities sold, not yet purchased*

Trading securities consist of securities and money market instruments that are bought and held principally for the purpose of reselling in the near term with the objective of generating profits on short-term fluctuations in price. Trading securities sold, not yet purchased, are securities and money market instruments sold to third parties that the MHFG Group does not own and is obligated to purchase at a later date to cover the short position. Trading securities and trading securities sold, not yet purchased, are classified at the date of commitment or purchase. Trading securities and trading securities sold, not yet purchased, are recorded at fair value in the consolidated balance sheets in Trading account assets and Trading account liabilities with realized and unrealized gains and losses recorded on a trade date basis in Trading account gains net in earnings. Interest and dividends on trading account debt and equity securities, including securities sold, not yet purchased, are recorded in Interest and dividend income or Interest expense on an accrual basis.

*Investments*

Debt securities that the MHFG Group has both the positive intent and ability to hold to maturity are classified as Held-to-maturity securities and carried at amortized cost. Debt securities that the MHFG Group may not hold to maturity as well as any marketable equity securities, other than those classified as trading account securities, are classified as Available-for-sale securities, and are carried at fair value, with unrealized gains and losses reported in Accumulated other comprehensive income, 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 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.

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 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.

Initial upfront unrealized gains or losses on derivative contracts are deferred unless the fair value is supported by observable market data. If upfront unrealized gains or losses are treated as adjustments to valuation model pricing parameters, any deferred upfront unrealized gains or losses are recognized as part of the ongoing mark to model over the term of the contract as the data becomes more observable. If observable data is not initially available, unrealized gains or losses may be recognized only when the observable market data becomes available.

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, 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

**Table of Contents**

**MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

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.

*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,

**Table of Contents****MIZUHO FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 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:

|                         | Years   |
|-------------------------|---------|
| 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