



# MIZUHO

Mizuho Financial Group

## 2004

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**Annual Report**  
(April 2003-March 2004)

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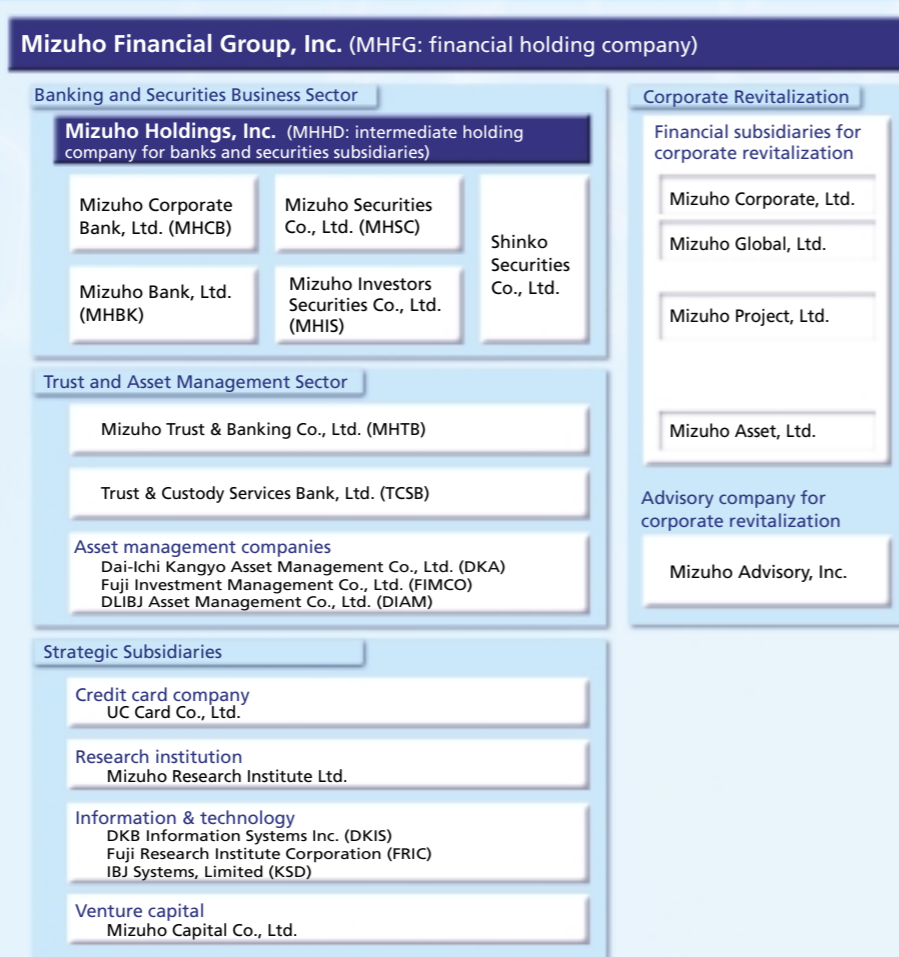
Mizuho Financial Group, Inc.

# What's Mizuho Financial Group?

## What kind of financial institution is the Mizuho Financial Group?

The Mizuho Financial Group is a comprehensive financial services group that precisely and swiftly meets its customers' diverse financial needs through the expertise possessed by and the close collaboration of its group companies which includes Mizuho Corporate Bank, primarily serving large corporations and overseas corporations, and Mizuho Bank, dealing primarily with individuals, small and medium-sized enterprises, and middle market corporations as well as securities, trust banking and asset management companies.

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## How did the group perform in fiscal 2003?

For fiscal 2003, the group recorded consolidated ordinary profits of ¥896.4 billion and net income of ¥406.9 billion. This was a significant improvement compared to our net loss in the previous fiscal year.

The principal factors contributing to the improvement in profitability were higher non-interest income, reductions in expenses and credit-related costs, and gains on the sale of securities.

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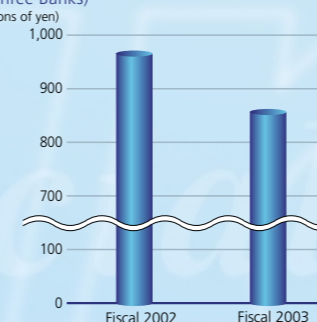


## Is the group's restructuring efforts progressing?

We realized a significant reduction of ¥108.6 billion in expenses. This was accomplished by proceeding with restructuring plans including reviewing compensation and benefits for senior executives and employees, reducing the number of employees, closing and consolidating duplicate domestic branches, and selling the head office buildings of Mizuho Corporate Bank and Mizuho Bank.

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### General & Administrative Expenses (the Three Banks)



## Has the group made progress in resolving its non-performing loan issue?

As a result of implementing corporate revitalization projects and removing non-performing loans (NPLs) from their balance sheets, the Three Banks reduced their outstanding balance of NPLs to ¥3,191.0 billion at the end of fiscal 2003 bringing the group's NPL ratio to 4.4%.

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### NPL Balance and NPL Ratio (Claims for Special Attention or Worse) (the Three Banks)



## What is the group's core business strategy?

We plan to drastically increase our earning power by focusing on the strategic plans of each group company that are formulated for each customer segment and business area, as well as by strengthening synergies among group companies.

**Mizuho Corporate Bank** will further strengthen its "originate to distribute" business model based on asset turnover with loan syndication as its core, and also continuously offer sophisticated and multi-faceted financial solutions to customers.

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**Mizuho Bank** will fortify its business in the individual customer sector by strengthening its capability to provide financial consulting services, reinforcing marketing in the housing loan business and utilizing its customer base by launching Mizuho Mileage Club, a new membership service.

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**Mizuho Securities, Mizuho Trust & Banking and other group companies** will continue to enhance their expertise and strengthen their strategies while maximizing synergies through dynamic collaboration with the group companies.

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\*Figures are described as follows:  
MHFG: Mizuho Financial Group (consolidated)  
The Three Banks: Mizuho Corporate Bank + Mizuho Bank + Mizuho Trust & Banking + their financial subsidiaries for corporate revitalization (non-consolidated)

## Financial Highlights of Mizuho Financial Group, Inc. (Consolidated)

For the Fiscal Years ended March 31,	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	
Total Income	¥ 3,342,957	¥ 3,441,810	\$ 31,647,800	
Total Expenses	2,461,716	5,703,982	23,305,088	
Income (Loss) before Income Taxes and Minority Interests	881,240	(2,262,172)	8,342,712	
Net Income (Loss)	406,982	(2,377,172)	3,852,902	
Cash Dividends*	77,748	22,147	736,045	

\*Non-consolidated basis.

At March 31,	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	
Total Assets	¥ 137,750,091	¥ 134,032,747	\$ 1,304,081,143	
Securities	32,071,624	23,816,574	303,622,311	
Loans and Bills Discounted	66,205,868	69,210,035	626,771,450	
Deposits	77,487,475	72,222,642	733,574,510	
Total Shareholders' Equity	¥ 3,644,396	¥ 2,861,066	\$ 34,501,524	

For the Fiscal Years ended March 31,	Yen		U.S. dollars	
	2004	2003	2004	
<b>Per Share of Common Stock</b>				
Net Income (Loss)	¥ 36,153.27	¥ (254,524.65)	\$ 342.26	
<b>Cash Dividends per Share*</b>				
Common Stock	3,000	—	28.40	
Preferred Stock				
First Series Class I Preferred Stock	22,500	22,500	213.01	
Second Series Class II Preferred Stock	8,200	8,200	77.63	
Third Series Class III Preferred Stock	14,000	14,000	132.54	
Fourth Series Class IV Preferred Stock	47,600	47,600	450.63	
Sixth Series Class VI Preferred Stock	42,000	42,000	397.61	
Seventh Series Class VII Preferred Stock	11,000	11,000	104.14	
Eighth Series Class VIII Preferred Stock	8,000	8,000	75.74	
Ninth Series Class IX Preferred Stock	17,500	17,500	165.67	
Tenth Series Class X Preferred Stock	5,380	5,380	50.93	
Eleventh Series Class XI Preferred Stock	20,000	165	189.34	
Twelfth Series Class XI Preferred Stock	2,500	21	23.67	
Thirteenth Series Class XIII Preferred Stock	30,000	247	284.01	

\*Non-consolidated basis.

At March 31,	2004	2003
<b>Capital Adequacy</b>		
Risk-based Capital Ratio (BIS Capital Ratio)	11.35%	9.53%

## Ratings

	R&I		JCR		Moody's		Standard & Poor's		Fitch	
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Mizuho Financial Group, Inc.	A-	a-1	—	—	—	—	—	—	—	—
Mizuho Holdings, Inc.	A-	a-1	—	—	—	—	—	—	—	—
Mizuho Corporate Bank, Ltd.	A-	a-1	A	—	A3	P-1	BBB+	A-2	BBB+	F2
Mizuho Bank, Ltd.	A-	a-1	A	—	A3	P-1	BBB+	A-2	BBB+	F2
Mizuho Securities Co., Ltd.	A-	a-1	A	J-1	—	—	—	—	—	—
Mizuho Trust & Banking Co., Ltd.	A-	a-1	A-	—	A3	P-1	BBB+	A-2	BBB+	F2

(as of July 5, 2004)

# 2004 Mizuho Financial Group Annual Report

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## Moving from

Terunobu Maeda  
President & CEO  
Mizuho Financial Group, Inc.

Last year we made a promise. The promise was that fiscal 2003 would be the year of achievement for Mizuho. This followed on from the strong foundation we created in fiscal 2002 with realignments in the group's management systems and the steps we took to address financial issues, including the raising of more than ¥1 trillion in new capital. I am pleased to report that fiscal 2003 was, indeed, a year of major achievements and a year of enhancing Mizuho's value for shareholders. We reported consolidated net income of ¥406.9 billion, well above our initial target, and a major improvement from the net loss reported in fiscal 2002.

In summary, in line with our promise last year, we made decisive progress in

- ▶ increasing earning power,
- ▶ strengthening the group's financial position,
- ▶ realizing group synergies to broaden ties with our strong customer base, and
- ▶ moving closer to tapping the full power of group strengths to enhance profitability.

Our mission for fiscal 2004 is to build on our achievements in fiscal 2003 and "to prove the true value of Mizuho." We are devoting all our energy to responding to your expectations by focusing our energy and resources on boosting corporate value and further developing the group's capabilities for offering comprehensive financial services.

In the following pages, I would like to review the group's performance in fiscal 2003 and outline our management strategies for fiscal 2004.

### Major Improvements in Profitability

For fiscal 2003 (ended March 31, 2004), the group recorded consolidated ordinary profits of ¥896.4 billion and net income of ¥406.9 billion. This was well above initial targets and a significant improvement compared to our net loss in the previous fiscal year. We resumed payment of cash dividends on common stocks of ¥3,000 per share, and, as in fiscal 2002, we paid the prescribed dividends on preferred stocks.

## a Year of Achievement to a Year of Proving the True Value of Mizuho

The key to this major improvement lies in our developing a range of policies to reform the group's management in fiscal 2002, such as implementing realignments in the group's corporate structure, taking major steps to deal with outstanding financial issues, and raising more than ¥1 trillion in new capital.

Furthermore, we designated fiscal 2003 as a year of achievement and worked to augment our capability to provide comprehensive financial services, strengthen earning power, and further improve the group's financial position. As a result, we were able to realize a significant improvement in the group's profitability.

The principal factors contributing to the improvement in profitability were higher non-interest income, and reductions in expenses and credit-related costs. The increase in non-interest income was due to expansion of syndicated loans, foreign exchange, and other fee-based businesses.

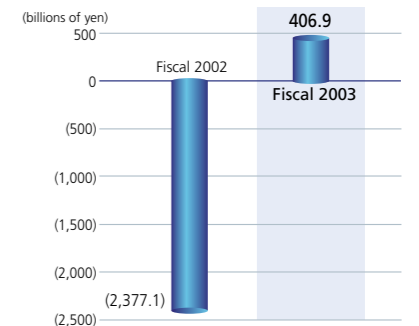
The other contributing factor was a reduction in expenses by ¥108.6 billion on an aggregated basis by the Three Banks. This was accomplished by proceeding with restructuring plans, including reviewing compensation and benefits for senior executives and employees, reducing the number of employees, closing and consolidating duplicate domestic branches, and selling the head office buildings of the Two Banks.

#### Progress of Restructuring Plan (The Holding Companies + the Two Banks)

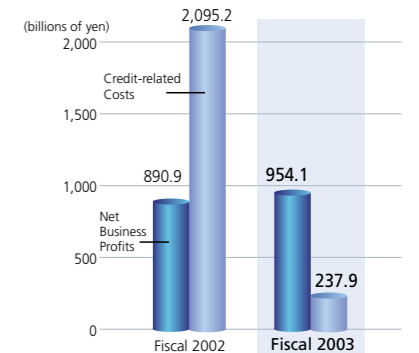
	March 2003	March 2004 (Plan)	March 2004 (Results)
Employees	27,900	26,800	26,575
Domestic branches	562	458	440
Overseas branches and subsidiaries	49	43	41

Note: Based on the Business Revitalization Plan. With respect to the number of domestic branches, if several branches had been located at one site as a part of the group's branch-in-branch program, those branches are counted as a single office.

#### Net Income (MHFG)



#### Net Business Profits and Credit-Related Costs (The Three Banks)



\*Figures are described as follows:  
MHFG: Mizuho Financial Group (consolidated)  
The Three Banks: Mizuho Corporate Bank + Mizuho Bank (the Two Banks) + Mizuho Trust & Banking + their financial subsidiaries for corporate revitalization (non-consolidated).  
The Holding Companies + the Two Banks: Mizuho Financial Group + Mizuho Holdings + the Two Banks + financial subsidiaries of the Two Banks for corporate revitalization (non-consolidated).

Credit-related costs decreased by ¥1,857.2 billion to ¥237.9 billion in fiscal 2003. This reflected the accelerated disposal of non-performing loans (NPLs) in the previous fiscal year and a decrease in loans newly classified as non-performing as a result of the economic recovery and the general improvement in corporate performance. The group also benefited from a reversal of reserves in removing certain NPLs from its balance sheets through collection or sale of outstanding claims.

The group also continued to make reductions in its stock portfolio, as stock prices recovered, and reported ¥189.3 billion in gains on the sale of securities.

As a result, the Three Banks reported net business profits of ¥954.1 billion, ordinary profits of ¥806.1 billion, and net income of ¥447.9 billion on an aggregated basis.

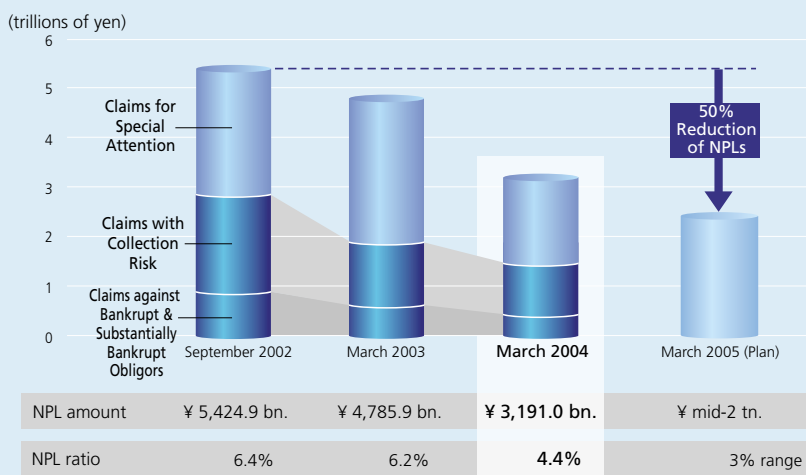
### Significant Progress toward Strengthening Our Financial Position

Another major development in fiscal 2003 was the substantial improvement in the group's financial position. In order to achieve this, we launched the Corporate Revitalization Project, which is centered principally on the group's financial subsidiaries specializing in corporate revitalization to help certain customers turn around their operations. Due to this initiative and as a result of the removal of NPLs from the balance sheets, the Three Banks reported a reduction of ¥1,594.9 billion in NPLs, leaving a balance of ¥3,191.0 billion at the end of fiscal 2003. As a result, the NPLs ratio fell from 6.2% to 4.4%.

We plan to further reduce this percentage to the 3% range in fiscal 2004.

We have further increased our loan loss reserve ratios to a level higher than other major financial groups in Japan in order to strengthen our position in dealing with future credit risk.

**Reduction of Disclosed Claims under the Financial Reconstruction Law (the Three Banks)**



### Increase in Reserve Ratios

	The Mizuho Financial Group (the Three Banks)		MTFG	SMFG	UFJ
	March 2003	March 2004			
Claims with Collection Risk (for uncovered portion)	74.5%	+ 4.4 → 78.9%	64.98%	83.6% (Intensive Control Obligors*)	81.38%
Special Attention Obligors* (for uncovered portion)	38.3%	+ 2.9 → 41.2%	29.76%	39.0%	48.54%
Other Watch Obligors* (reserve ratio against total claims)	7.5%	+ 2.8 → 10.3%	4.81%	4.2%	7.62%
Claims subject to DCF method (for uncovered portion)	Approx. 45%	→ Approx. 50%	<b>Obligors subject to DCF method</b> <ul style="list-style-type: none"> <li>• Approx. 60% of Special Attention Obligors*</li> <li>• 85% of Special Attention Obligors* of MHC B</li> </ul>		

Note: Based on fiscal 2003 financial results of each group.

\*Reserve ratios for obligor classification based on self-assessment of assets.

To minimize the risk of price fluctuations in our stock portfolio, we reduced our stockholdings by approximately ¥500 billion in fiscal 2003. Moreover, as a result of the recovery in stock prices, the unrealized gains of the group's stock portfolio have increased substantially.

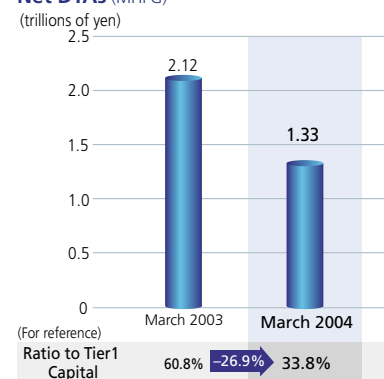
In managing our Japanese government bond (JGB) portfolio, while responding flexibly to profit-taking opportunities, we have shortened the average maturity of our holdings to minimize the risk of declines in value if long-term interest rates begin to rise.

Our consolidated net deferred tax assets (DTAs) decreased by ¥792.9 billion to ¥1,332.9 billion as a result of recording taxable income for fiscal 2003 and the use of more conservative estimates of future taxable income. The ratio of net DTAs to the group's Tier I capital declined from 60.8% at the end of fiscal 2002 to 33.8% as of the end of fiscal 2003.

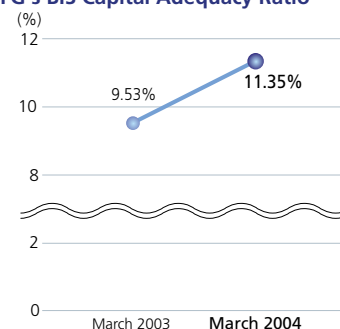
With the support of investors in Japan and overseas for our drastic management reform, we adopted a more proactive capital policy, as demonstrated by our raising of additional capital and repaying ¥625.0 billion of public funds in subordinated bonds last fiscal year.

At fiscal year-end, the group's consolidated capital adequacy ratio (BIS standards) stood at a sufficient level of 11.35%. We continue to take steps to improve our capital position and are examining further repayments of public funds.

### Net DTAs (MHFG)



### MHFG's BIS Capital Adequacy Ratio



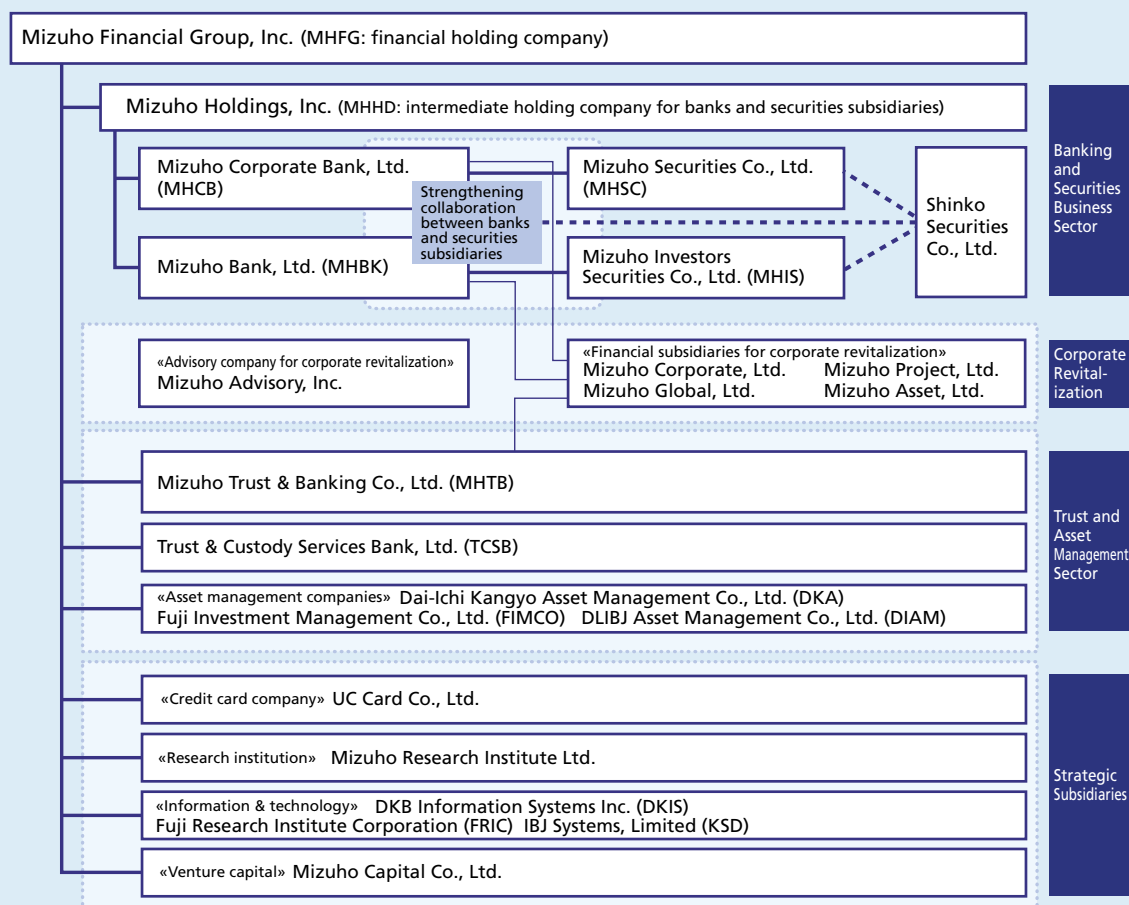
## Realizing Group Synergies to Broaden Ties with Our Strong Customer Base

The needs of our customers are evolving and becoming more diverse against the continuing globalization of financial services, advances in financial and information technologies, and the rapid aging of the population.

A key strength of the group is its exceptionally strong customer base. We have established a corporate structure that enables group companies to work together effectively as a team in offering top-quality, comprehensive financial services in response to the diversified needs of customers.

The group's two principal banks, Mizuho Corporate Bank, which serves large corporations and provides international banking services, and Mizuho Bank, which offers services mainly to individuals, small and medium-sized enterprises (SMEs), and middle market corporations, are always attuned to the

The Group's Corporate Structure after the Business Reorganization





needs of their customers and are well positioned to offer the best financial products and services, backed by sophisticated professional capabilities and carefully tailored, flexible solutions.

In addition, we are working to add to the group's comprehensive range of capabilities. These activities begin with strengthening the structure for meeting the requirements of specific customer segments by making the most of synergies and cross selling among our banking and securities subsidiaries. They also include providing higher-value-added products and services, and offering their services within the group as well as to a broad range of customers by Mizuho Trust & Banking as well as the group's credit card and computer systems companies.

Group companies are already beginning to realize important synergies. For instance, Mizuho Bank is jointly developing branches with Mizuho Trust & Banking and Mizuho Investors Securities to provide customers with the convenience of "one-stop shopping." Similarly, Mizuho Corporate Bank utilizes the investment banking function as well as the bond and equity-related capabilities of Mizuho Securities to provide new and innovative financial solutions for customers.

### **Fully Tapping Group Strengths to Make an Additional Major Improvement in Profitability**

During the current fiscal year, each principal group company continues to focus on the specific details of the strategic plan formulated for each customer segment and business area. In addition, by strengthening synergies among group companies, we plan to take the maximum advantage of the strengths of the group to further increase earning power. Strategies of principal group companies are as follows:

**Mizuho Corporate Bank** will further strengthen its "originate to distribute" business model based on asset turnover with loan syndication as its core, and also offer continuous sophisticated and multi-faceted financial solutions to customers. Through these initiatives, Mizuho Corporate Bank will aim to raise its ratio of non-interest income to gross profits to over 50%.

**Mizuho Bank** will strengthen its capability to provide financial consulting services to individual customers with the aim of expanding higher-margin assets under management. It will also reinforce marketing in the housing loan business, a mainstay of earnings in the retail banking area.

*A Message from the President & CEO of  
Mizuho Financial Group, Inc.*

The Mizuho Mileage Club, a new membership service, aims to expand and increase transactions with customers who have accounts with Mizuho Bank and encourage them to make Mizuho their main bank.

These initiatives will work to significantly strengthen the earning power of retail banking operations and fully realize the potential of our customer base, which is one of our most important resources.

In the corporate banking area, Mizuho Bank will improve its capability to provide financial solutions to meet the needs of SMEs and middle market corporations, thereby realizing new sources of loan demand. Along with offering a range of unsecured loan products to provide SMEs with a responsive, high-quality source of funding, Mizuho Bank will also work to secure a sufficient level of loan spreads in accordance with the risk-return profile of its borrowers.

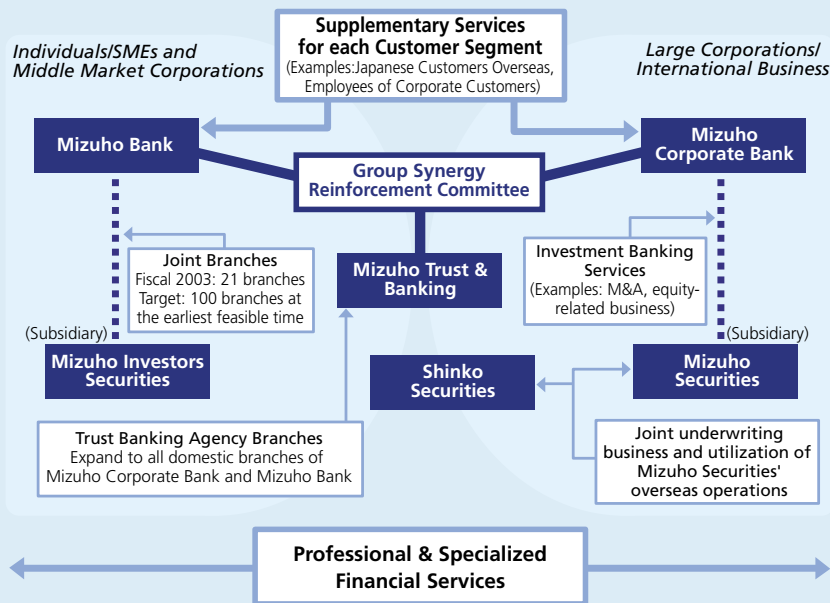
**Mizuho Trust & Banking** will enhance synergies with Mizuho Corporate Bank and Mizuho Bank, and will expand income from trust and asset management businesses by more actively allocating its resources to growth areas, such as real estate, securitization, and private banking.

To improve synergy and cross selling among the group banks, we have formed the Group Synergy Reinforcement Committee, which includes representatives from the holding company and the three banking subsidiaries. Its

role includes formulating specific policies and measures to maximize group profitability. This committee is already producing solid results from operating alliances it has arranged to generate additional business from the customer base of Mizuho Corporate Bank and Mizuho Bank.

**Mizuho Securities** will aim for rapid growth in profitability by reinforcing its equity business capabilities through placing priority on staff allocation and improving its management infrastructure.

**Pursue Synergies Using Mizuho's Enormous Customer Base**



At the same time, we are concentrating on implementing further cost cuts while making our services more convenient through the expansion of our ATM network and its functions as well as use of the Internet and other channels. In addition to the measures we have implemented to date, such as the closure and consolidation of branches and streamlining our human resources, we will take further steps to reduce expenses, including enhancing the efficiency of our existing branches by switching those with full-line services to those specializing in services for individual customers and reducing IT-related expenses after the completion of Mizuho Bank's computer systems integration program.

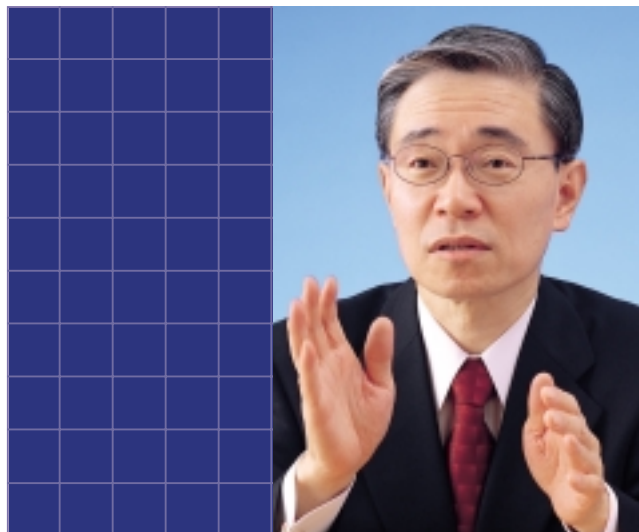
We will continue to realize further cost efficiencies with the objective of reducing our expenses to gross profits ratio to the mid-30% range by fiscal 2006.

Mizuho Bank will integrate its operating computer systems beginning in July 2004. The safe and secure completion of this integration is the top priority of the group.

### **A Year for Mizuho to Prove Its True Value**

We have defined fiscal 2004 as "a year of proving the true value of Mizuho." To this end, we are working to further increase profitability while also further strengthening our financial position. This means optimizing our strengths through our enormous customer base, our broad branch network, and the sophisticated professional capabilities of our group companies. We will maximize synergies among group companies, while enhancing our capability to provide carefully tailored, quick responses to the evolving and increasingly diversified financial needs of our customers.

I sincerely look forward to your continuing support as we work to attain our objectives.



July 2004

*T. Maeda*

Terunobu Maeda  
President & CEO

Mizuho Financial Group, Inc.