



## Further Progress toward Financial Strength and Major Advances in Profitability

We have implemented decisive management reforms to deal effectively with an increasingly challenging operating environment since we started operations under a corporate structure with legally separated subsidiaries according to customer segmentation and business function in April 2002. These reforms included vigorous steps to resolve the financial issues, raising capital of more than ¥1 trillion, and implementation of a reorganization of our corporate structure.

In fiscal 2004, we positioned it as “a year of proving the true value of Mizuho,” and to this end we concentrated our energy and resources on further improving our financial conditions and making major advances in profitability. Below are some of our most important accomplishments.

### **End of the Non-Performing Loan Issue**

Our initiatives to improve our financial conditions included attaining the target set under the Japanese government's Financial Revitalization Program of reducing the non-performing loan (NPL) ratio by half by the end of September 2004. This was made possible mainly by aggressive steps that led to steady progress toward corporate revitalization. We accomplished further reduction in the NPL ratio during fiscal 2004, and, as of March 31, 2005, this ratio declined to 2.1%, or less than half of the level at the previous fiscal year end. As a result, we believe we have materially seen the end of the NPL issue. In addition, along with the reduction in Deferred Tax Assets, the quality of our capital has improved, and we have taken further steps toward reducing our stockholdings.

## **Repayment of More Than Half of Public Funds**

With respect to the repayment of public funds, we have fully redeemed the outstanding Subordinated Bonds and repurchased part of the Preferred Stocks by steadily securing stable profits, enabling us to repay a total of ¥1,482.6 billion to date, which represents more than half of the initial amount of public funds. Even after making these repayments, our consolidated BIS Capital Adequacy Ratio as of March 31, 2005 was maintained at a high level of 11.91%, sufficient for securing our financial soundness.

## **Completion of Mizuho Bank's IT Systems Integration**

Along with these measures to enhance our financial strength, we have also moved forward with measures to reform our cost structure. General and Administrative Expenses in fiscal 2004 for Mizuho Corporate Bank, Mizuho Bank, and their financial subsidiaries specializing in corporate revitalization were reduced by approximately ¥135.0 billion compared with those in fiscal 2002. In addition, we are pleased to report that Mizuho Bank's IT systems integration, one of the highest priorities for the group, was completed in December 2004.

## **Implementation of Strategies to Enhance Top-Line Growth**

To reach our objective of making major improvements in our profitability, we entered into a new phase in our management strategies and shifted the management focus toward expanding top-line growth. In line with this shift, each of our group companies implemented their own strategies customized to suit each customer segmentation and business feature. In parallel with these initiatives, we worked to strengthen cooperation among the group companies to take maximum advantage of synergies. We also moved quickly to make business alliances with companies beyond our group.

Reviewing our activities by principal group companies, Mizuho Corporate Bank has accelerated its transformation to an “originate to distribute” business model based on asset turnover. Specifically, it has built a strong presence as the market leader in the expanding domestic syndicated loan business, claiming approximately 40% of market share in origination, and has also established a specialized section aiming to expand the loan trading market. In addition, to meet increasingly diverse and sophisticated customer needs, it has promoted a “deal after deal” marketing strategy that offers customers solutions based on the widest range of financial services on a continuous, multi-faceted basis, drawing on the comprehensive capabilities of the group. In its overseas operations, it focused on providing services in Asia, especially in China, where it has one of the largest networks of any Japanese financial institution, offering highly professional support to assist its customers in developing their business activities.

Mizuho Securities, being in the top-class in the fixed income and investment banking businesses, has moved up to within range of performing competitively with Japan's top three leading securities companies in the area of equity-related businesses as a result of its focusing on this market. In this way, Mizuho Securities has been making steady progress in expanding the scope of its operations.

Mizuho Bank has identified consulting and loans as the strategic business areas for services to individuals, and it has emphasized improvement in profitability. In addition, to substantially expand customer transactions, Mizuho Bank has introduced a new membership service platform, the Mizuho Mileage Club, which features issuing ATM card with credit card functions with no annual fee, where accumulated mileage points can be exchanged for additional services of Mizuho as well as of alliance partners.

With regard to businesses with small and medium-sized enterprises (SMEs) and middle market corporations, Mizuho Bank introduced a strategic loan product that makes it possible to extend unsecured loans with prompt credit approval, in addition to other unsecured loan products. Also, by expanding the operations of Mizuho Business Finance Center, Mizuho Bank's subsidiary specializing in the loan business for small corporations, it has been able to provide ample financing for meeting sound loan demands. Among other activities, it has actively encouraged cooperation among group companies to provide customers with solutions for their business and financial needs and worked to expand its loan share to each SME and middle market customer.

Mizuho Trust & Banking concentrated on further strengthening its trust and asset management businesses such as pensions, asset management, real estate, asset securitization and stock transfer agency. As a result, it posted a major increase in Gross Profits. Also, along with revisions in the Trust Business Law, new business opportunities that lead to expansion of trust business market are expected to emerge. In preparation for these moves, it worked to enhance its framework for offering sophisticated trust products, services, and solutions to its individual and corporate customers.

In light of the abovementioned improvements in profitability, the reduction in Credit-related Costs, and the effect of the Supreme Court judgment regarding a corporate tax correction with respect to the write-off of credits against Japan Housing Loan amounting to ¥308.4 billion, we took a conservative approach and recorded losses that would reduce the possible downside risks on our future profits, including the early adoption of accounting for Impairment of Fixed Assets. As a result of these developments, we recorded consolidated Ordinary Profits of ¥657.4 billion, and posted consolidated Net Income of ¥627.3 billion for fiscal 2004 which was the highest level.

We increased our annual Cash Dividend per share of Common Stock by ¥500 to ¥3,500 and made dividend payments on Preferred Stocks as prescribed.

## Entering a Future-Minded and Customer-Oriented Phase to Win Customer Support

As a result of our management actions, our focus has moved on to a future-minded and customer-oriented phase that will seek to gain the support of customers. To this end, in April 2005, we announced our new business strategy in the form of the "Channel to Discovery" Plan, with the objective of making Mizuho a world-leading financial group.

As a course of action, we will implement the "Business Portfolio Strategy" where we will shift to a new business structure made up of three global groups which positions customer needs as a "key" concept, and seek to build a new business model by maximizing the advantages of each group. Along with this strategy, the "Corporate Management Strategy" will be implemented together with our medium-term business plan which was formulated based on concrete strategic measures.

### **Realigning into Three Global Groups to Respond to Customer Needs**

Under our Business Portfolio Strategy, based on customer needs, we will realign our activities into three global groups: namely, the Global Corporate Group, the Global Retail Group, and the Global Asset & Wealth Management Group.

The Global Corporate Group will provide highly specialized and cutting-edge products and services by leveraging our comprehensive financial capabilities, using close cooperation between the global corporate banking sector and the wholesale securities sector to respond to the needs of large and global corporations.

The Global Retail Group will provide top-level products and services with a global reach, through the close cooperation of leading domestic and international partners who have built strong, well-known brands, to meet the diverse and global needs of individuals as well as SMEs and middle market corporations. In April 2005, Mizuho Bank entered into separate business collaborations with two of the best super-regional banks in the U.S., Wachovia and Wells Fargo respectively, aiming to reinforce the channel network, and products and services to the highest standard for our retail banking business.

The Global Asset & Wealth Management Group will provide world-class products and services to meet diverse and sophisticated customer needs in the areas of trust and custody services and private banking. In April 2005, Mizuho Trust & Banking entered into a business collaboration with The Bank of New York, a global leader in the trust banking business, aiming to reinforce our asset management capabilities, expertise in execution, and asset administration on a global top level in the area of asset management.

We will also establish Japan's first full-fledged private banking company to provide comprehensive and integrative services similar to those available in the U.S. and Europe under Japanese laws and regulations.

Through the steady implementation of our Business Portfolio Strategy, we will work to accumulate Retained Earnings. As a consequence, we aim to repay the remaining amount of public funds during fiscal 2006.

### **Becoming "A Financial Partner That Helps Customers Shape Their Future And Achieve Their Dreams"**

Under our Corporate Management Strategy, we have begun preparations to apply for listing on the New York Stock Exchange as early as feasible to enhance both transparency in our corporate governance and investors' confidence. In addition, as a globally active financial group, we will reinforce our commitment to CSR (Corporate Social Responsibility) activities in order to contribute to the development of the economy through active social participation. Moreover, we will strengthen our branding strategy in order to build a Mizuho brand befitting a global financial services group. Determined to be "a financial partner that helps customers shape their future and achieve their dreams," we will implement the new branding strategy reflected in our new slogan, "Channel to Discovery."

As we move forward steadily implementing these business strategies, we are fully committed to strengthening our competitiveness and profitability as well as increasing our corporate value. I sincerely look forward to your continuing support as we work to achieve our goals.

July 2005



Terunobu Maeda  
President & CEO

Mizuho Financial Group, Inc.

## Entering into a New Phase in Our Management Strategies

We positioned fiscal 2004 as “a year of proving the true value of Mizuho” and focused on further improving our financial conditions while working to enhance top-line growth (Gross Profits) and reduce General and Administrative (G&A) Expenses by entering into a new phase in our management strategies. As a consequence, we recorded consolidated Net Income of ¥627.3 billion, the highest level ever for the group.

### Repayment of Public Funds

#### Repaid More Than Half of Public Funds

With regard to repayment of public funds, we fully redeemed remaining Subordinated Bonds of ¥325.0 billion and also repurchased Preferred Stocks of ¥482.6 billion in fiscal 2004 by steadily securing stable profits. To date, we repaid cumulatively more than half of the initial amount of ¥2,949.0 billion, and the outstanding balance of the public funds was reduced to ¥1,466.4 billion as of March 31, 2005.

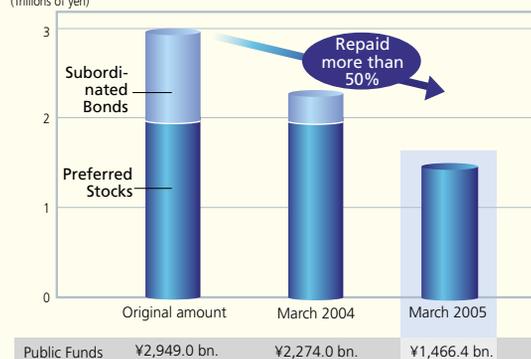
Even after the repayment of these public funds, our consolidated BIS Capital Adequacy Ratio as of March 31, 2005 was maintained at a high level of 11.91%, sufficient for securing our financial soundness.

We will continue to accumulate Retained Earnings based on our stable profits and aim to complete full repayment of the public funds by the end of fiscal 2006.

\*With respect to actual repurchase, we will act in an appropriate manner by consulting with the relevant authorities in light of the related laws and regulations such as the Law of Emergency Measures for Early Strengthening of Financial Functions.

### Repayment of Public Funds

(Trillions of yen)



### End of the Non-Performing Loan (NPL) Issue

#### NPL Ratio Declined to 2.1%

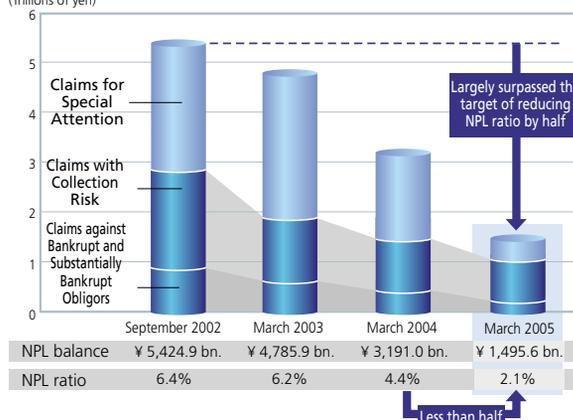
During fiscal 2004, we continued to take aggressive steps to deal with corporate revitalization centered on our “Corporate Revitalization Project” and disposal of NPLs from our balance sheet.

As a result, the balance of NPLs (Disclosed Claims under the Financial Reconstruction Law (FRL)) for the Three Banks as of March 31, 2005 decreased by ¥1,695.3 billion to ¥1,495.6 billion compared with the previous fiscal year end. Even after achieving the target to cut the NPL ratio by half by the end of September 2004 as specified in the Financial Revitalization Program, the ratio continued to decline further to 2.1% as of March 31, 2005, which was less than half of the level of the previous fiscal year end (4.4%). We believe we have materially seen the end of the NPL issue.

In addition, Credit-related Costs decreased by ¥176.7 billion compared with the previous fiscal year to ¥61.2 billion, reflecting Reversal of Reserves for Possible Losses on Loans mainly due to steady progress in corporate revitalizations and improvement in the business performance of our customers.

### Reduction of NPLs (Disclosed Claims under FRL) (the Three Banks)

(Trillions of yen)



## Resolution of Other Management Issues

We continued to reduce our stockholdings in order to strengthen our financial conditions, which should not be impacted by the possible fluctuations in stock prices. The stockholdings of the Three Banks were reduced by ¥383.5 billion during fiscal 2004. In the meantime, Unrealized Gains on Other Securities (which have market prices) were at a substantial level of ¥936.5 billion as of March 31, 2005.

The balance of consolidated Net Deferred Tax Assets (DTAs) as of March 31, 2005 decreased by ¥330.0 billion to ¥1,002.8 billion compared with that of March 31, 2004 mainly due to recording positive taxable income. The ratio of Net DTAs to Tier 1 Capital declined by 9.7 points to 24.0%.

In addition, to reduce the possible downside risks on our future profits, we adopted new accounting rules for Impairment of Fixed Assets in fiscal 2004 ahead of the required application time line and reported Extraordinary Losses on Impairment of Fixed Assets of ¥64.8 billion on an aggregated basis of the Three Banks. We also took a conservative approach and recorded losses including Write-offs of Deferred Hedge Losses.

### Glossary

#### ►Accounting for Impairment of Fixed Assets

The principles of accounting for impairment of fixed assets require companies to recognize these losses in their accounts when the value of assets held by companies, including land, buildings, and machinery, declines substantially. All companies in Japan will be required to adopt these accounting principles beginning in fiscal 2005.

## Progress in Rationalization of Operations

The Two Banks have set a target of reducing G&A Expenses by ¥190 billion in fiscal 2006 compared with fiscal 2002.

It decreased by approximately ¥135 billion in fiscal 2004 compared with fiscal 2002, achieving more than 70% of the initial target.

As for our rationalization of total head count, we reduced it by 3,748 to 22,827 as of March 31, 2005 compared with the previous fiscal year end, attaining the objective of 24,000 by the end of fiscal 2004 under our Business Revitalization Plan.

In addition, Mizuho Bank's IT systems integration, one of the highest priorities for the group, was completed in December 2004. We will continue to maintain supervising the stable operations of its IT systems.

## Initiatives to Enhance Top-Line Growth

In light of the full resolution of financial issues, we entered into a new phase in our management strategies and worked to significantly expand top-line growth (Gross Profits). In order to increase profits, we promptly formulated strategies such as implementing measures tailored to suit each customer segmentation and business feature, promoting group synergies, and forming business alliances with companies outside our group.

We have already seen positive signs, but going forward, we will work harder to achieve greater results.

Figures are described as follows:

The Three Banks: Mizuho Corporate Bank + Mizuho Bank + Mizuho Trust & Banking + their financial subsidiaries for corporate revitalization.

The Two Banks: Mizuho Corporate Bank + Mizuho Bank + their financial subsidiaries for corporate revitalization.

The Holding Companies + the Two Banks: Mizuho Financial Group + Mizuho Holdings + the Two Banks.

## Comparison of Asset Quality among Mega Japanese Financial Groups

	Mizuho (The Three Banks)	SMFG (SMBC, banking account)	MTFG (2 Banks)	UFJ*2
NPL balance (Disclosed Claims under the FRL)	¥ 1.4 tn.	¥ 1.8 tn.	¥ 1.2 tn.	¥ 1.7 tn.
NPL ratio	2.1%	3.3%	2.6%	4.1%
Credit-related Costs	¥ 61.2 bn.	¥ 954.8 bn.	¥ 134.2 bn.	¥ 789.0 bn.*1

Source: Bank disclosures

\*1. Credit-related Costs Includes income from the collection of write-off claims

\*2. 2 Banks+UFJ Strategic Partner+UFJ Equity Investments+UFJ Trust Equity

## Progress in Restructuring Efforts

(The Holding Companies + the Two Banks)

	March 2003	March 2004	March 2005
Employees	27,900	26,575	22,827
Domestic branches	562	440	424
Overseas branches and subsidiaries	49	41	40

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.