

# **SUMMARY OF FINANCIAL RESULTS**

For Fiscal 2006

**MIZUHO**



Mizuho Financial Group, Inc.

# Summary Results for Fiscal 2006

Mizuho Financial Group (“the Group”) is further enhancing comprehensive profitability centering on income from Customer Groups through implementation of various key initiatives under the “Channel to Discovery” Plan. We repaid in full the public funds in July 2006 and successfully listed on the New York Stock Exchange in November 2006. The Group is also working intensively on establishment of a sound management base to sustain further growth, including reinforcement of internal controls over financial reporting. The summary results for fiscal 2006, which reflect these efforts, are described below.

## I. Summary of Income Analysis

### ➤ Consolidated Net Business Profits

- Consolidated Gross Profits increased by JPY 114.9 billion compared with the previous fiscal year. This was particularly due to an increase in net interest income and a steady increase in fee and commission income from Customer Groups of the banking subsidiaries, as well as an improvement in the banking subsidiaries’ market-related income after the disposition of unrealized losses on bond portfolios in the previous fiscal year (\*). As for securities subsidiaries, the decrease in Operating Revenues derived mainly from equity business divisions.

(\*) Disposition of unrealized losses on bond portfolios of JPY 138.5 billion for 3 Banks

- Consolidated Net Business Profits increased by JPY 69.0 billion to JPY 991.6 billion despite an increase in G&A expenses (excluding Non-Recurring Losses) driven by an outlay on “Strategic Expenses.”

### ➤ Consolidated Net Income

- Consolidated Net Income decreased by JPY 28.9 billion to JPY 620.9 billion. While Extraordinary Gains of JPY 125.9 billion were recorded on Gains on cancellation of Retirement Benefit Trusts and other factors, Credit-related Costs increased and Net Gains/Losses related to Stocks amounted to a loss mainly due to certain business performance deterioration within the non-bank financial services sector.
- Earnings per Share (EPS) steadily improved compared with the previous fiscal year.
- Considering the above consolidated financial results, retained earnings and other factors, in order to further enhance profit distribution, we plan to increase the fiscal year-end cash dividends per share of common stock for fiscal 2006 to JPY 7,000, which is a JPY 3,000 increase from those for the previous fiscal year.

(Consolidated) (JPY Bn)	FY 2006	
		Change from FY 2005
Consolidated Gross Profits	2,117.3	114.9
Consolidated Net Business Profits *1	991.6	69.0
Credit-related Costs	-40.1	-93.4
Net Gains related to Stocks *2	-109.5	-341.1
Ordinary Profits	748.1	-172.8
Net Income	620.9	-28.9

\*1: Consolidated Gross Profits - General and Administrative Expenses (excluding Non-Recurring Losses) + certain equity in income from investments in affiliates and other consolidation adjustments

\*2: Gains of JPY 21.2 billion on sales of stock associated with credit and alternative investments, which we made as part of our efforts to diversify sources of our market-related income, were recorded as Net Gains related to Stocks.

The corresponding figure for FY 2005 includes gains of JPY 42.4 billion on sales of common stock of our subsidiary.

	FY 2006	
		Change from FY 2005
EPS *1 (JPY)	48,803	2,568
ROE *2	12.7%	-2.1%

\*1: Fully diluted EPS: Diluted Net Income per Share of Common Stock\*  
[\*Calculated under the assumption that all dilutive convertible securities are converted at the price calculated based on the market price at the beginning of the fiscal year]

\*2: Return on Equity = Net Income / [(Total Shareholders' Equity + Total Valuation and Translation Adjustments) <beginning>\* + (Total Shareholders' Equity + Total Valuation and Translation Adjustments) <fiscal year-end>\*] / 2 ] X 100

[\*\* Figures other than those for March 31, 2007 calculated using former "Total Shareholders' Equity" data]

(Reference) 3 Banks (JPY Bn)	FY 2006	
		Change from FY 2005
Gross Profits *	1,700.2	121.4
G&A Expenses (excluding Non-Recurring Losses)	-855.7	-44.7
Net Business Profits *	844.5	75.2
Credit-related Costs	-23.3	-87.2
Net Gains related to Stocks	-115.3	-315.1
Ordinary Profits *	572.4	-96.9
Net Income *	598.2	-14.7

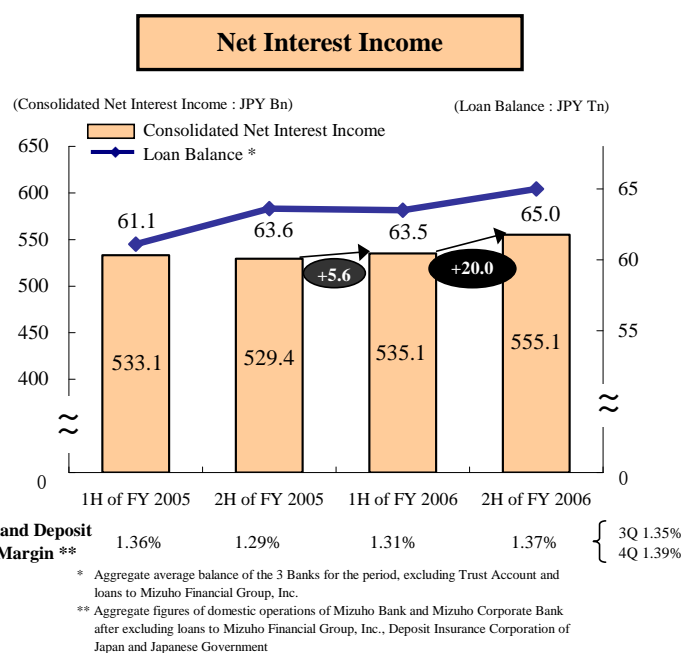
\* Figures in FY2005 exclude JPY 120.0 billion of dividends from the financial subsidiaries for corporate revitalization.

## II. Steady Enhancement of the Group's Comprehensive Profitability

### - Steady increase in income from Customer Groups

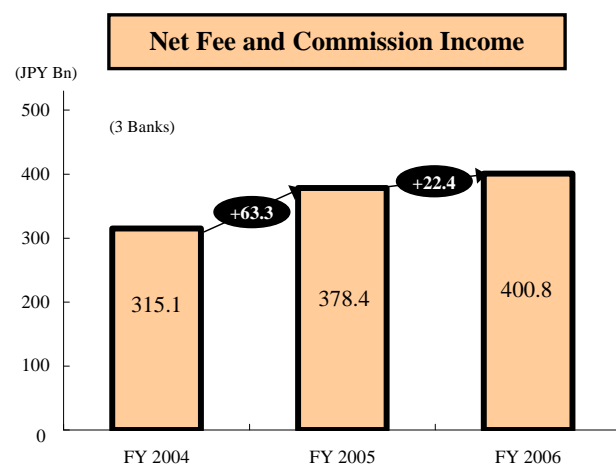
#### ➤ Net Interest Income

- Consolidated Net Interest Income for the second half of fiscal 2006 increased by JPY 20.0 billion compared with the first half of fiscal 2006.
- The average loan balance for the same period increased by JPY 1.5 trillion compared with the first half of fiscal 2006, mainly driven by expansion of overseas lending and stable growth in loans to individuals in the domestic market.
- In addition, domestic loan-and-deposit rate margins for the same period improved by 0.06% compared with the first half of fiscal 2006.



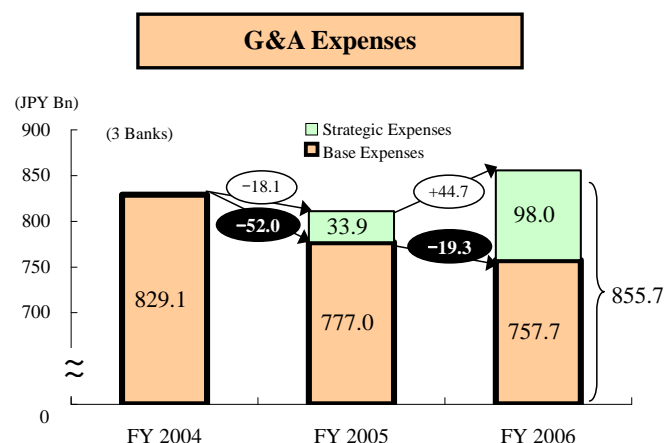
#### ➤ Non-Interest Income

- Net Fee and Commission Income of the 3 Banks increased by JPY 22.4 billion, or 5.9%, compared with the previous fiscal year.
- As for our corporate business, while fee and commission income from solution-related business decreased, that from foreign exchange business and overseas business and income from trust and asset management business of Mizuho Trust & Banking steadily increased.
- As for our business with individual customers, fee income related to investment trusts and individual annuities continued to increase.



#### ➤ G&A Expenses

- “Base Expenses” further decreased by JPY 19.3 billion compared with the previous fiscal year, mainly due to a reduction in IT-related expenses in Mizuho Bank.
- There was an outlay on “Strategic Expenses” of JPY 98.0 billion for enhancing future top-line growth. As a result, total G&A Expenses of the 3 Banks increased by JPY 44.7 billion compared with the previous fiscal year.



### III. Disciplined Capital Management

The Group is implementing disciplined capital management through which we aim to enhance the quality of capital and reinforce the capital base in order to sustain our top-line growth strategies, even after the full repayment of public funds in July 2006.

#### ➤ Issuance of Preferred Securities

- In January 2007, we issued JPY 400.0 billion of preferred debt securities through an overseas special purpose subsidiary, so as to increase the Group's Tier 1 capital for securing the agility and improving the flexibility of our future capital strategy.
- We plan to redeem in full JPY 185.5 billion of preferred debt securities which were issued in February 2002 and are redeemable at the issuer's option in June 2007.

#### ➤ Repurchase of Own Shares (Common Shares)

- On May 22, 2007, the Board of Directors resolved to set up a limit for repurchasing own shares (common shares) up to a maximum of JPY 150.0 billion. Repurchase will be made for the purpose of, among other things, offsetting the potential dilutive effect of the conversion of the Eleventh Series Class XI Preferred Stock in consideration of the possibility that the number of shares of our common stock will increase after the commencement of the conversion period from July 1, 2008.

#### ➤ Repurchase of Treasury Stock Held by Our Subsidiary

- On the same day, the Board of Directors resolved to repurchase all the treasury stock (261,040.83 shares of common stock) held by our subsidiary, Mizuho Financial Strategy, Co., Ltd., and cancel those shares immediately after repurchase.

### IV. Others (Financial Soundness)

- The Group maintains its financial soundness at a high level, even though Disclosed Claims under the Financial Reconstruction Law increased.

(JPY Bn)	March 31, 2007	
		Change from March 31, 2006
Basel II BIS Capital Ratio *1 (Consolidated)	12.48%	-
(Basel I)	(11.58%)	(-0.01%)
Basel II Tier 1 Capital Ratio	6.96%	-
(Basel I)	(6.17%)	(0.30%)
Net Deferred Tax Assets (DTAs) *2 (Consolidated)	170.8	-124.9
Net DTAs / Tier 1 Ratio *3	3.4%	-3.0%
Disclosed Claims under the Financial Reconstruction Law (3 Banks)	1,246.7	193.9
NPL Ratio	1.65%	0.23%
(Net NPL Ratio *4)	(0.67%)	(0.20%)
Unrealized Gains on Other Securities *5 (Consolidated)	2,437.1	235.7

\*1: The ratios based on Basel II were introduced from the end of FY 2006.  
Figures in ( ) indicate the ratios based on Basel I.

\*2: Deferred Tax Assets related to Net Deferred Hedge Losses were booked effective from the end of FY 2006.

\*3: Tier 1 Capital at the end of FY 2006 was calculated based on Basel II, whereas such figures at the end of FY 2005 was based on Basel I.

\*4: (Disclosed Claims under the Financial Reconstruction Law - Reserves for Possible Losses on Loans) / (Total Claims - Reserves for Possible Losses on Loans) X 100

\*5: The base amount to be recorded directly to Net Assets after tax and other necessary adjustments

## Earnings Estimates for Fiscal 2007

**In fiscal 2007, we will continue to implement our strategic initiatives based on the “Channel to Discovery” Plan. We estimate that Consolidated Net Income for fiscal 2007 will exceed that of the previous fiscal year through enhancement of the Group’s comprehensive profitability centering on Customer Groups and improvement in Credit-related Costs and Net Gains related to Stocks.**

(The figures below are on a consolidated basis.)

- Consolidated Net Business Profits for fiscal 2007 are estimated to increase by approximately JPY 50 billion, mainly due to a steady increase in income from Customer Groups driven by continuous strategic allocation of management resources to growth business area, further enhancement of the Group’s comprehensive strengths and other factors, while market-related income is estimated to decrease during a phase of rising interest rates.
- In addition, Credit-related Costs are estimated to remain at a low level, and Net Gains related to Stocks are also estimated to improve substantially compared with the previous fiscal year.
- As a consequence, we estimate Consolidated Net Income to be JPY 750.0 billion, an increase of 20% on the previous fiscal year, and foresee a steady increase in our EPS.
- Considering the earnings estimates described above and other factors, we plan to increase the cash dividends per shares of common stock for the fiscal year ending March 2008 to JPY 10,000 (a JPY 3,000 increase from those for the previous fiscal year) and make dividend payments on preferred stock as prescribed.

(Consolidated) (JPY Bn)	FY 2007 (Estimates)	
		Change from FY 2006
Consolidated Net Business Profits *1	1,040.0	48.3
Credit-related Costs	-20.0	20.1
Net Gains related to Stocks	105.0	214.5
Ordinary Profits	1,050.0	301.8
Net Income	750.0	129.0

\*1: Consolidated Gross Profits - General and Administrative Expenses (excluding Non-Recurring Losses) + certain equity in income from investments in affiliates and other consolidation adjustments

(Reference) 3 Banks (JPY Bn)	FY 2007 (Estimates)	
		Change from FY 2006
Net Business Profits	856.0	11.4
Credit-related Costs	-15.0	8.3
Net Gains related to Stocks	105.0	220.3
Ordinary Profits	840.0	267.5
Net Income	715.0	116.7

### Definition

**3 Banks:** Aggregate figures for Mizuho Bank, Mizuho Corporate Bank and Mizuho Trust & Banking on a non-consolidated basis. On October 1, 2005, each of the financial subsidiaries for corporate revitalization was merged into its own parent bank, and figures before October 1, 2005 are the aggregate figures for the above three banks and their financial subsidiaries for corporate revitalization

This immediate release contains statements that constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including estimates, forecasts, targets and plans. Such forward-looking statements do not represent any guarantee by management of future performance.

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 us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions.

We may not be successful in implementing our business strategies, and management may fail to achieve its targets, for a wide range of possible reasons, including, without limitation, incurrence of significant credit-related costs; declines in the value of our securities portfolio; changes in interest rates; foreign currency 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 effects of changes in general economic conditions in Japan.

Further information regarding factors that could affect our financial condition and results of operations is included in “Item 3.D. Key Information—Risk Factors,” and “Item 5. Operating and Financial Review and Prospects” in our registration statement on Form 20-F filed with the U.S. Securities and Exchange Commission (“SEC”) on October 19, 2006, which is available in the Financial Information section of our web page at [www.mizuho-fg.co.jp/english/](http://www.mizuho-fg.co.jp/english/) and also at the SEC’s web site at [www.sec.gov](http://www.sec.gov).

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, except as may be required by the rules of the Tokyo Stock Exchange.

## **(Reference) Topics after April 2006**

### ➤ **Full Repayment of Public Funds (July 2006)**

- We repaid in full the public funds as we repurchased and cancelled JPY 600.0 billion (on an issued-price base) of preferred shares of public funds.

### ➤ **Listing on the New York Stock Exchange (November 2006)**

- We listed our ADRs (American Depositary Receipts) on the New York Stock Exchange in order to enhance investor convenience in the U.S. capital market while ensuring flexibility in the Group's future capital management and expanding our investor base.

### ➤ **Implementation of Strategic Initiatives based on Our Business Model**

#### **Global Retail Group**

- **Increase in the Number of Mizuho Mileage Club (MMC) Membership**
  - Mizuho Bank, Ltd. (MHBK) further improved membership services through promotion of alliances with "Corporate Partners" in other business categories and introduction of "iD" service that provides credit card settlement function by mobile phone.
  - The number of MMC membership increased to approximately 3.3 million as of the end of March 2007.
- **Expansion of "Mizuho Personal Square"**
  - MHBK has increased the number of "Mizuho Personal Squares" - branches with a greater focus on individual customers - to 73 as of May 2007.
- **Expansion of "Planet Booth" - Consulting Booths of Mizuho Investors Securities located in Mizuho Bank's Branches**
  - The number of "Planet Booths" reached 102 as of May 2007.
- **Integration and Realignment of Credit Card Operations (January 2007)**
  - MHBK, UC Card Co., Ltd. and Credit Saison Co., Ltd. (Credit Saison) reached an agreement to embark on the full-scale integration and realignment of their credit card operations, including the establishment of a third-party credit card processing company.
  - MHBK purchased 4,683 thousand shares of common stock of Credit Saison.

#### **Global Corporate Group**

- **Financial Holding Company Status Obtained in the United States (December 2006)**
  - Mizuho Corporate Bank, Ltd. (MHCB) was authorized to become a Financial Holding Company (FHC) in the U.S. With this status, we are now able to engage in comprehensive investment banking business, such as underwriting and dealing of corporate bonds, equities and other type of securities. (authorized first among Japanese Banks)
- **Global Network Development**
  - MHCB established New Delhi Branch, Wuxi Branch, Brussels Branch of Mizuho Corporate Bank Nederland, Ho Chi Minh City Branch, Sao Paulo Representative Office, Moscow Representative Office, Milan Branch and Mexico Representative Office.
  - MHCB received approval to begin preparations for the establishment of a wholly-owned MHCB banking subsidiary in China and permission to commence preparation for the establishment of Tianjin Branch.
- **Investments for Promoting Global Business**
  - MHCB and Mizuho Securities concluded a "Business Cooperation Agreement" with Shinhan Financial Group, and MHCB purchased common stock of Shinhan Financial Group.
  - MHCB reached an agreement with The Michinoku Bank, Ltd. for purchase of stock in The Michinoku Bank (Moscow) Ltd., the Russian subsidiary of The Michinoku Bank, Ltd.
  - MHCB acquired a part of common stock of China CITIC Bank Corporation Limited.
- **Merger of Mizuho Securities and Shinko Securities (January 2008 : target)**

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

- **Merger of Dai-Ichi Kangyo Asset Management (DKA) and Fuji Investment Management (FIMCO) (July 2007 : target)**